

***2014, the year of transaction records and of new mechanisms development/implementation – IDM with continuous trading mechanism, Centralized Market for Bilateral Contracts of Green Certificates CMBCGC, Centralized Market with double continuous negotiation for Electricity Bilateral Contracts CM-OTC and DAM by respecting price market coupling mechanism***

### ***The short term markets – Day-Ahead Market (DAM) and Intraday Market (IDM)***

This year DAM has also answered to the opportunities and needs for balancing the participants obligations one day before the delivery day, in a context characterized by maintaining the consumption at 2013 similar level and by an increased generation of electricity compared to the earlier year. In the last month of 2014 an absolute record number of 171 participants were active on DAM platform, contributing to establish an absolute record related to the monthly average trading of 2,987 MWh/h and to enhance the yearly average of the hourly traded volume, positioned for the first time above the 2,000 MWh/h threshold.

Annual historical data indicates an increasing of the traded volume for this time horizon from 1.7 TWh in 2005 to 21.5 TWh in 2014, respectively in hourly average values from 388.927 MWh/h in 2005 to 2,453.632 MWh/h in 2014, as percentage of the country domestic electricity consumption – this last value representing 41.31%. Compared to 2013, the 21.5 TWh quantity traded on DAM has increased with 5,2 TWh (31.51%).

At the level of the overall 2014 year, the participants number that have been submitted at least one offer was 221 representing a rate for interest that exceeds 91.32% if compared with the 242 companies registered at the market at the end of December 2014. All 221 participants concluded transactions, the hourly volumes varying in a range between 1,248 MWh/h and 4,112 MWh/h, this last value for the first time higher than the threshold of 4,000 MWh/h, being an absolute maximum for the 2005-2014 time horizon. Set in all intervals without exception, the hourly trades reached 2,000 MWh/h in 83% of the cases, while the trades' volume was lower than 1,500 MWh/h (equivalent of 25% from the yearly hourly average consumption) in only 52 of the 8,761 hourly intervals in which there were tradings in 2014.

The moving to the DAM operating by price market coupling mechanism was done smoothly, the performance of this market was not influenced by the implementation of DAM new trading rules of the offering and trading process launched on November 19, 2014. Since operating in coupled-mode, the prices on the four DAMs (Czech Republic, Slovakia, Hungary si Romania) were equal in proportion of 28% representing a number of 283 hour intervals from those of 1,008 in which the market was operating coupled in 2014.

The yearly weighted average price established on DAM was of 158.93 Lei/MWh (35.76 EUR/MWh), while the yearly arithmetic average trading price was 154.00 Lei/MWh (34.66 EUR/MWh) in 2014, decreasing compared to the corresponding value of the year 2013, of 156.20 Lei/MWh (35.34 EUR/MWh). The same decreasing trend compared with the previous year was observed in Europe in almost all electricity spot trading environments, being to be remarked this year also a more reduced dispersion of the yearly average prices set by exchanges compared with the European average of 40 EUR/MWh, the recorded price on OPCOM, through the value set in the administered spot market, being with 13.35% less than the European average.

On the DAMs that are operating coupled with DAM administrated by OPCOM since November 2014, the 2014 annual prices were 40.48 EUR/MWh (HUPX), 33.65 EUR/MWh (OKTE) si 32.97 EUR/MWh (OTE).

### ***The Intraday Market***

In January 2014 OPCOM has successfully launched the IntraDay Market on which the electricity transactions are established through a continuous correlation up to two hours before the delivering time. At the end of 2014, the number of the IntraDay Market participants registers only 97 from a potential of at least 250 participants, of which only 54, respectively 55.67% were active on this market that is designed to facilitate for the market trading the intradaily variations between the available capacity and the delivery obligations, thus contributing to a better management of the potential imbalances and to maintaining a balance of generation

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and consumption. The traded volume in 2014 (63,811.966 MWh with a weighted average price of 162.63 lei/MWh meaning 36.64 EUR/MWh) but remains low compared to the expected indicator, given that in 2014 the participation of renewable sources in the mix of generation increased from 2013 with over 10%.

