

ORDER no. 42 from June 26th, 2013 (*updated*)

regarding the approval of the methodology for establishing regulated fees for distribution services in the natural gas sector, from the third regulatory period, and on amending the methodology for approving prices and setting regulated tariffs in the natural gas sector, approved by the [Order of the Chairman of the Romanian Energy Regulatory Authority no. 22/2012](#)

ISSUER: THE ROMANIAN ENERGY REGULATORY AUTHORITY

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According to the dispositions of [art. 5 para. \(1\) b\) of the Government Emergency Ordinance no. 33/2007](#) regarding the organization and functioning of the Romanian Energy Regulatory Authority, approved with amendments and completions by the [Law no. 160/2012](#),

Under the provisions of art. 179 para. (4) and (5) of the [Law on electricity and natural gas no. 123/2012](#),

the Chairman of the Romanian Energy Regulatory Authority issues the following order.

ART. 1

The methodology for establishing the regulated tariffs for distribution services in the natural gas sector, from the third regulatory period set out in the annex part of the present order is approved.

ART. 2

Repealed.

ART. 3

At the effective date of the current order, the provisions of the [Order of the Chairman of the Romanian Energy Regulatory Authority no. 22/2012](#) of approval of the Methodology for establishing the regulated tariffs for distribution services in the natural gas sector, with subsequent amendments, it ends its applicability for the activity of distribution of natural gas, starting with the third regulation period.

ART. 4

The Romanian Energy Regulatory Authority and licensed undertakings will carry out the provisions of this decision.

ART. 5

The current order is published in the Romanian Official Gazette, Part I, and is in force starting with July 1st, 2013.

The Chairman of the Romanian Energy Regulatory Authority,
Niculae Havrileț

Bucharest, June 26th, 2013.

No. 42.

ANNEX

METHODOLOGY

for establishing the regulated tariffs for distribution services
in the natural gas sector, from the third regulatory period

CAP. I

General dispositions

ART. 1

(1) This methodology regulates the foundation and establishing of regulated unit revenue, total unit revenue and the regulated tariffs for natural gas distribution services through distribution systems, hereinafter rates distribution tariffs.

(2) Connecting third-party distribution systems, as well as the activities related to operating distribution systems, according to the relevant regulations issued by the Romanian Energy Regulatory Authority (ANRE) and other activities of the distribution system operator within the limits set by conditions of a valid license related are not covered by this methodology.

(3) Determining the income and charges referred to in para. (1) is based on formulas and parameters specified in this methodology.

SECTION 1

Natural gas distribution

ART. 2

Gas distribution means all the activities and operations carried out by the distribution licensee for or in connection with the construction, operation and capacity distribution and use of natural gas.

ART. 3

Exploiting the distribution capacities means all the operations and activities of the licensee for distribution and / or in connection with the operation, maintenance and the functionality of the distribution system safely, including the replacement of distribution pipelines and facilities and related equipment, repairs, verifications and other alike.

ART. 4

The development of the capacities for distribution means the operations and activities of the licensee for distribution and / or related to the increasing distribution capacity either by increasing

distribution capacity in existing pipelines or by extending distribution networks, without referring to the connection of new customers to existing pipelines or separating them.

ART. 5

(1) The use of the distribution system means all the activities and operations carried out by distribution licensee for or in connection with:

- a) taking the perimeters of natural gas production, out of the transportation systems, directly imported from another system or another distribution system;
- b) carrying natural gas through the distribution system, between cut-off points in the distribution system;
- c) natural gas delivery to the end customer or another distributor;
- d) measuring quantities of natural gas taken / delivered;
- e) reading meters/equipment and/or measurement systems.

(2) The use of the distribution system, in addition to the actions and operations described in the previous paragraph includes activities and operations carried out by the licensed operator for or in connection with the conclusion and performance of contracts for the provision of distribution services and related costs are recognized in income licensed operator.

SECTION 2

Defining the regulation periods

ART. 6

(1) The regulatory period is the time during which ANRE regulates yearly income that a license holder is entitled to carry on the activity of distribution in a prudent manner, at a justified cost recovery for the year of regulations, hereinafter regulated revenue.

(2) The regulatory period for gas distribution activity is 5 years.

ART. 7

(1) For the license holders that, at the publication date of this methodology, operate with natural gas distribution, the date of commencement of the third regulatory period is January 1st, 2013.

(2) For the first year of the regulatory period, until the approval of the new unit regulated revenue and the new total regulated revenue related to the activity of natural gas distribution, the regulated tariffs in force remain unchanged. The not gained revenues on this question will be established with the first annual adjustment, to be subsequently recovered, the recovery period and form to be agreed with each license holder.

(3) Notwithstanding the provisions of para. (2) for the first year of the third regulatory period, until the approval of the new unit regulated revenue and the new total regulated revenue related to the activity of natural gas distribution, on July 1st 2013 ANRE will index the distribution tariffs in force with the inflation rate of the previous year, determined based on the data published on the website www.insse.ro. The differences in income due to the application of these tariffs will be established with the approval of regulated unit revenue and the total unit revenue for the first year of the third regulatory period.

(4) The establishment and approval of regulated income unit and the total revenue unit, for each year of the third regulatory period and the distribution tariffs will be made on April 1, from 1 April 2014, and the tariffs will be established so as to ensure the recovery of the not gained revenue difference during the interval of January 1 to March 31 of each year.

(5) The background/adjustment of the regulated unit revenue and the total unit revenue will be based on the data and information submitted by licensees, covering justified costs related to the calendar year (January 1 to December 31).

(6) Notwithstanding the provisions of para. (2) the undertaking licensees that reported losses in the fiscal year prior from the activities of distribution, as shown in the accounting books covered in the previous year and undertakings licensees that have not submitted the necessary documents to substantiate the regulated revenue unit and total revenue unit for the second regulatory period, within 30 days of the entry into force of this methodology can submit necessary documents to substantiate the regulated revenue unit and the total revenue unit, respectively the distribution tariffs for the first year on the third regulatory period. Licensed undertakings that are in this situation are obligated to justify that the resulting loss is mainly due to the change in capital costs, direct costs and quantities from distributed quantities opposed to those in distribution tariffs in force on the date hereof. The procedure for substantiating the regulated revenue unit and the total revenue unit and the tariffs of distribution is in accordance with this methodology.

ART. 8

(1) For undertakings licensed after the date of the publication of this methodology, the regulatory period begins on the commencement date of the regulated activity and will end with the completion of the regulatory period to other licensees.

(2) To establish and approve the regulated revenue unit and the total revenue unit as well as tariffs related to the distribution activity conducted in the first year, the undertakings referred to in para.

(1) shall submit related documentation when submitting the documents required to obtain licenses for distribution.

CAP. II

The foundation and establishment of the regulated revenue unit and the total revenue unit in the first year of the regulatory period

SECTION 1

Regulated revenue unit in the first year of the regulatory period

ART. 9

The regulated revenue represents the revenue for the first year of the regulatory period, recognized and permitted by ANRE of a distribution license holder for the costs justified under the management control of the licensee necessary to conduct distribution activities.

ART. 10

(1) The general formula for calculating regulated revenue referred to in art. 9 for any license holder, is as follows:

T

$$VR(d) [x]1 = OPEX(d) [x]1 + RoR(d) * RAB(d) [x] + AR(d) [x] + RoR(d) * CLP(d) [x]1,$$

ST

where:

VR(d)[x]1 - the regulated revenue from the distribution activity in the first year of the regulatory period [x];

OPEX(d)[x]1 - total operating expenses of the licensee recognized by ANRE for the first year of the regulatory period [x];

RoR(d) - the regulated rate of return, recognized by ANRE for the work of distribution for the regulatory period [x];

RAB(d)[x] - the regulated asset value representing the amount of tangible and intangible assets at the beginning of the first year of the regulatory period [x], recognized by ANRE;

AR(d)[x] - amortization of tangible and intangible assets, recognized by ANRE for the first year of the regulatory period [x];

CLP(d)[x]1 - working capital according to art. 21 h);

RoR(d) * CLP(d)[x]1 - financial compensation that represents the regulated rate of return granted for working capital and costs recognized of the license holder recovered from customers within the time limits in commercial contracts concluded under framework contracts issued by ANRE.

(2) The regulated revenue does not cover costs that cannot be controlled and which the management of the license holder cannot act directly to increase the efficiency of implemented activities, hereinafter referred to as pass through costs, representing:

a) contributions to the health fund, special funds, other similar issues, related to the salary fund;

b) fees, taxes, contributions to special funds, like set according to legal regulations in force;

c) the value of distributions services of transit for using the distribution system of another operator who has requested access or access to which has already been approved in order to circulate the gas to supply natural gas to final customers in its portfolio;

d) royalties of concession owned by the public state;

e) royalties stipulated in concession contracts of distribution of natural gas and / or related assets owned by the public state, rents set out in leases of goods that make up the distribution networks and local taxes established by the authorities achieving the distribution services;

f) other costs beyond the control of the licensee recognized as such by ANRE.

(3) For the activity of distribution is the revenue is regulated annually at the level of unit justified costs of the regulation year, hereinafter regulated revenue unit.

ART. 11

(1) The regulated revenue unit in the first year of the regulatory period [x] is determined for each operator licensed by dividing the regulated revenue for the operation of the distribution in the first year of the regulatory period [x], the total amount estimated to be distributed in the same year, according to the following formula:

T

$$VRU(d)[x]1 = VR(d)[x]1/Q(d)[x]1,$$

ST

where:

VRU(d)[x]1 - the regulated revenue unit in the first year of the regulatory period [x] for distribution activity;

VR(d)[x]1 - the regulated revenue related to distribution activities in the first year of the regulatory period [x], calculated according to art. 10 para. (1) and under other provisions of this methodology;

Q(d)[x]1 - the amount of natural gas estimated to be distributed in the first year of the regulatory period [x] measured at the client, not including the technological consumption of the distribution operator system.

