

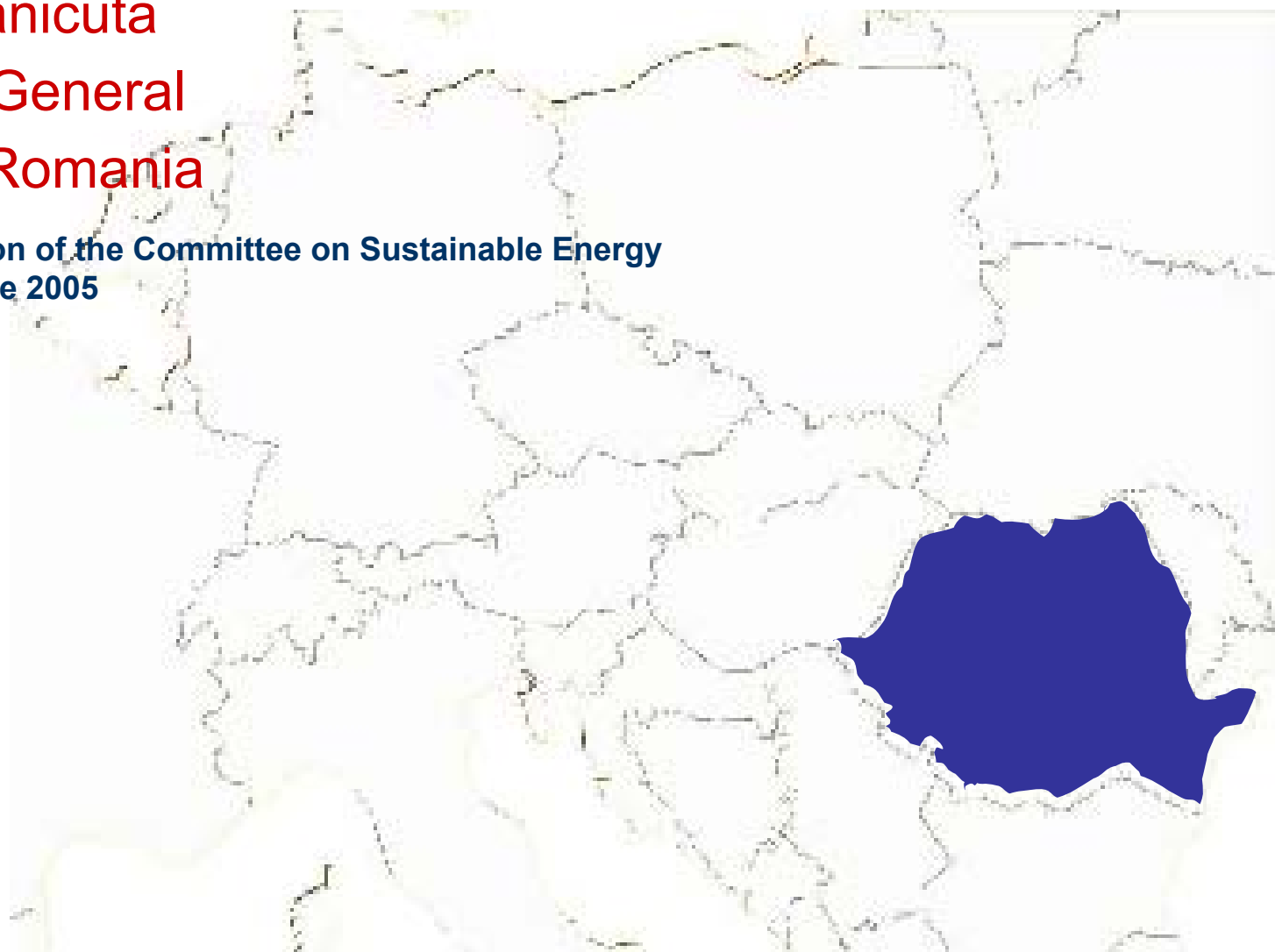
Challenges in the Romanian Electricity Sector Reform

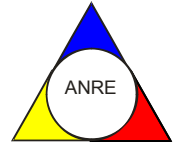
Maria Manicuta

Director General

ANRE - Romania

Opening Session of the Committee on Sustainable Energy
Geneva, 27 June 2005

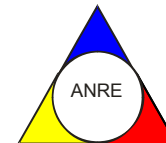




Romania's energy policy

Romania's energy policy over the last years focused on:

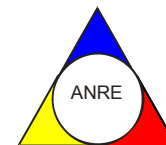
- restructuring of electricity and heat sector;
- liberalization of electricity market;
- restructuring of commercial arrangements to support market transactions
- privatization of distribution and generation



The Electricity Law 318/2003

Stipulates the:

- tasks and competencies of the regulator;
- regulated access to the electricity transmission and distribution networks;
- authorisation procedures for market participants;
- unbundling of the generation, transmission and distribution/supply activities;
- principles for the development of the electricity market and its gradual opening;
- main functions of the TSO, DSO's and electricity market operator;
- rights and obligations of the market participants;
- tariff principles to be applied in the sector;
- promotion of renewable energy sources;
- sanctions and contravention.