It is expected that the potential users' process of becoming mature to bring about in the future the usage of this final commercial market that allows the adjustment very close to the real time, making thus easy to avoid imbalances and penalties payment for deviations from the operating program. The last but not the least new regulating measures should highlight and assert the ultimately commercial character of this market, the increasing number of users that assert the safety operation of the national grid and the decreasing expense for system balancing, both being for the benefit of the final customer.

***The Term Markets - The Centralized Market for Bilateral Contracts for electricity: Public Auctions Mechanisms (CMBC), with continuous negotiation (CMBC-CN), and with double continuous negotiation (CM-OTC)***

***The Centralized Market for Bilateral Contracts for electricity: Public Auctions Mechanisms CMBC***

All those 458 participants that expressed interest on using the product within their own contracting strategies in 2014, representing 78% of the 588 companies registered on the market at the end of December 2014, traded at least one of the 1,572 awarded offers respectively a total volume of 37.3 TWh compared to 32.8 TWh in the previous year, result that indicates a growing interest for electricity term trading.

The analysis shows that through the concluded trades, 2014 assures deliveries for the following year of 23.9 TWh, volume representing a share of around 46.25% from consumption. Comparatively, at the end of 2013 an electricity quantity of 20.9 TWh was contracted for delivery in the following year, the difference up to 33.6 TWh delivered in 2014 being from trades on CMBC with delivery in the same 2014 year. The weighted average price for the electricity traded in CMBC in 2014, was of 169.32 Lei/MWh (37.77 EUR/MWh) for delivery in 2015, respectively 148.68 lei/MWh (33.16 EUR/MWh) for delivery in 2016.

The deliveries contracted for 2014 represented a share of 64.98% from consumption, the related weighted average price being 176.58 Lei/MWh (39.73 EUR/MWh).

***The Centralized Market for Bilateral Contracts for electricity - continuous negotiation mechanism CMBC-CN***

The continuous trading mechanism attracted an increasing number of participants, initiators and respondents, a number of 47 participants manifesting interest for this trading mechanism from those 588 companies registered on the market at the end of December 2014, in this 2014 year being awarded a record number of 5,994 standard contracts for delivery terms of one week, one month, one quarter and one year profiled for base-load, and for peak and off-peak hours respectively a record volume of 4,075,245 MWh.

The deliveries contracted for 2014 totalled 1,612,246 MWh, respectively a share of 3.12% from consumption, the related weighted average price being of 168.67 Lei/MWh (37.97 EUR/MWh).

The deliveries contracted for 2015 totalled an absolute record value of 2,837,377 MWh, respectively a share of 5.49% from consumption, the related weighted average price being of 174.52 lei/MWh (39.35 EUR/MWh), this result that compared with the price established by CMBC mechanism – 169.32 lei/MWh (37.77 EUR/MWh) – reflects the coherence of the price signal in these two term markets.

***The Centralized Market for Bilateral Contracts for electricity with double continuous negotiation mechanism CM-OTC***

Starting with May 2014, when the first transaction was completed on the Centralized Market for Electricity Bilateral Contracts with double continuous negotiation and up to the end of 2014, the 34 active participants on CM-OTC representing 63% of the total of 54 participants registered on this market by the end of December 2014, have traded an electricity volume of 6,223,970 MWh at a related weighted average price of 171.18 lei/MWh (38.64 EUR/MWh).

The deliveries contracted for 2014 totalled 1,351,035 MWh, respectively a share of 2.61% from 2014 consumption, the related weighted average price being of 173.47 Lei/MWh (39.26 EUR/MWh).

For 2015 the contracted deliveries total 4,872,935 MWh, respectively a quota of 9.43% of consumption, the related weighted average price being of 170.54 lei/MWh (38.47 EUR/MWh), this result also compared with the prices established on CMBC (169.32 lei/MWh) si CMBC-CN (174.52 lei/MWh) for the same delivery year reconfirms the coherence of the price signal for medium and long time electricity selling.