(2) The amount of natural gas estimated to be distributed in the first year of the regulatory period [x] is founded by licensed distribution operator. The prognosis on the estimated quantities and its foundation shall be submitted to ANRE with the submission of documents establishing the regulated revenue unit in the first year of the regulatory period [x] [according to art. 51 para. (1)]. The estimation of quantities is made under standard pressure, temperature and quality of natural gas according to regulations. Considerations underlying the foundation and methods used are presented to ANRE with them.

(3) ANRE has the reasoned right to request or to propose a revision of the submitted estimations.

SECTION 2

Total revenue unit in the first year of the regulatory period

ART. 12

(1) For the first year of each regulatory period is calculated for each licensee, the total revenue unit for the first year of the regulatory period.

(2) The total revenue unit for the first year of the regulatory period includes the regulated revenue unit in the first year of the regulatory period and passed through costs of the related unit.

(3) The total revenue unit for the first year of the regulatory period (x) is determined by the following formula:

$$VU(d)(x)1 = VRU(d)(x)1 + CPDU(d)(x)1 + DVU(d)(x)1 + (\Delta)AR(d)(x-1), \text{ where}$$

VU(d)(x)1 - the total revenue unit in the first year of the regulatory period (x) for the distribution activity;

VRU(d)(x)1 - regulated revenue unit in the first year of the regulatory period (x) for the distribution activity;

CPDU(d)(x)1 - pass through unit costs in the first year of the regulatory period (x) for the activity of distribution, calculated by dividing the total pass through costs recognized for the license holder for the first year of the regulatory period to the total estimated amount to be distributed in the same year;

DVU(d)(x)1 - redistribution component unit in the first year of the regulatory period (x) between the license holder and customers to enhance economic efficiency achieved in carrying out distribution and retained by the operator during the five years;

(Delta)AR(d)(x-1) - the difference between depreciation of regulated tariffs granted by the regulatory period (x-1) and the real value determined at the end of the regulatory period (x-1).

(4) The total revenue unit amounts for each year of the regulatory period [x] is the basis for determining the distribution tariffs of the same year, that license holders are entitled to practice in contracts to provide distribution services.

SECTION 3

Efficiency gain achieved annual by license holders

ART. 13

At the end of regulation period, ANRE analyzes the information submitted by the licensee on efficiency gains achieved and quantify their value for each year of the regulatory period.

ART. 14

(1) The economic efficiency gain achieved annual in the regulatory period is calculated as the positive difference between the level of operating expenses (OPEX) under the control of the licensee's, ANRE license in that year of the regulatory period, and the costs actually incurred by the license holder in the same year. In calculating the efficiency gain the technological consumption is not included .

(2) The economic efficiency gain achieved annual in the regulatory period, related to the technological consumption is calculated as a positive difference between the costs incurred by the operator and the cost of annual licenses for technological consumption in the total revenue unit.

ART. 15

(1) The economic efficiency gains, as determined under art. 14 will be retained by the licensee for a period of 5 years from the year in which they were obtained.

(2) The differences calculated as a result of the clearing process, notwithstanding para. (1), of efficiency gains obtained during the second regulatory period and unrealized gains recognized by ANRE for the second regulatory period, approved by the Regulatory Commission of ANRE will be recovered, the manner and period of recovery to be determined with each licensee.

(3) Unrealized gains are the difference between the amount of revenue that a licensee for distribution is entitled to carry out annually to conduct distribution activities in a prudent manner, according to this methodology, and the amount of income realized by applying tariffs in force in the regulatory year, with annual inflation update the amounts recovered.

SECTION 4

The allocation and justification of costs

ART. 16

The cost allocation between regulated activities of the distribution license holder will be achieved in compliance with specific obligations set out in the [Law of electricity and natural gas no. 123/2012](#).

ART. 17

(1) The license holders are obliged to advance costs incurred / estimated to be completed for recognition in distribution tariffs, justifying that they are prudent costs.

(2) It is considered that prudent costs are costs that prove to be necessary, timely, and effective and they reflect market conditions, namely:

a) Required - objective need of the operator to achieve a cost in order to ensure the safe operation of the distribution system;

b) Timely - postponing the cost is likely to cause harm to the operator and / or client;

c) Efficient - achieving the cost is likely to bring further benefits to the operator and the customer;

d) market conditions - the cost realized by the operator based on the best market conditions existing at the date of completion and in accordance with the Romanian legislation on the matter.

SECTION 5

Allocation of costs in operational costs (OPEX) and capital costs (CAPEX)

ART. 18

They are considered operating costs (OPEX) costs that are generated by the distribution licensee.

ART. 19

(1) Operational costs (OPEX) include:

a) the costs of raw materials, and others alike;

b) energy costs, fuel, water;

c) technological consumption, calculated under the rules, regulations and/or other legal regulations in force;

d) staff costs - salaries, bonuses and other rights granted under the law in force;

e) expenses for maintenance, verifications and routine repairs made in own or by third parties; expenses for replacement of parts or components of fixed assets, amortization of unamortized in full accordance with the rules on regulated amortization if the replacement is not done by upgrading, increasing the capacity and/or of operational safety or life extension of that asset. This includes the maintenance and repair of non-investment nature. The expense of the operator distribution with third party companies will be made on a competitive basis;

f) expenditures on studies and research - in the justifications will include studies/researches expected to perform, the necessity of the respective study/research, period of time for which the effects are enrolled, the total value of the study/research. If deemed necessary, ANRE can divide the value of the study over several years;

g) expenditures on insurance premiums;

h) expenses with royalties, management and rentals locations - other than those concluded contracts with central and local authorities - for these categories of expenditure a list of documents (contracts, invoices, etc.) showing their achievement shall be transmitted to ANRE;

i) other general administrative expenses;

j) the costs of commercials, advertising, sponsorship, social action and others alike, at the deductibility limit of the profit tax;

k) expenses for the operation of distribution lines, owned by third parties, such as those referred to in subparagraph a)-j)

(2) The estimated operating costs for the first year of the regulatory period will be evaluated and accepted by ANRE, taking into account:

- the operating expenses recorded in previous years;
- the development cost items (materials, wages, energy, services, etc.), by sector and the whole economy;
- the increasing labor productivity and efficiency of the license holder;
- the development of the distribution business;
- the analysis of operational expenditures made by other operators of distribution in previous years under similar conditions;
- the evolution of economic and financial indicators made by the distribution operators in previous years.

(3) The technological consumption of natural gas is the certified amount based on the methodology developed by ANRE required to be consumed by an operator to ensure the process parameters necessary for the activity of natural gas distribution.

(4) The purchase price of natural gas to cover technological consumption for the household and non-household sectors, according to the weights corresponding to the market, supported by ANRE, is the monthly purchase cost unit of gas conducted by the distribution system operator in a prudent manner.

ART. 20

The following are not included in the operating costs (OPEX) related to the distribution activity:

- a) any costs generated by connecting, branching and disconnection of customers;
- b) contributions to the health fund, special funds, other similar funds, related to the salary fund;
- c) fees, taxes, contributions to special funds and alike set according to legal regulations in force;
- d) royalties of concession owned by the public state;
- e) royalties stipulated in the contracts for the concession of distribution and / or related assets, rents set out in leases of goods that make up the distribution networks and local taxes established by the authorities to achieve distribution services;
- f) amortization of tangible and intangible assets and the cost of own production/realization;
- g) financial and extraordinary expenses;
- h) any costs arising from the related distribution activity.

ART. 21

Capital costs (CAPEX) related to regulated activities include the costs of:

- a) the acquisition or production/realization of tangible and intangible assets;
- b) modernizing, increasing capacity and/or the safe operation of tangible and intangible assets;
- c) span extent of the initial technical and economic life;
- d) the replacement of tangible assets fully depreciated according to the regulated depreciation rules;
- e) replacement of assets, depreciated in full, calculated as the difference between the new asset and depreciated value of the asset replaced, according to the regulated depreciation rules if the replacement is done by upgrading, increasing the capacity and / or operational safety or life extension of that asset;
- f) costs for the distribution system connection to the transmission system; covered in the booking accounts they are considered intangible assets;
- g) interests, bank charges and exchange rate differences on loans to finance tangible and intangible assets put into service, if not included in their original value. Interests, bank charges and exchange rate differences on loans to finance tangible and intangible assets put into operation, are recognized in CAPEX if the credits for which they are paid finances the construction of assets to put into services. These amounts are included in the asset value or can be shown separately capitalized and included in the regulated asset base RAB value at the beginning of the regulatory periods;
- h) working capital. Working capital refers to the working capital necessary to the license holder for the current activity of the regulatory period, for an average duration of 30 days. The working capital is determined as the 12th part of the amount of the operator's total revenue, estimated to be completed in the regulated activity in the first year of the regulatory period;
- i) received concessions reflected as intangible assets when the concession contract establishes a duration and a value determined for the concession. Depreciation concession is to be registered on the duration of use as determined under the contract. If the concession contract provides for a payment/rent and not a depreciable value, these costs are likely capital costs (CAPEX);
- j) the renting of tangible and intangible assets related to the distribution activity are established distribution tariffs, according to this methodology, if the distribution licensee does not own them, as a result of the legal unbundling of the distribution activity. When establishing the tariffs of the regulated distribution operator, lease costs will be recognized as the amortization of capital costs to regulated financial compensation which is the regulated rate of return granted to tangible and intangible assets.