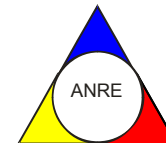
Romanian Energy Regulatory Authority

ANRE - public institution under the co-ordination of the Prime Minister, operational from March 1999

Mission - to create and implement fair and independent regulations to ensure an efficient, transparent and stable functioning of the electricity and heat sector and markets while protecting the interests of consumers

Appointment Power - President and Vice President of ANRE are appointed by the Prime Minister for 5 years

Financing - sources outside the state budget covered from license and authorization fees and contributions paid by sector companies.

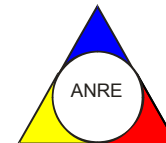


Secure and non - discriminatory regulatory framework

The main sector regulations issued by ANRE

- Wholesale Electricity Market Commercial Code (revised version)
- Network Codes (Grid Code – revised version, Distribution Code)
- Metering Code
- Technical and commercial regulations
- Tariffs methodologies
- Authorizations and licenses
- Rules regarding the connection to the networks
- Performance standards

based on the Romanian legislation and the Aquis Communautaire for the electricity sector provisions

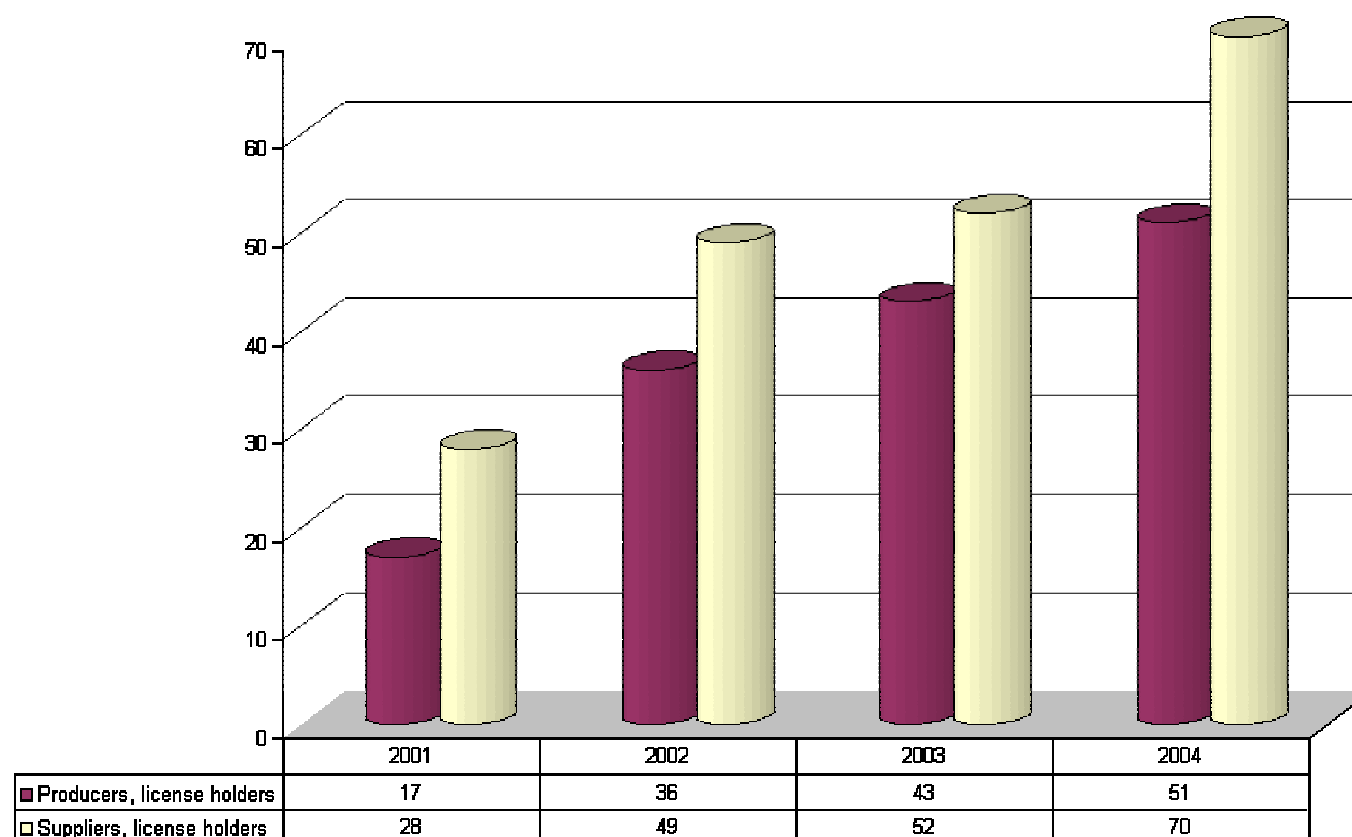


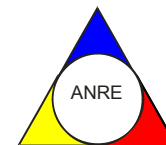
Regulated access to the transmission and distribution networks