***The Certificates Markets - The Centralized Market for Green Certificates (CMGC), The Centralized Market for Bilateral Contracts of Green Certificates (CMBCGC) and The Trading Platform for greenhouse gases Emission Certificates (TPEC)***

***The Centralized Market for Green Certificates***

In 2014, from 728 companies registered on the Centralized Market for Green Certificates at the end of December 2014, a number of 519 have been active participants and they have centralized traded 2,675,174 green certificates at a weighted average price of 161.60 lei/green certificate (36.07 EUR/green certificate, calculated at the exchange rate used for establishing the traded values of green certificates on the green certificates market for 2013 and 2014).

***The Centralized Market for Bilateral Contracts of Green Certificates***

Beginning with February 2014 when the first centralized transaction was completed on the Centralized Market for Bilateral Contracts of Green Certificates, and up to the end of 2014 a number of 21,805,810 green certificates have been traded by 467 active participants on CMBCGC from 728 registered on the green certificates market at the end of December 2014, at a weighted average price of 134.21 lei/green certificate (30.06 EUR/green certificate calculated at the exchange rate used for establishing the traded values of green certificates on the green certificates market for 2013 and 2014).

The transactions completed in 2014, cumulated on the two markets, summarize a number of 24,480,984 certificates, representing the obligations assumed by the contract partners for deadlines reaching up to 15 years depending on contractual terms.

11,693,080 green certificates have been issued for the electricity generated from January up to November 2014.

***The Trading Platform for greenhouse gases Emission Certificates***

From the total of 12 companies registered at the end of 2014 on the Trading Platform for greenhouse gases Emission Certificates, none of them was active, so that transactions with greenhouse gases emission certificates were not completed on the Platform in 2014.

***Markets for Natural Gas - Centralized Market for Natural Gas where contracts are assigned by a auctions and negotiation combined process (CMNG-AN)***

***Centralized Market for Natural Gas***

At the end of 2014 the participants number registered on this market was 15, out of which 5 manifested interest for being active participants on this market. The trading sessions ended without assigned contracts, but there is expected for 2015 that by the coherency of the adopted regulatory measures, the transparent trading process on the centralized market for natural gas to be supported in a concrete manner.

***The Settlement***

On the Day-Ahead Market, the electricity traded value totalled 3,416.4 mill. lei (768.6 mill.Euro), the payments made in two banking days reached 3,224.7 mil. lei (725.5 mil. Euro), the difference of 191.7 mill. lei (43.1 mill. Euro) representing the payment obligations value of DAM participants to OPCOM that have been offset either by issuing orders of compensation, either by issuing payment orders.

On the Intra-Day Market, the electricity traded value totalled 10.4 mill. lei (2.3 mill. Euro), the payments made in two banking days reached 9.6 mil. lei (2.2 mil. Euro), the difference of 0.8 mill. lei (0.1 mill. Euro) representing the payment obligations value of IDM participants to OPCOM that have been offset either by issuing orders of compensation, either by issuing payment orders.

Besides the accomplishment of the responsibilities deriving from the counterparty role assumed by OPCOM in the electricity spot trading process, the settlement activity supposed, in 2014 also, the fulfilment of the responsibilities derived from the process of setting the volumes, respectively the collection rights/payment obligations for:

- The trades on the Centralized Market for Green Certificates, in amount of 432.32 mill. Lei (96.50 mill. EUR), corresponding to the Green Certificates traded in 2014;
- The trades on the Balancing Market administered by C.N.T.E.E. Transelectrica S.A., in amount of 608.3 mill. Lei, corresponding to the upward balancing energy and, respectively 52.2 mill. Lei for downward balancing energy (for the period January-November 2014);
- The imbalances of the Balance Responsible Parties, amounting 42.3 mill. Lei corresponding to the positive imbalances and respectively 588.8 mill. Lei corresponding to the negative imbalances (for the period January-November 2014), as well as the settlement for notification imbalances of the Dispatchable Units, in amount of 0.2 mill. Lei (for the period January-November 2014).