ART. 22

The following are not considered capital costs (CAPEX):

- a) tangible assets representing branching, except those made as a result of modernization works/rehabilitation/replacement of meters/equipment and/or measurement systems;
- b) advances, tangible and intangible assets in progress;
- c) financial assets;
- d) costs of replacement of parts or components of tangible assets, not fully depreciated according to the regulated depreciation rules if replacement is not done by upgrading, increasing the capacity and/or the operational safety or life extension of that asset.

SECTION 6

The allocation of fixed and variable costs

ART. 23

Total costs recognized by ANRE in calculating the regulated revenue for the first year of the regulatory period are allocated in fixed costs and variable costs.

ART. 24

The fixed costs reflect expenses related to distribution capacity, that don't dependent on the quantities distributed and that cover the depreciation of tangible and intangible assets of the distribution system, expenditures directly related to the continuing of operation and maintenance of security in the operation of the distribution system, and part of the general costs associated with its management.

ART. 25

(1) The allocation of fixed costs among customer categories is proportional with capital costs involved in the developing the capacity of distribution for each category and reflects the hourly load factor of the capacity reserved in the distribution system, specific to each category of customers.

(2) The hourly load factor of the capacity reserved in the distribution system is the ratio between annual consumption and the installed flow characteristic for each category of customers and the number of hours that would be required to take the entire annual consumption at the installed flow, according to the formula:

T

$$Nd = \frac{Q(\text{annual})}{Q[h(\text{max})]},$$

ST

in which:

Q(annual) - the annual consumption, statistically determined for a period not exceeding five years, expressed in MWh;

Q[h (max)] - installed flow, expressed in MWh.

[ART. 26](#)

The variable costs reflect the expenses related to the use of the distribution system and depend on the quantities actually distributed. The variable costs are allocated equally distributed to the whole amount.

SECTION 7

Criteria for rejecting costs

[ART. 27](#)

Justified costs analysis is conducted based on the statements made available to ANRE by license holders, the estimated costs for the first year of the regulatory period for the distribution activity. The costs will be passed detailed in the format annexes for regulated accounting records (ECR) for all activities of the license holder.

[ART. 28](#)

(1) When the estimated justified cost for the first year of each regulatory period, licensees submit costs for the last year of activity (consisting of annexes ECR, 6 months realized and 6 months estimated) previous to the regulatory period for which is based the regulated revenue unit and the total revenue unit, excluding newly licensed holders.

(2) Notwithstanding the provisions of para. (1) to substantiate the regulated revenue unit and the total revenue unit for the first year of the third regulatory period, licensees of distribution will submit the necessary documents on August 1st, 2013, after the presentation of the accounts covered the year 2012.

(3) When sending the data to substantiate the revenue regulated unit and the total revenue unit the report accounting of separation of the regulated activities for the third regulatory period will be submitted in accordance with the legal provisions and structured as:

a) regulated activities in the sector, broken down by:

a.1) activities and operations carried out by the distribution licensee for or in connection with the construction, operation and capacity distribution and their use, as defined by this methodology;

a.2) connecting third-party distribution systems;

a.3) operating activities related to the distribution systems;

a.4) other regulated activities of the sector;

b) non-regulated activities of the sector;

c) activities outside the sector.

[ART. 29](#)

ANRE has the right to require license holders further information, including details and justification for any elements of the situations presented.

[ART. 30](#)

(1) The following costs are not recognized:

1. within operating expenses (OPEX)

a) the operational expenditure referred to in art. 20;

b) fines, penalties and late payment interest for delayed payment of the obligations to the state budget, social insurance budget, special funds, local budgets;

c) penalties and late payment interest for not paying the loans on time ;

d) expenses for damages, penalties or other alike resulting from the performance standard;

e) penalties, late payment increases and/or damages for breach of contractual clauses to suppliers or service providers;

f) provisions of any kind;

2. in capital costs (CAPEX)

a) the cost of capital set out in art. 22;

b) depreciated value of tangible and intangible assets written off or transferred to third parties or to the unregulated activities of the licensee calculated according to ANRE regulations;

c) provisions of any kind;

d) the nature of the capital cost expenditures (CAPEX) that are not financed from own sources;

e) expenses for the capital costs (CAPEX) carried goods belonging to the private domain of the state or local authorities of third persons and/or legal entities, whether this there is no legal agreements and/or contracts for lease, rental or taking operational capacity.

(2) For goods that are not recognized for capital costs don't have a recognized amortization.

[ART. 31](#)

(1) ANRE is entitled to refuse the recognition of costs of license holders or parts of it, other than those mentioned above, which weren't justified costs that are prudent, according to Art. 17 para. (2).

(2) In duly justified cases, ANRE has the right to apply to substantiate the regulated revenue unit and the total revenue unit for the first year of the regulatory period, respectively the adjustment regulated revenue unit and the total revenue unit, with a flexible approach, agreed with the operators, for the recovery of unrealized gains.

SECTION 8

Rules on calculating the regulated asset base

ART. 32

The Regulated asset base (RAB) reflects the capital costs related to tangible and intangible assets carried prudently, necessary for carrying out the regulated activity.

ART. 33

For newly licensed holders, the initial value of RAB(0), used to calculate the regulated revenue unit and the total revenue unit of the first year of the regulatory period is determined based on the net book value of assets related to the distribution activity.

ART. 34

Determining the value RABx (0), used to calculate the regulated revenue unit and the total revenue unit of the first year of the third period of regulation, is based on the following formula:

$$RAB(x)0 = RAB(x-1)0 * (1+RIc) - VAR(x-1) + VINV(x-1) - VIE(x-1),$$

and with the start of the fourth regulatory period, with the following formula:

$$RAB(x)0 = RAB(x-1)0 - VAR(x-1) + VINV(x-1) - VIE(x-1),$$

where:

RAB(x)0 - the value regulated asset base RAB (0) for the regulatory period (x);

RAB(x-1)0 - the value regulated asset base RAB (0) for the regulatory period (x-1);

RI(c) - the cumulative inflation rate in the regulatory period (x-1);

VAR(x-1) - the cumulative amortization regulated in the regulatory period (x-1);

VINV(x-1) - the regulated cumulative value of investments placed in service during the regulatory period (x-1), reflected in the ECR; the aggregate value is calculated by adding the annual investment value discounted at the cumulative rate of inflation for the year of commissioning;

VIE(x-1) - regulated updated cumulative value of tangible and intangible assets related decommissioned in the regulatory period (x-1);

(1+RIc) - the cumulative inflation rate during the regulatory period; is calculated as follows:

T

$$(1+RIc) = p \prod_{i=1}^5 [1+RI(x-1)(i, \text{actual})],$$

ST

where:

x = third regulatory period;

RI(x-1)(i, actual) = the inflation rate in the year i of the regulatory period x-1.

The term VAR(x-1) representing the cumulative amount of depreciation during the period covered by the regulatory period (x-1), includes:

- the depreciation based on the RAB value at the beginning of the regulatory period;

- the depreciation of tangible/intangible placed in service during the regulatory period (x-1); the amount of this amortization is included in annual revenue correction formulas regulated unit, according to art. 57 para. (1), the term (Delta)INV.

SECTION 9

Regulated depreciation of the regulated assets (RAB)

ART. 35

(1) The tangible and intangible assets included in the regulated asset base are amortized according to the following rules:

a) the value of tangible and intangible assets that are subject to regulated amortization is resulted from the application of computational methods of RAB;

b) the depreciation method used is linear;

c) for tangible and intangible assets placed in service after the beginning of the first regulatory period, by dividing their regulated to regulated amortizations.

(2) The regulated periods for the amortization of tangible and intangible assets put into service after the starting of the first regulatory period and the duration of the technical and economic remaining period - n(o) for calculating the regulated depreciation of tangible and intangible assets included in the value of RAB(x)0 can be found in annex no. 3.

SECTION 10

Additional rules regarding the calculation of regulated asset base related to the distribution activity at the beginning of the third regulatory period

ART. 36

In determining the regulated asset base related to the distribution activity, at the beginning of the third regulatory period there will also be considered the additional rules regarding the calculation of regulated asset base related to distribution activities set out in annex no. 4.

SECTION 11

Regulated accounting records

ART. 37

License holders for the distribution of natural gas are obliged to organize and keep records of income, costs and tangible and intangible assets for each of the regulated activities in which they engage, hereinafter regulated accounting records - ECR in accordance with the principles and rules established by ANRE.

ART. 38

(1) ECR, organized and managed according to the principles and rules established by ANRE, are distinct from the statutory accounting organized records and managed according to the legal regulations in the field and are used exclusively by licensees and ANRE.

(2) If the rules and principles established by ANRE for organizing and managing the ECR do not contain specific provisions, the provisions of tax laws in force recording in the patrimonial accounts.

[ART. 39](#)

ECR must have a degree of detail to allow ANRE access to accurate information ANRE about the revenue and cost elements for each regulated activity. If necessary, ANRE has the right to request details of any item contained in the ECR.

[ART. 40](#)

(1) License holders are required to submit annual ECR towards ANRE within each of the regulated activities developed under these principles and rules.

(2) ECR formats are established by ANRE and published on the site at www.anre.ro

[ART. 41](#)

At the ECR submission towards ANRE, less estimated costs given the nature of the substantiation of the first year of each regulatory period, licensees are required to submit an audit report and the financial statements, report by an external auditor.