- **Technical requirements –**
 - **Grid Code – ANRE Order 20/2004 – Official Gazette 828/2004**
 - **Distribution Code – ANRE Decision 101/2000 – Official Gazette 276/2000**
- **Rules for connecting to the networks - GD 867/2003 – Official Gazette 559/2003**
- **Tariffs for connection to the networks –**
 - **ANRE order 29 /2003 – Methodology for establishing the connection tariffs to the medium and low voltage networks**
 - **ANRE order 28 /2003 - Methodology for establishing refunds among consumers connected at different stages to the distribution networks**
 - **ANRE order 15/2004 - regarding the approval of the connection tariffs for the medium and low voltage networks**

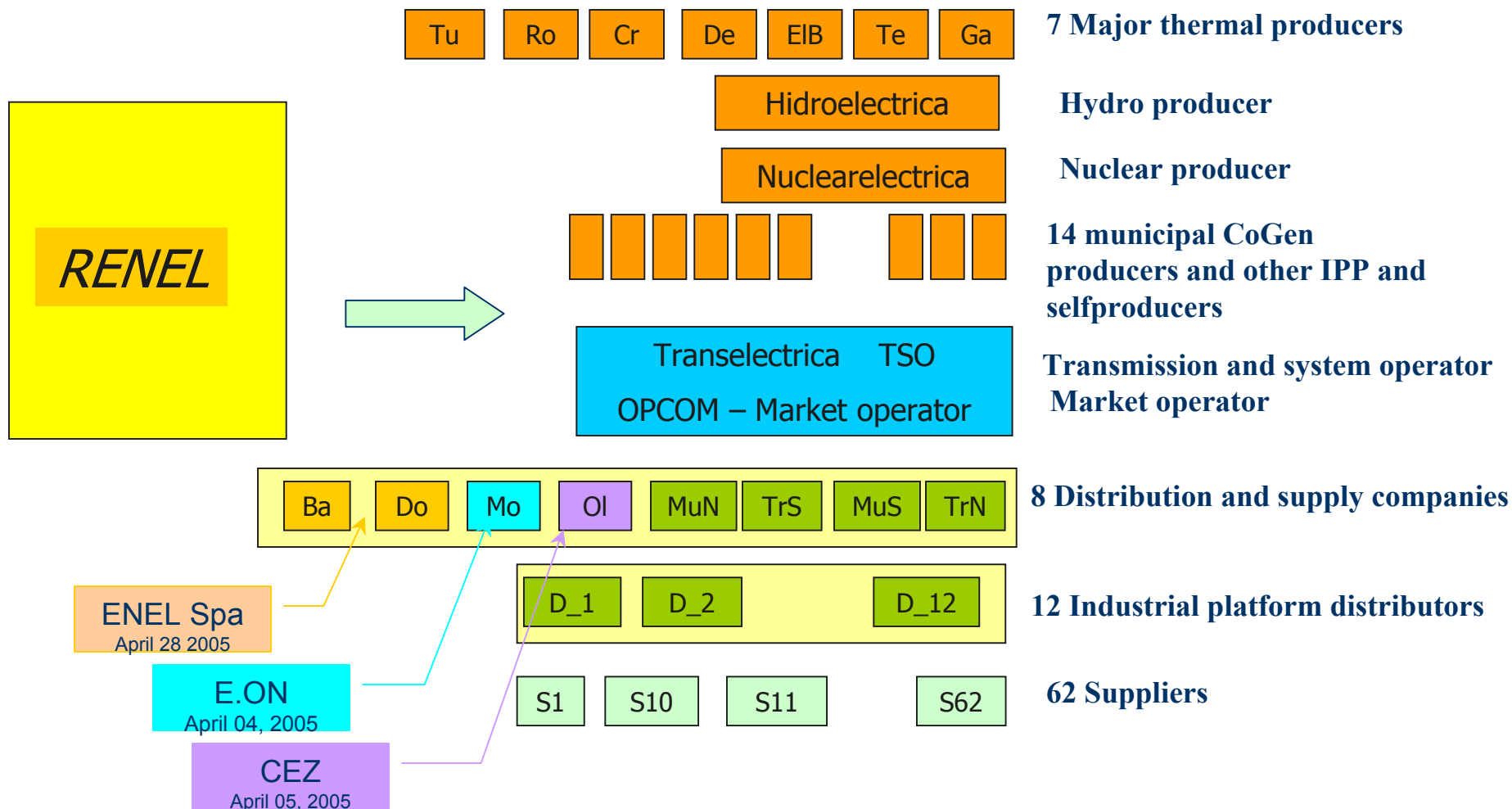
Authorizations and licenses

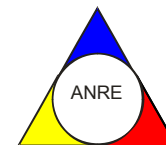
Rules for granting licenses and authorizations in the electricity sector approved by GD 540/2004, published in Romanian Official Gazette 399/2004





