



## PRESS RELEASE

### **THREE YEARS AFTER THE NEW TRADING PLATFORM LAUNCH WE COME MUCH CLOSER TO OUR CUSTOMERS THROUGH THE COUNTERPART ROLE IMPLEMENTATION**

(Bucharest, July 3<sup>rd</sup>, 2008) Three years ago, the new market platform was launched based “Electricity Market Project”, as result of the cooperation of all responsible entities in Romania and of full support from European Commission and the World Bank.

After July 1<sup>st</sup> the last barrier hindering OPCOM to perform as a power exchange was removed. The so called “bilateral settlement“ remained too much time in place even OPCOM was never pleased with. This was only a substitute for centralized settlement that is the real one. It was accepted in order to not stop the trading development until the agreement upon counterpart role shall be achieved. Also the suspension procedure was only a part of this substitute.

The shortcomings of the old system were:

- a) The previous mechanism was mainly missing the security because the payments were not guaranteed; the suspension procedure was not a reliable solution;
- b) The number of invoices traveling in the market was making the participants to waste time and effort instead to focus on fundamentals of trading;
- c) The trading was not really anonymous for obvious reasons.

Against the difficulties of the bilateral settlement, the interest for daily trading increased year on year which is a good mark for the market and for the participants. These participants and this market deserved the keen work of OPCOM to implement such a mechanism meant to ensure the achievement of a not only liquid but also safe trading.

OPCOM counterpart role means simply: since July 2008 no player will invoice to others, but will have only one partner: OPCOM. However, behind OPCOM the hourly sellers and buyers will stay as till now. As till now the price will be transparently set up and the hourly matching of aggregated bids will be published. The money flow will follow the provisions of the National Bank of Romania based the direct debit banking instrument and of Internet payment orders. This is currently used also in other markets and the instrument was not invented by OPCOM. But the opportunity offered by the electricity field was boosting the development of the instrument in Romanian banking system. This is obvious and is representing a positive additional effect of the mechanism implementation. We express our gratitude towards the Romanian banks for their cooperation and to BCRȘ for special efforts during the mechanism implementation and its launch periods.

Regarding the payments, even we disagree to transform the collaterals’ execution in a habit, this eventual alternative remains (this is the core of the mechanism) to be used if the participants will not pay rapidly and will be transparent for the beneficiary of the payment. OPCOM will bear this burden and the sellers will see only the money coming in due time. This is the key benefit.

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We expect that the satisfactory market share of about 10% will not decrease, as also the hourly volume around 600 MWh will not decrease because this is the daily opportunity. If we combine the non-payment and volume risks that the trading in DAM and the OPCOM counterpart role will hedge, we expect the DAM volumes will increase in the detriment of bilateral contracts. It is probably too much to hope that somebody will terminate the existing long term bilateral contracts just because today the Day Ahead market is providing a more reliable framework than yesterday. But for sure since tomorrow the players will think twice before signing a bilateral contract.

Until now we were dealing with two figures: about 100 registered participants against about 60 active participants. The 10% market share is the outcome and the merit of this 60 players' active participation. Just to date about 80 were signing new accession agreement. We expect the new mechanism will not have a key role in setting up the price because the relation of participants with the banks was not specifically developed for the day ahead market and the collaterals required are only a piece in the puzzle of guarantee agreements between the electricity market players and the banking field.

We consider that the day ahead trading in Romania is a stable framework and the price is more stable and more reasonable comparing with the regional framework. The model of the market is not the only explanation but certainly can not miss in a list of reasons. The required collaterals will not disturb the active participation, the liquidity and the prices.

As a proof of above considerations:

- The average hourly volume traded in the first day of the new mechanism is 738 MW and in the second is 802 MW, while during the last month this was 555 MW.
- The average hourly price for July 2<sup>nd</sup> is 66.65 EUR and for July 3<sup>rd</sup> is 65.82 EUR, while for July 1<sup>st</sup> it was 66.4 EUR; the one established last Tuesday was 67.12 EUR. The average hourly price in July 2007 was 67.39 EUR
- The number of active participants each of the first two days, about 55, was almost identical with this number one day before as also with the number of participants in June.

We were disappointed seeing such long period delayed the launch. We are sure that now we become more credible not only in domestic landscape but in the regional and European framework. It is the best manner to celebrate the three years since new trading platform started.