[ART. 42](#)

ANRE has the right to request at its own expense, an audit of the ECR, the license holder is obliged to provide to the auditor elected by ANRE access to all data, records and information required. A copy of the report by the auditor appointed by ANRE is rightfully possessed by the license holder.

SECTION 12

Regulated rate of return on capital

[ART. 43](#)

The regulated rate of return (RoR) is determined for each activity and regulation period and reflects the capital costs involved in carrying out of the regulated activities in a prudent manner, given the current capital market conditions.

[ART. 44](#)

(1) The regulated rate of return (RoR) is set in real terms before tax. Its calculation is based on the weighted average cost of capital (WACC) determined in nominal terms after tax.

(2) The formula used by ANRE, which WACC (calculated in nominal terms after tax) is transformed into RoR (set in real terms, pre-tax), provides full recovery of invested capital.

(3) The transformation of nominal WACC after-tax in real RoR, pretax is achieved with the following formula:

T

$$\text{RoR} = \frac{\frac{1 + \text{WACC}}{1 + \text{pi}} - 1}{(1 - T)}$$

ST

where:

RoR - the regulated rate of return on capital, from the formula for calculating the regulated revenue for the first year of the regulatory period VR(d) [x]1;

WACC - weighted average cost of capital calculated in nominal terms after tax, calculated using the formula in art. 45;

pi - the average inflation rate during regulation;

T - tax rates during the regulation period.

[ART. 45](#)

The formula for calculating the weighted average cost of capital (WACC) is as follows:

T

$$\text{WACC} = \frac{D}{\text{CP}+D} * C(d) * (1-TP) + (1 - \frac{D}{\text{CP}+D}) * C(cp),$$

ST

where:

D/(CP+D) - the estimated proportion of debt in the financial structure;

D - interest-bearing liabilities, late interest, penalties or others alike, at market value;

CP - equity, estimated at market value;

C(d) - cost debt, estimated in nominal terms, before tax;

C(cp) - the cost of equity, estimated in nominal terms after tax;

TP - estimated rate of tax for the regulated activity.

[ART. 46](#)

WACC is calculated for each regulated activity and reflects the cost of capital for a reference operator, engaged exclusively into the regulated activity in the market and regulatory conditions existing in Romania.

[ART. 47](#)

(1) Estimated finance structure of the reference overviews the financial structure of existing companies in the gas market, with similar activities, and the optimization of this structure to reduce capital costs.

(2) In estimating the financial structure of the operator of reference the financial structures of foreign companies, used as comparators, satisfying the following conditions, are analyzed:

- they are publicly traded;

- they have engaged in the regulated activity;

- they operate in a regulatory system similar to the Romanian one.

[ART. 48](#)

(1) The cost of debt for the regulatory period, estimated in nominal terms, before tax, reflecting gains from their investment in risk-free assets and risk premiums specific to the regulated activity observed in the comparators. To calculate the cost of debt are considered risk-free assets bonds issued by the Romanian capital markets.

(2) The cost of equity for the regulatory period, estimated in nominal terms after tax is determined using the model for calculating the return on an asset on the capital market (CAPM). The cost of equity

reflects earnings generated from investments in risk-free assets, traded on capital markets and risk premiums specific to the Romanian market.

ART. 49

(1) The calculation and equivalence formulas as well as the risk-free assets considered in determining of WACC are made public by ANRE at least 3 months prior to each regulatory period.

(2) In the third regulatory period, ANRE will determine WACC and ROR different values for certain categories of investments to be achieved from the third regulatory period.

SECTION 13

Procedure for setting the regulated revenue unit and the total revenue unit in the first year of the regulatory period

ART. 50

The regulated revenue unit and the total revenue unit of the first year of the regulatory period is approved by ANRE Chairman's order at the start of each regulatory period, while setting tariffs for each license holder with distribution activities.

ART. 51

(1) The license holders with distribution activities submit to ANRE the substantiation establishing the regulated revenue unit and the total revenue unit of the first year of the regulatory period within at least 180 days before the date of its establishment.

(2) The substantiation establishing the regulated revenue unit and the total revenue unit of the first year of the regulatory period will be accompanied by:

a) all data and information necessary for support of the substantiation. Data and information to support the elements of substantiation relate mainly to:

- the reserved capacity and volumes handled through the distribution system;
- the customer structure, presenting specific characteristics of each category (load factors, annual consumption, consumption peaks etc.);
- the report of accounting separation of the regulated activities for the regulatory period.

These elements will address both the achievements in the months of the regulatory year prior to filing the substantiation and the licensee estimates for each year of the regulatory period. There will also be explained the premises considered in estimating each of the elements of the substantiation projected;

b) ECR, which is based for the regulated revenue unit and the total revenue unit for the first year of the regulatory period.

Regulated accounting records are related to:

- ECR - achievements of the previous regulatory year, except for newly licensed holders;
- the estimate of the elements for the first year of the regulatory period, in ECR annexes format, along with a presentation of the premises considered in estimating each of them, respectively, description and justification of the methods used and underlying documentation;
- the list of ongoing service contracts and companies that have been concluded, stating contract values; where the counterparties are in the same group will demonstrate prudence costs and separation module within the group;
- the proposal for license allocation of costs when calculating distribution tariffs;

c) suggestions regarding the growth rate of economic efficiency of regulated activities for the regulatory period.

The proposals concerning the rate increase of the economic efficiency refers to the assessment by the license holder of the X factor from value adjustment formulas;

d) proposals for regulated tariffs.

The proposals will reflect the structure of regulated tariffs rates estimated by the licensee, given the unitary regulated revenue for the first year of the regulatory period and pass through costs substantiated by the licensee.

(3) If the supporting documentation of regulated revenue unit and the total revenue unit for the first year of the regulatory period, submitted by license holders in the sector, is incomplete, ANRE will demand its completion within 15 working days of the deposit, operators having the obligation to respond within 5 working days. The period of 180 days required for documentation review stems from the receipt of the final form completed. During the reported period, in order to correct, clarify or justify the submitted documents, ANRE has the right to request any information and documents operators being obliged to respond within 5 working days. The issues for which the information and documents were requested will not be considered if the operators did not respond to requests ANRE.

ART. 52

(1) Based on the argument and the proposals submitted and the analysis, the specialized department within ANRE shall prepares a report containing proposals for establishing:

- a) the regulated revenue unit and the total revenue unit of the first year of the regulatory period;
- b) the growth of the economic efficiency of the regulated activity;
- c) the distribution tariffs.

(2) Based on the submitted evidence, the specialized department will analyze and evaluate the submitted proposals, having the right to ask for further clarifications.

(3) The report referred to in para. (1) shall provide the operator to formulate an opinion.

ART. 53

The specialized department submits to the Regulatory Committee following:

1. The report containing proposals for establishing:

- a) the regulated revenue unit and the total revenue unit of the first year of the regulatory period;
- b) the growth rate of the economic efficiency of the regulated activity;
- c) the distribution tariffs.

2. The point of view expressed by the distribution operator.

ART. 54

(1) Based on approval by the Regulatory Committee report referred to in art. 53 pt. 1 as proposed or with amendments approved at the meeting, the ANRE Chairman issues the order on:

a) establishing the regulated revenue unit and the total revenue unit of the first year of the regulatory period;

b) determining the growth of the economic efficiency of the regulated activity;

c) establishing appropriate distribution tariffs according to the regulated revenue for the first year of the regulatory period.

(2) The ANRE Chairman's Order as provided in par. (1) shall be published in the Official Gazette of Romania, Part I.

(3) The report approved by the Regulatory Committee referred to para. (1) shall be communicated to the licensee within 3 working days from the date of the meeting of the Regulatory Committee.

ART. 55

(1) Where the report referred to in art. 53 has been approved within 3 working days from the date of the meeting of the Regulatory Committee and on the information provided by its Secretariat, the specialized department shall communicate to the licensed operator the decision of the Regulatory Committee, the rejection/postponement report along with the reasons for the decision.

(2) Within 30 working days from the notification by the Secretariat of the Regulatory Committee's decision to reject/postpone or receipt of any additional data required by operators, the specialized department will draw up a new report, as appropriate, if in the Regulatory Committee meeting was not set another term within this range.

CAP. III

Adjusting the regulated revenue unit and the total revenue unit

ART. 56

(1) During the regulatory period, the regulated revenue unit and the total revenue unit of each license holder is adjusted based only on that specific distribution activities and predefined parameters for each licensee, established at the beginning of the regulatory period.

(2) The regulated revenue unit and the total revenue unit are approved by ANRE's Chairman's order during each year of the regulatory period for each license holder with distribution activities.

ART. 57

(1) The regulated revenue unit is adjusted annually for each year of any regulatory period, except for the first year, with the following general formula:

T

$$VRU(d)[i] = VRU(d)[i-1] * [1+ RI - X(d)] + DeltaINVU(d)[i],$$

ST

where:

VRU(d)[i] - the regulated revenue unit in the year [i] of the regulatory period for distribution activity;

VRU(d)[i-1] - the regulated revenue unit in the year [i-1] of the regulatory period for distribution activity;

RI - the inflation rate estimated by the National Prognosis Commission for the year [i];

X(d) - the growth rate of the economic efficiency for distribution activities, set at the beginning of the regulation in relation to each licensee;

DeltaINVU(d)[i] - component correction for the capital invested in the year [i-1], as explained in art. 65.

(2) Where, due to unpredictable, external and beyond the control of licensed operator factors, it performs unforeseen costs, the nature of operational costs, regulated revenue unit for the regulatory year [i], as calculated in par. (1) shall include these costs.