Romania - from an integrated monopoly to a competitive electricity market

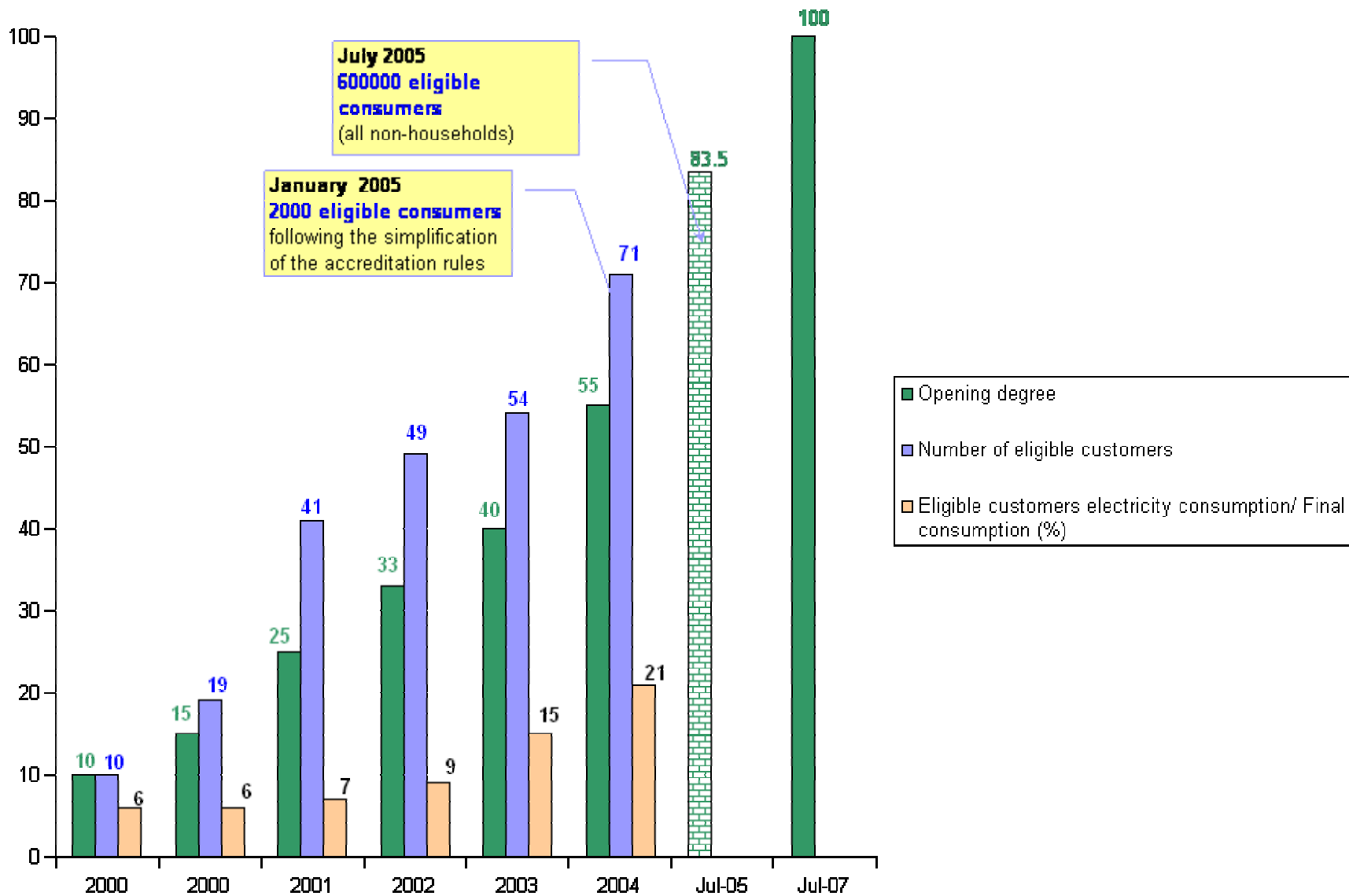




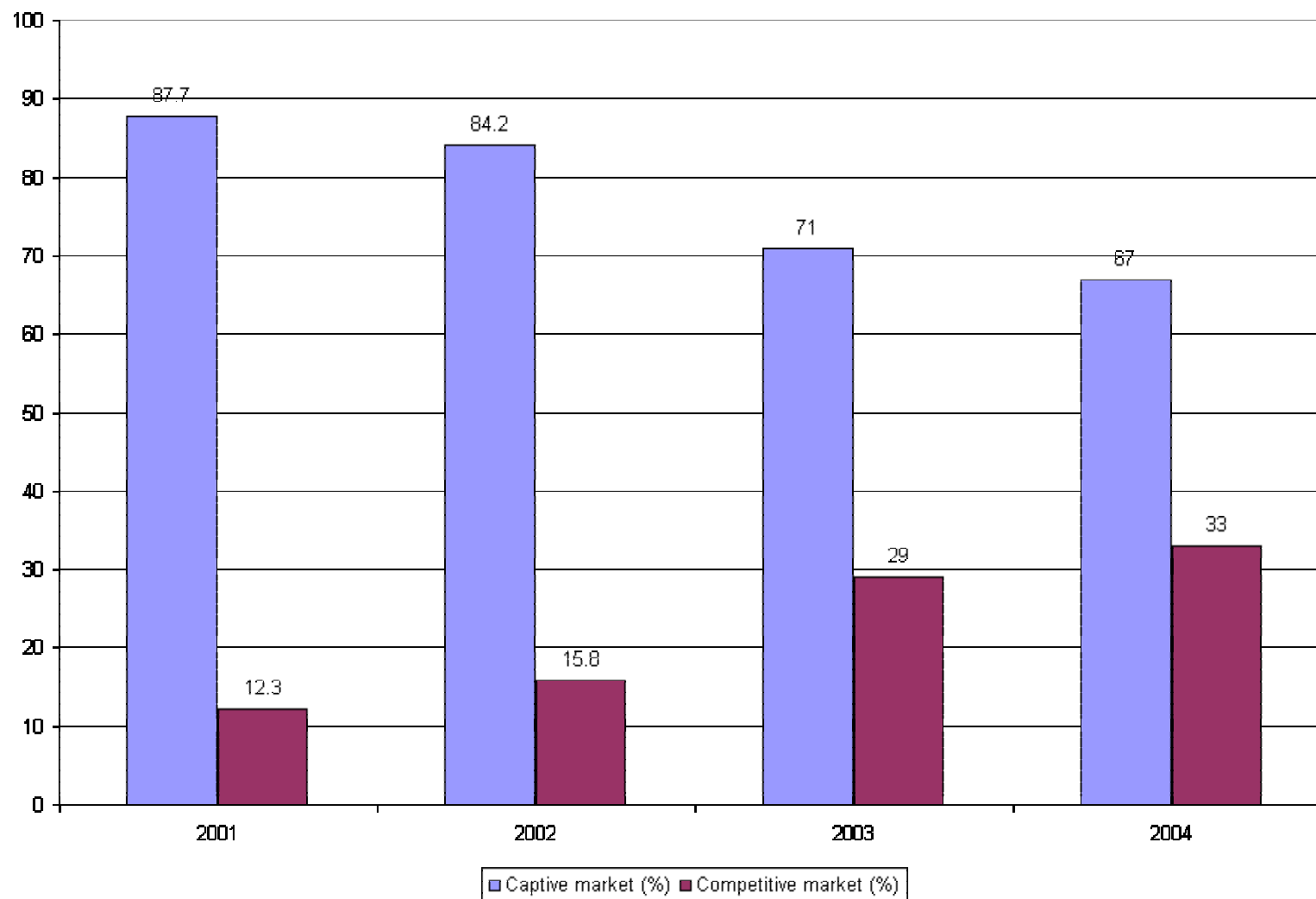
Transmission system operator

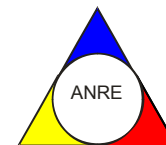
- UCTE and ETSO member
- Fully unbundling - independent TSO company
- Neutral toward electricity market arrangements
- Technical Grid Code in line with UCTE Operation Handbook
 - full responsibility for the Power System Security of Supply
 - no major incidents since unbundling (2000)
- Cross border capacity more than 10 % from the installed power - complying with Barcelona target