The values of the residual costs/revenues derived from the system balancing were also determined and reallocated, amounts that totalled supplementary costs of 20.1 mill. Lei, respectively supplementary revenues of 10.9 mill. Lei (for the period January-November 2014).

***The volumes contracted for delivery in 2014 on the markets administered by OPCOM, totalled an electricity quantity of over 58 TWh, result that represents the expression of centralized and transparent electricity trading in Romania with beneficial effects on the market and on the indicators that characterize its operation: traded volumes, active participation, concentrating degree and the level of wholesale electricity prices.***

***Additional to the electricity trades, over 24 million Green Certificates were centralized contracted in 2014 on the platform administered by OPCOM.***

***This retrospect of power and certificates markets operation administrated by OPCOM must be seen in the context of the major changes that have marked the markets' structure and administration in 2014. We present forward the chronological retrospective of the implemented projects:***

- ***The Intra-Day Market: launched in July 2011, in a first implementation phase as a mechanism by which transactions were established immediately after the closing of the Day-Ahead Market in a single session of portfolios adjustment, the Intra-Day Market was developed to allow the energy trading through a continuous correlation up to two hours before delivery. This major change operated in January 2014 stays in line with European implementations in the context of the need to integrate in the power systems the increasing volumes of electricity from renewable sources by maintaining their operational safety.***
- ***The Bilateral Contracts Market of Green Certificates: starting with 01.16.2014, the producers from renewable sources and the economic operators with green certificates purchase obligations had available this new mechanism of trading the green certificates in a transparent, centralized and undiscriminating way.***
- ***The Centralized Market with double continuous negotiation for Electricity Bilateral Contracts: launched for commercial operation in 03.03.2014, CM-OTC offered for the trading participants the opportunity to trade by continuous double negotiation a number of 21 standard products for base load, peak load or off-peak load electricity delivery for one day, one weekend, one week, one, month, one quarter, one half year and one year delivery***

*periods. The trades established on this market are nowadays exclusively concluded based on the standard EFET contract by considering the eligibility of counterparties.*

- *Day-Ahead Market by respecting price market coupling mechanism: launched as an operating mechanism coupled with the Day-Ahead Markets from Czech Republic, Slovakia and Hungary since November 2014, DAM administrated by OPCOM enables participants to obtain benefits associated with the European strategic objective that of efficiency increasing by the opportunity of simultaneously trading both the cross-border capacity and the electricity, liquidity growth with beneficial effects on price in the sense of mitigating its volatility, reducing concentration on an extended market where the trading opportunities are growing, the more efficiency using of cross-border capacities.*
- *Last but not least, the retrospect includes an important project whose development was completed at the end of 2013, allowing for OPCOM to implement the regulated tariffs starting with January 1, 2014 – an administration component of centralized markets and a component of completing trades on centralized markets, for participants registred on the administrated markets.*

*These important projects launched in 2014 are joined by the implementation efforts, at the level of operational procedures and in terms of IT as well as at the level of contractual framework of each trading way, of the regulations established by the Regulatory Authority that was giving effect with the first day of 2015 or that are going to give effect during the first quarter of this year:*

- *Implementation of new trading mechanisms based on regulations established by the Regulatory Authority (Order 78/2014) regarding the ways of completing electricity bilateral contracts by extended auction (CMBC-EA), continuous negotiation (CMBC-CN) and by processing contracts (CMBC-PC).*
- *Implementation of Centralized Market for Universal Service (CMUS) based on regulations established by the Regulatory Authority (Order 65/2014), mechanism that is going to allow on the wholesale market the transparent and concurrent electricity purchasing for last resort suppliers in order to cover consumption charged at CMC tariff (competitive market component) of final customers served in universal service program.*