(3) Unforeseen costs of operating costs nature included in VRU (d) [i] under par. (2) will be removed from the calculation of VRU(d)[i + 1].

ART. 58

The total revenue unit of each year of the regulatory period, except for the first year is determined using the following formula:

T

Font 7

$$VU(d)[i] = (VRU(d)[i] + CPDU(d)[i-1, realized]) + CNU(d)[i] + DeltaCPDU(d)[i] + DVU(d)[i] + DeltaVU(d)[i-1] + DeltaCTU(d)[i-1],$$

ST

where:

VRU(d)[i] - the regulated revenue unit in the year [i] of the regulatory period for distribution activity;

VRU(d)[i-1] - the regulated revenue unit in the year [i-1] of the regulatory period for distribution activity;

CPDU(d)[i-1, realized] - pass through costs and directly made in the year [i-1];

CNU(d)[i] - unit cost contingencies made in the year [i-1] due to the occurrence of unpredictable, external and beyond the control of licensed operator factors, explained in art. 63;

DeltaCPDU(d)[i] - unit difference between the pass through costs actually incurred in the year [i-1] and included in the total revenue in the year [i-1], as explained in art. 64;

DVU(d)[i] - redistribution component unit, in the year [i] of the regulatory period, between the licensee and customers to enhance the economic efficiency achieved and maintained by the operator over a period of 5 years;

DeltaVU(d)[i-1] - the difference per unit of income due to the variation between the estimated and the actual amount distributed in the year [i-1] granted under art. 67;

DeltaCTU(d)[i-1] - the difference between the costs of technological consumption achieved annual by the distribution operator and the estimated and included costs in the regulated revenue unit for the first year of the regulatory period at the beginning of the regulatory period, given the quantities certificates based on the methodology developed by ANRE.

SECTION 1

Elements of adjustment for regulated revenues

ART. 59

The adjustment formulas for the regulated unit revenues and total unit revenues contain the following factors:

a) inflation;

b) the rate of increase in efficiency of distribution;

- c) unexpected costs when estimating regulated unit revenues for the first year of the regulatory period, determined by unpredictable, external and beyond the control of the licensee factors;
- d) change in costs taken directly into the total unit revenues for the year [i-1] of the regulatory period, and due to external factors outside the control of the licensee;
- e) component correction capital invested in the year [i-1]
- f) redistribution component in the year [i] of the regulatory period, between the licensee and customers, the enhance of economic efficiency achieved and maintained by the operator over a period of 5 years;
- g) the unit difference of total revenue due to the variation between the estimated and the actual amount distributed in the year[i-1]
- h) the difference due to technological consumption;
- i) the total amount of gas distributed.

1.1. Inflation rate

ART. 60

The inflation rate, considered in the adjusting of the regulated unit revenue and the total unit revenue, is estimated by the National Prognosis Commission for the year of the regulatory period for which it adjusts the regulated unit revenue and the total unit revenue.

1.2. The growth rate of the efficiency of the regulated activity

ART. 61

- (1) The growth rate reflects the efficiency of the regulated activity of ANRE estimates on improving the economic performance of licensees during the regulatory period. The term "X" of formulas for adjustment reflects the estimated annual rate of increase in efficiency of regulated activities and provides a breakdown of increases for economic efficiency achieved by each licensee to customers.
- (2) The rate of increase in efficiency of the regulated activity is determined at the beginning of each regulatory period for each regulated activity and for each licensee. During the regulation period it remains unchanged.
- (3) The net growth rate of economic efficiency is established by ANRE and quantifies potential cost savings that can be achieved in practice by each licensee, evaluated the principles set out in par. (4).
- (4) ANRE can use several methods to determine the rate of growth for economic efficiency of distribution activities and/or for each distribution operator, for example:
 - a) extrapolation of growth rate obtained on the economic efficiency achieved for long-term productivity in the economy;
 - b) technical analysis of benchmarking to other distribution companies that operate under similar conditions;
 - c) proposals of licensed operators in the sector.
- (5) For the third regulatory period, the growth rate of economic efficiency for the natural gas distribution activity is determined for each licensed operator, but no less than 1.5% per year, taking into account the gains in efficiency achieved in the previous regulation, its possibilities to further reduce costs so as to ensure continuity in terms of the activity and safety.

 (6) The rate of growth for economic efficiency in para. (5) applies only on the operating costs, excluding the cost of technological consumption, calculated in nominal terms, aggregate for the regulatory period.

ART. 62

The growth rate of economic efficiency "X" in the annual adjustment formulas of regulated unit revenue is determined to reflect efficiency gains expected for operating expenses. In determining the X factor the values of inflation are considered similar to those used to calculate the regulated rate of return on capital so that the total cost and the total revenue of the regulatory period to be equal in present value in nominal terms before tax.

1.3. Unforeseen costs

ART. 63

- (1) unforeseen costs which were not estimated at the substantiate regulated unit revenues for the first year of the regulatory period, determined by unpredictable, external and beyond the control of the licensee factors, including costs arising from unforeseeable events (eg force majeure, others alike).
- (2) Unexpected costs are considered the ones caused by force majeure related to reload with natural gas after an unplanned outages caused by force majeure. The request recognition of unforeseen costs caused by force majeure will be accompanied by a dossier containing at least the following documents:
 - a) the distribution operator's request plus documents list (date and their registration numbers) submitted by the applicant in order to obtain the Certificate/Notice of force majeure from appropriate authorities;
 - b) The Certificate/Notice of force majeure sent to ANRE as supporting document must contain: the objective affected, damage and their estimated value, the events that caused the damage; also in the certificate of force majeure will be mentioned in clear, the normal natural phenomenon that caused the force majeure and the measured time of the event of force majeure. No certificates are considered force majeure do not contain the mentioned data or are issued at a period greater than 40 days from the date of the event;
 - c) the document issued by the authorities, stating the damage from the phenomenon of force majeure, the cause and duration of the force majeure event and the list of targets affected by it;
 - d) the forms of getting claims made in that objective, issued by local authorities (municipalities etc.) across which were recorded events of force majeure;
 - e) documents showing the amount of repair work actually done (tax bill or internal document and documents proving payments);
 - f) is not considered repair work of force majeure the work nature of investments; works of nature of investments means any replacement of fixed assets damaged during the event in question; investments as a result of force majeure will be reported by annex on the regulated asset base and depreciation associated with compliance regulations.
- (3) The unforeseen costs are analyzed case by case and recovered by total unit revenues on the next year's regulatory powers by CN(d) component according to the formula:

T

$$CN(d)[i] = [1 + RoR(d)] * CN(d)[i-1],$$

ST

where:

CN(d)[i-1] - the total unforeseen costs of the licensee in the year [i-1] of the distribution activity.

(4) The unforeseen unit costs CNU(d)[i] that corrects the unit revenue of the year [i] of the regulatory period is determined by the following formulas:

T

$$CNU(d)[i] = [1+RoR(d)] * CN(d)[i-1]/Q(d)[i],$$

ST

where:

CNU(d)[i] - the unit value of the item revenue correction of the unit revenue in the year [i] for distribution activity;

RoR(d) - the regulated rate of return for the regulatory period for distribution activity;

Q(d)[i] - the amount of natural gas estimated to be distributed in the year[i] of the regulatory period.

(5) In the event that unforeseen costs induce significant increases in the total unit revenue, ANRE can decide the timing of their recovery to be more than a year, updating the amounts recovered.

1.4. Modification of pass through costs

ART. 64

(1) Pass through costs represents the cost that the license holder can not control, but they are needed to be realized for the activity of distribution.

(2) Costs that are considered pass through costs are of the nature of taxes, duties, license fees and others alike like.

(3) The difference between the pass through costs actually incurred and included in the total unit revenue in the year [i-1], forms the modification of pass through costs DeltaCPDU(d) and recovered according to the formula:

T

$$\Delta CPDU(d)[i] = [1 + RoR(d)] * (CPD(d)[i-1, realized] - CPD(d)[i-1])/Q(d)[i],$$

ST

where:

DeltaCPDU(d)[i] - the unit difference between the pass through costs actually incurred in the year [i-1] and included in the total unit revenue in the year [i-1]

RoR(d) - the regulated rate of return on the regulatory period for the regulated distribution activity;

Q(d)[i] - the amount of natural gas estimated to be distributed in the year [i] of the regulatory period.

1.5. The correction component of invested capital

ART. 65

The unit correction component for invested capital in the year (i-1), (Delta)INVU(d)(i) is calculated with the formula:

$$(\Delta)INVU(d)(i) = (INVI(d)(i-1) * (Ri+RoR(d)) + SINVI(d)(i-1) * (Ri + SRoR(d)) + AR(d)(i-1) - EINV(d)(i-1))/Q(d)(i),$$

where:

INVI(d)(i-1) - the regulated value, recognized by ANRE for the year (i-1), of tangible and intangible assets commissioned and/or received, as appropriate, in the year (i-1), and the difference between the actual achieved value recognized for previous years and the amount deemed realized and recognized in previous years of tangible and intangible assets;

SINVI(d)(i-1) - the regulated value, recognized by ANRE for the year (i-1), of tangible and intangible assets commissioned and/or received, as appropriate, in the year (i-1), which are granted the incentive under the law, and the difference between the actual achieved value recognized for previous years and the considered value established and recognized in previous years the tangible and intangible assets and the incentive granted under the law;

RoR(d) - the regulated rate of return of capital costs in the regulatory period established by ANRE for the regulated activity of natural gas distribution;

SRoR(d) - the regulated rate of return of capital costs, including the incentive granted to the regulated activity of natural gas distribution;

AR(d)(i-1) - the amortization of tangible and intangible assets recognized by ANRE for the year (i-1) for the regulated activity of natural gas distribution, determined as follows:

T

$$AR(d)(i-1) = \frac{INVI(d)(i-1) + SINVI(d)(i-1)}{n} + (\Delta)AR(d)(i-1), \text{ where}$$

ST

n - the regulated period for amortization of tangible and intangible commissioned and/or received assets, as appropriate, expressed in years;

(Delta)AR(d)(i-1) - the difference between the regulated amortization carried out and recognized for previous years and considered the value established and recognized in previous years;

EINV(d) - represents:

- for the regulated assets existing in RAB at the beginning of the regulatory period and decommissioned during the period, the value of Ror(d) and, where appropriate, SRoR(d), determined and awarded to the existing value at beginning of the regulation period for the regulated revenue related to the first year and the depreciation corresponding to the first year of the regulatory period;

- for the regulated assets entering and leaving during the current regulatory period, the value of RoR(d) and, where appropriate, of SRoR(d), determined and awarded to regulated assets decommissioned during the period, the value that has been adjusted to the regulated revenue in their recognition and corresponding depreciation;

Q(d)(i) - the amount of natural gas estimated to be distributed/ distributed effectively in the year (i) of the regulation period.