Evolution of the electricity market opening degree

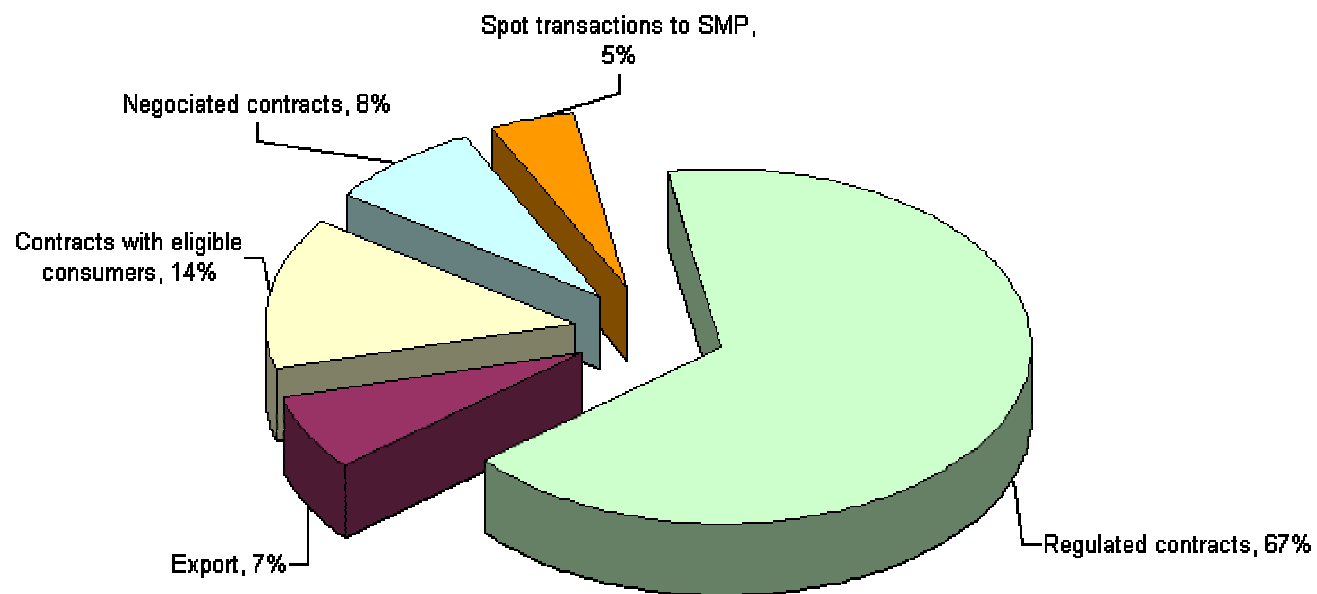


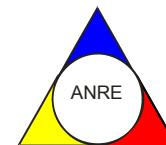
Wholesale electricity market evolution





Wholesale electricity market structure in 2004





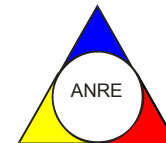
New trading platforms on the wholesale electricity market starting with 2005

Bilateral Contracts Market

regulated (price x quantities) – for captive market
negotiated between generators and suppliers

Centralised Markets:

DAM
Balancing
Ancillary System Services
Cross Border Capacities
Power Exchange (second half 2006)

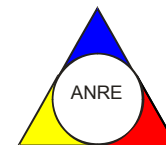


Support schemes for priority production

Renewable sources

(Government Decision No.1892/4 November 2004)

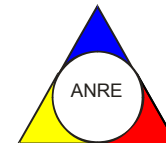
- Generators received green certificates;
- Mandatory supply quota for suppliers;
- Green certificates trading: bilateral or on a centralized market organized by the market operator
- Max and min limitation for green certificates values set up by ANRE
(Orders 19, 20/28.04.2005 published in the Romanian Official Gazette 372/03.05.2005)