ART. 66

(1) The amount of natural gas estimated to be distributed in the year [i] of the regulatory period [x] is founded by the licensed distribution operator. The forecast on the estimated quantities and its foundation shall be submitted to ANRE with at once with the substantiation on the regulated unit revenue adjustment. The estimating of quantities is performed under standard pressure, temperature and quality of natural gas according to regulations.

(2) The quantities of natural gas estimated to be distributed for the 5 years of the regulatory period will be used by ANRE for establishing the regulated unit revenue and the total revenue for the first year of the regulatory period, and to lay down the corresponding elements of the regulatory period.

(3) For the annual adjustments of the regulated unit revenue and the total unit revenue, ANRE will use estimated quantities of gas, communicated to the distribution operator in terms by the present methodology for establishing the annual adjustment of all necessary information.

(4) ANRE has the reasoned right to request or to propose a revision of forecasts submitted to annual adjustments.

1.6. The unit difference of income due to the variation between the estimated and the actual amount distributed

ART. 67

(1) If there is a difference of $\pm 5\%$ (inclusive) between the estimated and the actual amount distributed in the annual revenue adjustment it will include the adjustment factor $\Delta VU(d)[i-1]$, according to art. 58, calculated by the following formula:

T

Font 9

$$\Delta VU(d)[i-1] = (1+RI) * (VU(d)[i-1] * Q(d)[i-1]/Q(d)[i-1, realized] - VU(d)[i-1]),$$

ST

where:

$\Delta VU(d)[i-1]$ - the unified income difference due to the variation between the estimated and the actual amount distributed in the year "[i-1]";

RI - the inflation rate estimated by the National Prognosis Commission for the year "[i]";

$VU(d)[i-1]$ - total unit revenue allowed in the year "[i-1]";

$Q(d)[i-1]$ - the amount of natural gas estimated to be distributed in the year "[i-1]";

$Q(d)[i-1, realized]$ - the actual quantity of natural gas distributed in the year "[i-1]".

(2) Where there is a difference between $\pm 5\%$ and $\pm 15\%$ (inclusive) between the estimated amount and the actual distributed adjusting annual income will include the adjustment factor $\Delta VU(d)[i-1]$ according to art. 58, calculated by the following formula:

T

Font 8

$$\Delta VU(d)[i-1] = (1+RI) * (VU(d)[i-1] * Q(d)[i-1]/(Q(d)[i-1] * (1 \pm 5\%)) - VU(d)[i-1])$$

ST

$\Delta VU(d)[i-1]$ - the difference per unit of revenue due to the variation between the estimated and the actual amount distributed in the year "[i-1]";

RI - the inflation rate estimated by the National Prognosis Commission for the year "[i]";

$VU(d)[i-1]$ - total unit revenue allowed in the year "[i-1]";

$Q(d)[i-1]$ - the amount of natural gas estimated to be distributed in the year "[i-1]".

(3) The difference per unit of income due to the variation between the estimated and the actual amount distributed is given as part of the adjustment element to para. (1) until the date of introduction of the binomial pricing system.

SECTION 2

The adjustment procedure for regulated unit revenues and total unit revenue

ART. 68

The regulated unit revenue and the total unit revenue approved by the ANRE Chairman's order during the regulatory period, while setting distribution tariffs for each license holder that operates the distribution.

ART. 69

The adjustment of the regulated unit revenues and the total unit revenues is performed by ANRE based on the formulas of this methodology established by ANRE's Chairman's Order.

ART. 70

(1) The requests of license holders to adjust the regulated unit revenue and the total unit revenue related to the distribution activities will be submitted to ANRE within at least 90 days prior to authorizing these revenues.

(2) The requests shall be submitted along with detailed justifications. The requests must include all the adjusting elements. If the license holder does not send any request for adjustment of the regulated unit revenue and the total unit revenue, ANRE will proceed with the regulated unit revenue adjustment factor of efficiency set at the beginning of the regulatory period for the operator.

(3) When the requests for regulated unit revenue adjustments forwarded by distribution licensees are incomplete, ANRE will request their completion within 15 working days after the submission, operators having the obligation to respond within 5 working days. The 90 days required for documentation review stems from the receipt of the final form completed. During the reported period, in order to correct, clarify or justify the submitted documents, ANRE has the right to request any information and documents

operators being obliged to respond within 5 working days. The issues for which information and documents were requested will not be considered if the operators did not respond to the requests of ANRE.

(4) After the analysis, the specialized department prepares a report that will be communicated to the operator in order to formulate an opinion.

ART. 71

(1) When, after the time period mentioned in art. 70 para. (1), elements of cost which were not requested occur, they will be considered from the next adjustment of regulated unit revenue and the total unit revenue, or following establishment of regulated revenue unit and the total revenue unit for the first year of the next regulatory period, as applicable.

(2) No adjustment requests can be submitted for the regulated unit revenue and the total unit revenue if between the time of submission and time of occurrence or change of these costs passed more than 3 years.

ART. 72

The specialized department submits to the Regulatory Committee the following:

1. the report containing proposals for the establishment of:

- a) the regulated unit revenue and the total unit revenue;
- b) distribution tariffs.

2. the point of view expressed by the distribution operator.

ART. 73

(1) Based on the approval of the Regulatory Committee's report referred to in art. 72 pt. 1 as proposed or with amendments approved at the meeting, ANRE's Chairman issues the order on:

- a) establishing the regulated unit revenue and the total unit revenue;
- b) determining the distribution tariffs appropriate to the regulatory year.

(2) ANRE's Chairman's Order as provided in par. (1) shall be published in the Official Gazette of Romania, Part I.

(3) The report approved by the Regulatory Committee referred to para. (1) shall be communicated to the licensed operator within 3 working days from the date of the meeting of the Regulatory Committee.

ART. 74

(1) If the report/reports mentioned in art. 72 has/have not been approved within 3 working days from the date of the meeting of the Regulatory Committee and on the information provided by its Secretariat, the specialized department shall communicate to the licensed operator the decision of the Regulatory Committee on its rejection/postponement of the reports, accompanied by reasons for the decision.

(2) Within 30 working days of the communication by the Secretariat of the Committee for deciding the rejection/postponement or the receipt of any additional data required by operators, the specialized department will draw up a new report, as appropriate, if the meeting of the Regulatory Committee was not set on another term within this range.

CAP. IV

Re-substantiation and readjusting of revenues within the regulatory period

ART. 75

In case of a merger by absorption with another licensed operator if it is found that the operational costs (OPEX) are changed the licensee is required to submit to ANRE data for a new substantiation, according to this methodology.

ART. 76

When dividing a licensed operator, the divided company, if it carries further the distribution activity and changes in costs of any kind appear, being recognized in the existing income at the time of division, will present ANRE the data for a new substantiation, according to this methodology.

ART. 77

(1) When the licensed operator reduces its distribution activities in various situations (restructuring activity, withdrawal of the concession for a particular administrative unit, variation of $\pm 15\%$ of the quantities distributed made to the quantities predicted considered at the substantiation) which generates modification costs recognized in the income of any kind existing, it will submit to ANRE the data for a new substantiation, according to this methodology.

(2) In the case referred to in para. (1), the calculation of total unit revenue will be considered and the difference of the unit revenue from the variation between the estimated and the actual amount distributed, calculated with formulas specified in art. 67.

ART. 78

When the licensed operator does not forward, with the other distribution licensees, the data underlying the revenue regulated unit and the total revenue unit for the first year of the regulatory period, for various reasons, it may subsequently requested to do it by ANRE, accompanied by an explanatory note that includes the justification for failure to submit the substantiation data. If, after the analysis of the specialized department, ANRE considers a reasonable request and the explanatory note, the licensed operator shall submit the data for a new substantiation, according to this methodology.

ART. 79

ANRE can change the distribution tariffs approved (by refocused or readjustment of income, as applicable) previously by announcing the distribution operator, if it finds that:

- the determining of the distribution tariffs was carried out based on erroneous/false information about the distribution provided by the operator;
- there are significant miscalculations in determining the distribution tariffs.

ART. 80

Changing the distribution tariffs in accordance with art. 79 primarily involves measures to mitigate the impact of tariffs set or correct erroneous/false information, computation and approval of new regulated tariffs to be applied by the concerned distribution operator.