Support schemes for priority production

Cogeneration units

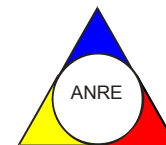
- Capacity payments for efficient qualified units
- Contracts between TSO and generators with efficient qualified units
- Contract prices: ancillary services tariffs



Romania - Regulated prices & tariffs

- Generation and Supply (45 % of the market): cost of service + support schemes for priority generation:
 - ✓ Renewables: supply quota & green certificates
 - ✓ Cogeneration: capacity payments

- Transmission and Distribution: incentive regulation
 - ✓ Transmission: revenue cap; zonal Gs & Ls based on marginal costs
 - ✓ Distribution: price basket cap



Electricity tariffs for captive consumers

The methodology for establishing tariffs for captive consumers was reviewed following the principle of full pass through with a small supply margin and flexible contracts for purchasing electricity

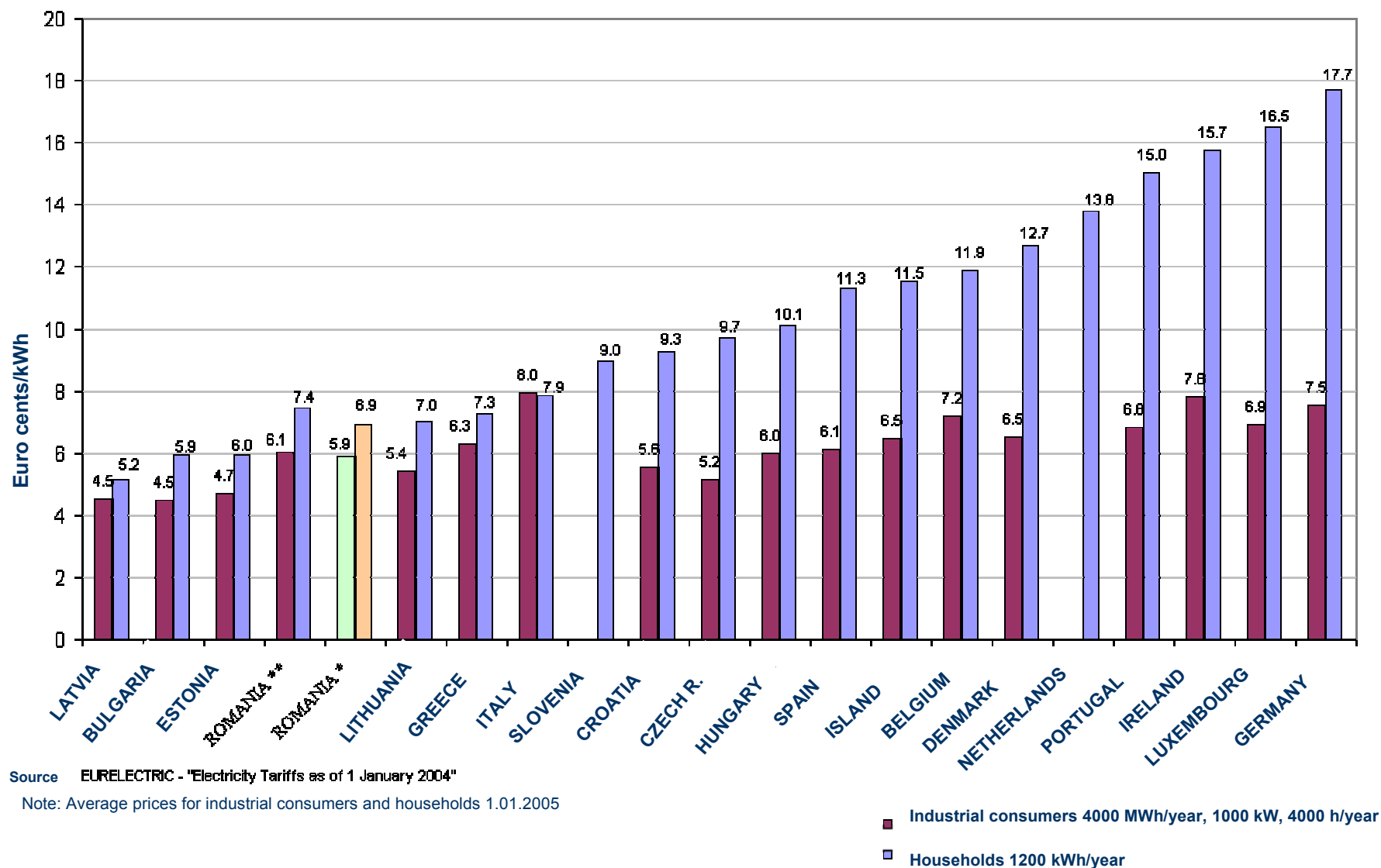
Electricity tariffs for captive consumers were increased by 4.6 % in January 2005 and by 5.2% starting with July, 01 2005

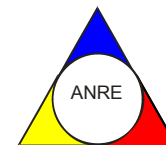
From July 2005 the average end user regulated electricity price will be 91 USD/MWh

ANRE's Order No.41/22 December 2004 approving the **Regulation for electricity labeling** establishes obligations for fuel mix disclosure, according to the Directive 54/2003/EC.

The first labels were sent to consumers in April 2005

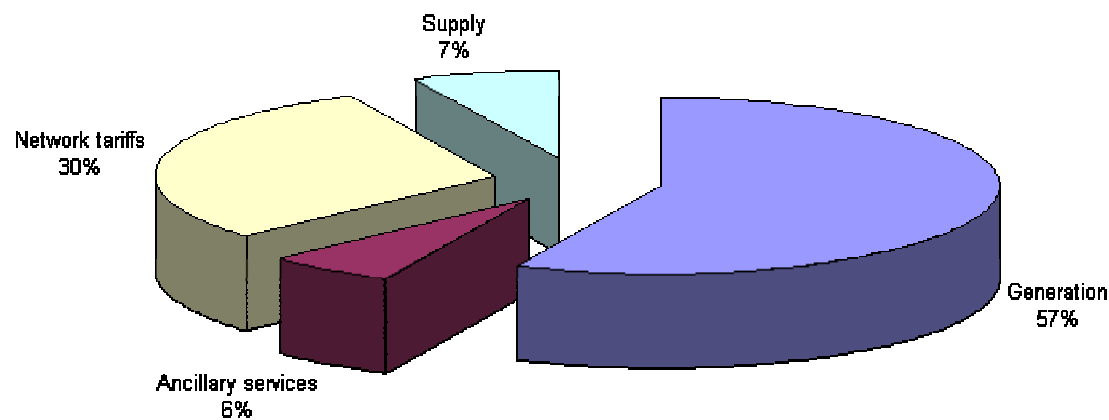
Electricity price for final consumers (without taxes)