CAP. V

Distribution tariff system

ART. 81

The tariff system for the distribution activity includes different tariffs on categories of end-customers and distribution systems, according to annual consumption, technical characteristics and operating mode of each distribution system.

ART. 82

(1) The distribution tariffs are equivalent to the distribution services rendered for the capacity distribution and use of the distribution system for an amount equivalent to one MWh of gas under standard conditions of pressure, temperature and quality of gas provided by the Regulation measuring the quantities of natural gas traded in Romania, approved by ANRE.

(2) The prices do not include equivalent distribution execution works of branching or disconnection of operations and/or reconnecting customers. The income derived by licensed operators in tariffs for connecting third-party distribution systems, as well as activities related to the operation of distribution systems are considered excluded from the regulated revenues and the costs are excluded from the costs recognized by ANRE. In this case, only the cost of maintaining the condition and safe backhaul facilities, will be considered, costs that are permitted and regulated revenues recognized in the distribution of licensed operators.

(3) The distribution tariffs do not include VAT.

ART. 83

(1) Distribution tariffs have a binomial structure, the type of:

$$T[x](d) = RC(d) + V(d),$$

where:

T[x](d) - the distribution tariff for the category "[x]" of customers;

RC(d) - the fixed component for capacity booking in the distribution system, expressed in lei/MWh;

V(d) - volumetric component for using the distribution system, expressed in lei/1MWh.

(2) The fixed component for capacity booking in the distribution system RC(d) quantifies the fixed costs related to the distribution system capacity.

(3) The volumetric component for the distribution system for use V(d) quantifies the variable costs arising from use of the distribution system.

ART. 84

(1) Until the introduction of binomial tariffs, the distribution tariffs are monomial and quantify fixed and variable costs related to carrying out the distribution.

(2) The distribution tariffs mentioned in para. (1) applies to quantities of gas distributed.

ART. 85

ANRE will agree with licensed distribution operators on the date of introduction of the binomial type charges, given the joint analysis of the impact of this type of tariff on end-customers and the natural gas market.

CAP. VI

Proximity distribution tariff

ART. 86

Starting with the third regulatory period, ANRE may consider for each licensee for distribution, as appropriate, a new category of non-household customer, to benefit from a tariff distribution proximity, while meeting a cumulative the following conditions:

- industrial customers for which there is a viable solution in terms of technical and economic connection to SNT;
- are located at a distance of more than 1 km in straight line towards the National Transmission System;
- are fed by pipelines operating at pressures greater than or equal to 0.4 MPa (4 bar);
- have a minimum annual consumption of 250,000 MWh

ART. 87

(1) The tariff distribution proximity is equivalent to the distribution services rendered for the distribution capacity and use of the distribution system for an amount equivalent to one MWh of gas under standard conditions of pressure, temperature and quality of gas provided in the Regulation for measuring the quantities of natural gas traded in Romania, approved by ANRE, applicable to the category of customers defined in annex no. 1, which is part of this methodology.

(2) The charge distribution proximity does not include VAT.

ART. 88

(1) The licensed distribution operators of non-household customers whose portfolios exist that meet the requirements of art. 86 will advance forecast consumption and a proposal for separate price for these customers, when forwarding the documents of substantiating or the regulated unit revenue adjustment, total unit revenue and distribution tariffs.

(2) Notwithstanding par. (1), for the regulatory year 2014 where licensed distribution operators receive applications for a tariff distribution of non-household proximity from customers in its portfolio that meet the requirements of art. 86, after the period provided for in art. 51 para. (1) but before the approval of new regulated revenue, they can request and submit proposals to amend the distribution tariffs and tariff setting proximity based distribution tariffs in force for approval before 1 April 2014.

CAP. VI¹

Tariff of transit distribution

ART. 88¹

(1) As of the third regulatory period for each distribution licensee, as appropriate, ANRE will establish a new category of non-household customers who receive a distribution tariff for transit.

(2) The non-household customer that will benefit from the distribution tariff transit is the distribution operator for supplying natural gas to final customers in its portfolio, requests to another operator the access in order to circulate the gas through its system of distribution or has already approved access to its distribution system.

ART. 88²

(1) The tariff of transit distribution is equivalent to the distribution services rendered for the distribution capacity and use of the distribution system for an amount equivalent to one MWh of gas under standard conditions of pressure, temperature and quality of gas provided in Rules for measuring the quantities of natural gas traded in Romania, approved by ANRE, applicable to the category of customers mentioned in art. 88¹ par. (2).

(2) The distribution of transit tariff does not include VAT.

ART. 88³

The licensed distribution operators in whose portfolios are no non-household customers as in art. 88¹ par. (2) shall submit background information and a proposal for price distribution of transit distinct for these customers, when forwarding documents substantiating or adjustment of regulated unit revenue, total revenue unit and distribution tariffs for other categories of customers .

CAP. VII

Billing

ART. 89

The taxed amount for distribution services to a user of the distribution system are billed monthly and is determined by the following formula:

$$VTd = RC(d) \times CR(d) \times h + V(d) \times Q,$$

where:

VTt - total bill value, excluding VAT, representing the distribution service value, expressed in lei;

RC(d) - fixed component for reserving the distribution capacity, expressed in lei/1MWh;

CR(d) - reserved capacity, expressed in MWh;

h - number of hours from the billed period, for which the capacity is reserved;

V(d) - volumetric component for using the distribution system, expressed in lei/1MWh;

Q - distributed quantity, expressed in MWh.

ART. 90

Pending the introduction of binomial tariffs, the value for distribution services provided to a user of the distribution system is billed monthly and is determined by the following formula:

$$VTd = Td \times Q,$$

where:

VTd - bill value, excluding VAT, representing the distribution service value, expressed in lei;

Td - regulated distribution tariff, expressed in lei/MWh;

Q - distributed quantity, expressed in MWh.

CAP. VIII

Final provisions

ART. 91

The client categories for which differentiated tariffs are established can be found in Annex no. 1.

ART. 92

The used terms are presented in Annex no. 2

ART. 93

Regulated depreciation times for tangible and intangible assets used in carrying out the distribution are set out in Annex no 3.

ART. 94

Additional rules regarding the calculation of regulated asset base for each regulated activity at the beginning of the third regulatory period are set out in Annex no. 4.

ART. 95

Annexes 1-4 are part of this methodology.

ANNEX 1

to the methodology

CLIENT CATEGORIES

for which different distribution and proximity
distribution tariffs are established

1. Distribution tariffs

B.1. clients with an annual consumption of up to 23,25 MWh

B.2. clients with an annual consumption between 23,26 MWh and 116,28 MWh

B.3. clients with an annual consumption between 116,29 MWh and 1.162,78 MWh

B.4. clients with an annual consumption between 1.162,79 MWh and 11.627,78 MWh

B.5. clients with an annual consumption between 11.627,79 MWh and 116.277,79 MWh

B.6. clients with an annual consumption of over 116.277,79 MWh

2. Proximity distribution tariff

B.6.1 clients with an annual consumption of over 250.000 MWh

ANNEX 2

to the methodology

USED TERMS

1. Access to the distribution system - an undertaking's right or a customer's from the natural gas sector to use the distribution system
 2. Related activities - complementary activities to the distribution ones, performed by the licensed operator, according to the distribution systems operating license validity conditions
 3. Year of the regulatory period - a continuous period of 12 calendar months, measured during the regulatory period. The first year of the regulatory period begins on the first day of the regulatory period.
 4. Distributed amount - the total amount of gas conveyed through a distribution system, measured from customers and/or connected distribution systems
 5. Distribution capacity - the maximum flow, expressed in volume units per time unit or in energy unit per time unit, to which the distribution network user is entitled in accordance with the contractual provisions
 6. Working capital - the amount required an operator to secure funding for a period of 30 calendar days
 7. Technical features - all data and technical elements specific to natural gas sector objective
 8. Client - wholesale customer, final customer of natural gas or a natural gas trader who buys gas
 9. Technological consumption - the amount of natural gas, as certified by the methodology developed by the National Energy Regulatory Authority (ANRE), where applicable, required to be consumed by an operator to ensure technological parameters necessary for carrying out natural gas distribution
 10. Gas distribution - the activity transporting natural gas through a pipeline distribution system for delivery to customers, but not including supplying
 11. License - individual administrative act issued by ANRE, awarded to an individual or legal entity, to exercise a right and obligations
 12. Distribution operator - natural or legal person who carries out the distribution of natural gas in one or more zones and is responsible for operating, maintaining and developing the system in that area and, where applicable, its interconnections with other systems, and for ensuring the long term ability of the system to meet the reasonable demand for gas distribution
 13. Economic operator from the natural gas sector - natural or legal person, with the exception of end users performing at least one of the following functions: production, transmission, distribution, supply, centralized management market, purchase or storage of natural gas, including LNG, which is responsible for the commercial, technical and/or maintenance tasks related to those activities
 14. Delimitation point in the distribution system - place where the user installations are delimited as property from the installations of distribution system operator
 15. Distribution network - a set of pipes connected to each other, including plants and equipment for carrying natural gas, according to specific technical regulations
 16. Capacity reservation - keeping part of the available transmission/distribution/storage available to users for transport /distribution/warehousing of a determined amount of natural gas
 17. Service system - all services necessary for the operation of distribution networks and access devices including load balancing, blending and injection of inert gases, but excluding facilities reserved exclusively for transmission distribution system in order to fulfill their duties
 18. Distribution system - any distribution network operated by an operator of natural gas, including the associated facilities which provide system services, including storage in pipelines and facilities affiliated operators needed to ensure access to the system distribution
 19. National transport system - the gas transmission system located in Romania, under state ownership
 20. Storage in pipeline - gas storage compression in gas distribution systems, but excluding reserved amounts of natural gas distribution system operators in carrying out their functions
 21. Distribution proximity tariff - special category of distribution tariffs, determined to the licensee based on criteria approved by ANRE
 22. Holder of the distribution license - Romanian or foreign legal entity authorized and licensed with the specific activity of natural gas distribution in a given area.
 23. Transit distribution tariff - special category of distribution tariffs, established by the licensee for carrying natural gas through its own distribution system for another distribution operator;
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ANNEX 3
to the methodology