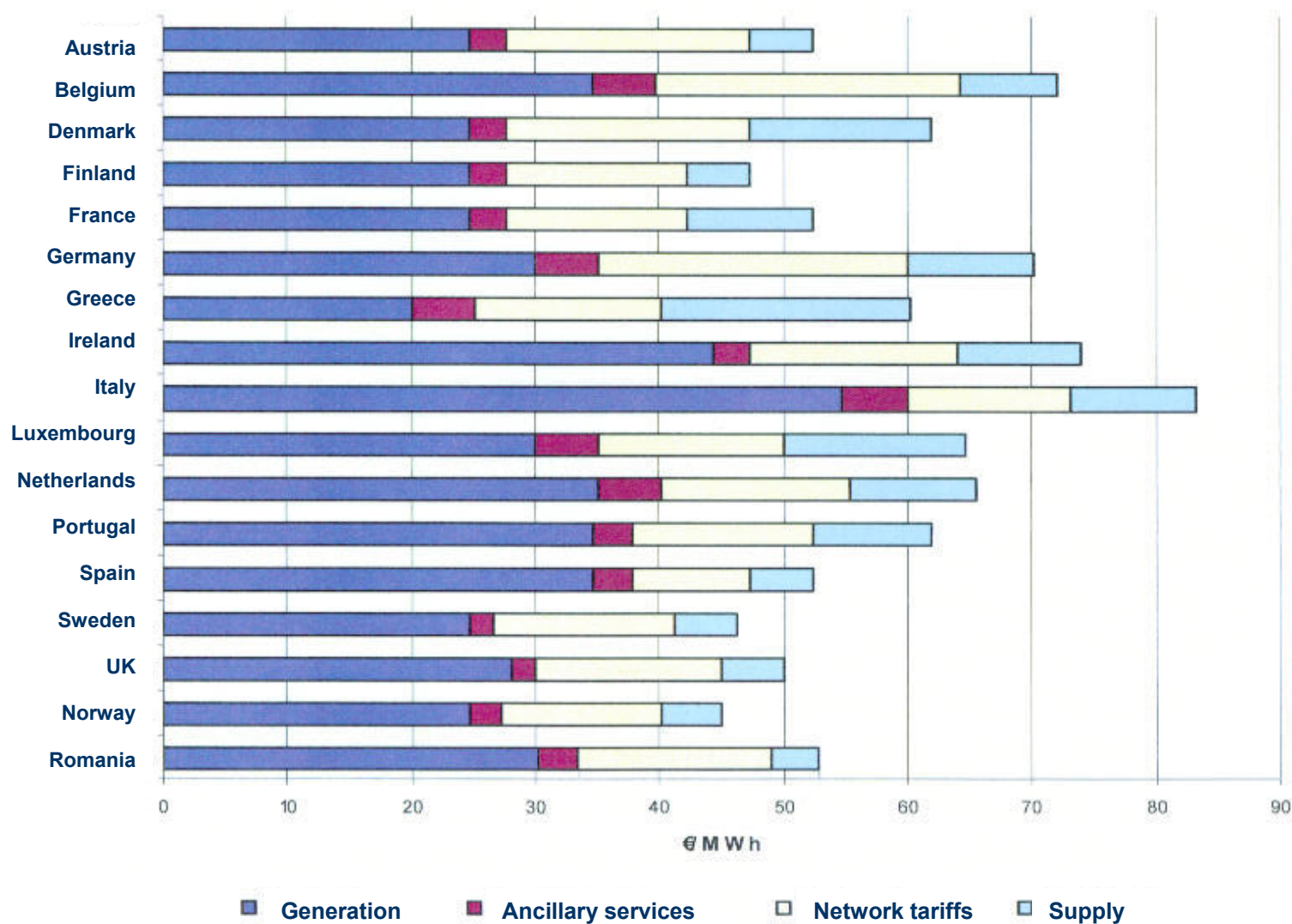
Electricity price structure (1)

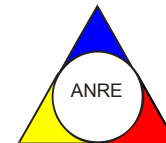
Industrial consumer – 24 GWh/year



Electricity price structure (2)

Industrial consumer – 24 GWh/year





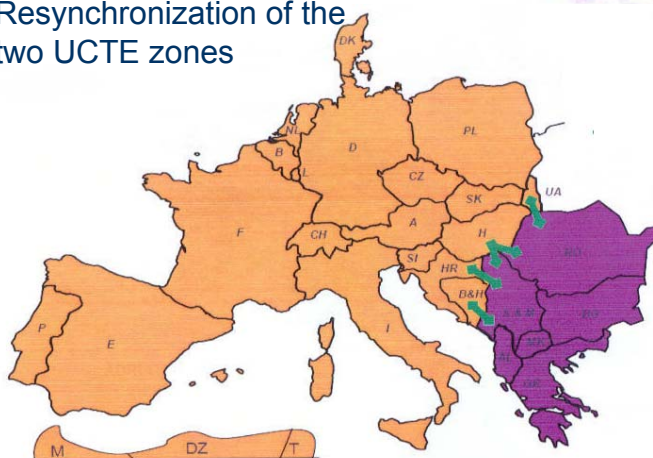
Consumer protection

Ensured through:

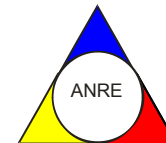
- License conditions requesting the holder to be responsible to provide dependable services
- Monitoring of license holders by enforcing a standard content for the Annual Activity Report and Financial Reports submitted by companies to ANRE on a yearly basis
- Market mechanisms to prohibit deceptive and anti-competitive market practices
- Solving pre-contractual disputes in the sector and between suppliers and consumers
- Monitoring compliance of suppliers with the guaranteed performance standards
- Information and counseling for consumers in order to be able to make appropriate choices.

SEEREM Development

10.10.2004 –
Resynchronization of the
two UCTE zones

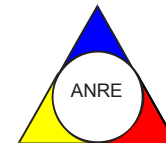


Source – CN Transelectrica SA



Key anticipated issues & activities for 2005

- Energy taxes (Directive 2003/96/EC regarding the taxation of energy and energy products) – are taken into consideration in the electricity prices starting with April, 1 2005 - 0,14 Euro/MWh – non-residential consumers, 0,30 Euro/MWh for residential consumers
- Rules for supplier of last resort – December 2005
- Market opening degree – 83,5 % July 2005 (all non-residential consumers will be free to change supplier)
- The new electricity trading platform is in testing phase from January 2005 to end of June 2005, and is running in parallel with the old spot market. From 1st of July the new DAM and BM will be fully operational
- CBT – allocation of the interconnections capacities – bilateral discussions are undergoing



Thank you for your attention !

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