REGULATED DURATIONS
for the depreciation of tangible and intangible assets
used in carrying out distribution activities

I. Remaining technical and economic duration for regulated amortization of tangible and intangible assets that composed the default RAB at the start of the first regulatory period:

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| a) transport activity and underground storage work | 30 years; |
| b) distribution activity and regulated supply activity | 25 years. |

II. Technical and economic duration of tangible and intangible assets released in operation after the beginning of the first regulatory period:

- | | |
|--|----------|
| Group 1 - Constructions | |
| Subgroup 1.1 - Buildings | 50 years |
| Subgroup 1.2 - Light constructions (barracks, sheds etc.) | 10 years |
| Subgroup 1.3 - Manifolds and lines (including technological facilities, endowments and equipment) | 40 years |
| Subgroup 1.4 - Probes for injecting/extracting natural gas from underground deposits (including auxiliary probes, technological Installations, endowments and equipment) | 25 years |
| Subgroup 1.5 - Steel manifolds (including technological installations, | |

Endowments and equipment)	30 years
Subgroup 1.6 - Polyethylene manifolds (including technological installations, endowments and equipment)	40 years
Subgroup 1.7 - Other constructions	10 years
Group 2 - Technological equipment, machines, machinery and work equipment	10 years
Group 3 - Measurement, control and adjustment devices and installations	
Subgroup 3.1 Volumetric meters with diaphragm, ultrasound meters, other systems with orifices	20 years
Subgroup 3.2 - Meters with rotating pistons, meters with turbines	15 years
Subgroup 3.3 - Electronic convertors, debit calculators, other measurement, control and adjustment devices and installations	10 years
Group 4 - Transport means	5 years
Group 5 - Other tangible and intangible assets	5 years
Group 6 - Lands	

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ANNEX 4
to the methodology

ADDITIONAL RULES

Regarding the calculation of the asset base covered for each regulated activity at the start of the third regulatory period

ART. 1

The determination of regulated asset base for the third regulatory period is done according to these rules.

ART. 2

Calculating the regulated asset base for the third regulatory period is done on the beginning value of the second regulatory period, adjusted as follows:

- subtract the difference between the regulated depreciation value, updated with a cumulative inflation rate in the first regulatory period and the regulated depreciation value included in tariffs during the first period, the difference recognized based on the asset base regulated at the beginning of the second regulatory period;
- subtract the estimated regulated values of tangible/intangible incoming/outgoing in the last year of the first regulatory period and are replaced with actual values;
- correct the regulated values of tangible/intangible incoming/outgoing in the other years of the first regulatory period, as the case;
- replace the forecast inflation rate for the last year of the first regulatory period with the actual inflation rate, determined by the statistical data published on the www.insse.ro website, by comparing the last month of the regulatory year with the month before the regulatory year start;
- subtract the remaining regulated value of the tangible/intangible asset output, calculated according to art. 6 para. (4), whether they were included in the initial value of RAB (0) or the value regulated the input of the first regulatory period, if the value of these outputs of tangible / intangible assets was not taken into account in determining the regulated asset base at the beginning of the second regulatory period

ART. 3

(1) For the first year of the second regulatory period, the value of regulated asset base at the end is determined from the value at the beginning of the second regulatory period, adjusted in accordance with art. 2 minus depreciation calculated for the first year of the second regulatory period, and the result is updated with the inflation rate made this year.

(2) Amortization for the first year of the second regulatory period is determined as follows:

- For tangible / intangible assets belonging to the RAB (0) initially:
 - for the licensed operators for which determining the initial RAB (0) was done by the default RAB method, the depreciation of fixed assets / assets that are part of the RAB default value is calculated by dividing the value of the start of the second regulatory period corrected according to art. 2 at the remaining regulated duration, expressed in years, specific to each regulated activity;
 - for the licensed operators for which determining the initial RAB (0) was based on the net book value of assets related to the regulated activity, the related depreciation of tangible / intangible assets that are part of the initial RAB (0) is calculated by dividing the values at the beginning of the second regulatory period, adjusted in accordance with art. 2 at the remaining amortization duration expressed in years, specific to each group / subgroup classification covered by tangible / intangible assets and by year of entry of each intangible assets of the company.
- For tangible / intangible assets that entered the undertaker's patrimony during the first regulatory period, the related depreciation is calculated by dividing the input value regulated at the remaining amortization duration, expressed in years, where during the regulated amortization duration is calculated according to the groups / subgroups covered by employment of tangible / intangible assets since their recognition in regulated revenues for operators.

ART. 4

(1) For the other years of the second regulatory period, the value of regulated asset base at the end of each year is determined by subtracting from the regulated remaining value at the end of the previous regulatory value of the output of tangible / regulatory intangible from the previous year, calculated according to art. 6 para. (4), and the depreciation value of the year calculation and the result is updated for inflation made in the year for which the calculation is done.

(2) The annual depreciation for other years of the second regulatory period is determined as follows:

- For tangible / intangible assets belonging to the initial RAB (0):
 - for licensed operators for which the RAB (0) initial value was done implicitly by the RAB method, the depreciation is calculated by dividing the remaining regulated value determined at the end of the previous regulation, minus the output value of property remaining regulated tangible / intangible of the previous regulatory year, calculated according to art. 6 para. (4) at the remaining regulated duration expressed in years, specific to each regulated activity;

a.2) for licensed operators for which the RAB (0) initial value was based on the net book value of assets related to the regulated activity, the related depreciation is calculated by dividing the remaining regulated value determined at the end of the previous regulation, less the value remaining regulated the output of tangible / intangible regulatory previous year, calculated according to art. 6 para. (4) at the duration of the remaining regulated expressed in years, specific to each group / subgroup classification covered by tangible / intangible assets and by year of entry of each intangible assets of the company.

b) For tangible/intangible assets that entered the operator's patrimony during the second regulatory period, the related depreciation is calculated by dividing the value of the remaining regulated value at the end of the former regulatory year, less the remaining regulated value of tangible/regulatory output from the previous year, calculated according to art. 6 para. (4), at the remaining regulatory duration expressed in years, where the amortization duration is calculated according to the groups/subgroups covered by employment of tangible/intangible assets since their recognition in regulated revenues for operators.

ART. 5

(1) The tangible / intangible assets used to carry out several activities, regulated, unregulated or outside the sector, enter the regulated asset base with a regulated value calculated based on the principles of allocation approved through the accounting separation report of the activities carried out by the licensed operator, allocation that changes only if the operator requests and gets approval for modifying the allocation principles.

(2) Inputs of tangible/intangible assets will not be taken into account when calculating the value of regulated asset base of tangible/intangible assets for which the company did not pay an equivalent financial, inventory pluses, tangible/intangible assets for which the company receives rent, land taken through concession contracts, which are not amortized accounting revaluations and any value to substantiate income was listed as operating costs, but in the accounts it was recorded as property.

ART. 6

(1) It is considered output of tangible/intangible assets both tangible/intangible assets that came out during the first period, and those that came during the second period, whether they were part of the value of RAB's initial or entered during periods of regulation.

(2) Notwithstanding the provisions of paragraph. (1) for the trading company E.ON Gas Distribution - S.A., trading company E.ON Energie Romania, GDF Suez Energy Trading Company - S.A. and trading company Distrigaz Sud Networks - LLC, the default RAB value will correct over periods of regulation, only with exits from sales of property.

(3) Tangible/intangible assets that undergo a sale, disposal or transfer inventory items in the category are considered outputs of tangible/intangible assets during the period.

(4) The regulated value that remained after an outflow of tangible/intangible assets in a year of regulation is equal to the input regulated restraint, updated cumulative inflation rate, including the calculated year, from which an updated depreciated amount was subtracted, calculated in accordance with art. 3 and 4.

ART. 7

In the event that a certain asset was used in an unregulated activity, from the sector or outside it, and in a regulatory year it starts to be used for/and for the work covered, it will be reported as a new entry, the remaining carrying value and related depreciation period for group/subgroup to which it belongs will be correspondingly decreased with the duration of use, expressed in years, without fractions of a year.

ART. 8

(1) Where, in the second regulatory period, reinstatements of some tangible/intangible assets in other groups/subgroups than reported and taken into account in adjusting the regulated revenues were carried out, those assets will be taken into the first RAB calculation of as an exit from a group/subgroup in which it was initially reported, at the remaining regulatory value, and then as a new entry in a reconsidered group/subgroup at the same regulated value. Any reconsideration of group/subgroup of employment of fixed assets will be made justified and tangible/intangible assets will be presented in the regulated asset base but also detailed in a distinct situation from the asset base regulated.

(2) In the event of the regulatory amortization duration of a new group/subgroup is longer than the regulated amortization consumed, the remaining regulated value mentioned in paragraph (1) will be recovered for a duration calculated through the subtraction of the two durations.

(3) In the event of the regulatory amortization duration of the new group/subgroup is less than or equal to the consumed regulatory amortization duration, regulated remaining amount mentioned in para. (1) will be recovered during the corresponding amortization regulated by the new group/subgroup.
