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## **CEO's Foreword**

The Romanian Power Market Operator – S.C. OPCOM S.A. – has recently celebrated one and a half-year of uninterrupted operation.

Along all this time, OPCOM's daily operation has been made possible by the efforts of its own specialists, who have designed the models and created the necessary tools to perform the administration of the electricity wholesale market.

Their efforts have been even more valuable considering the scarcity of relevant experience worldwide, most of the western liberalized power markets being implemented simultaneously with the Romanian one.

Such a genuine experience required a pioneering, round the clock, hard work in order to keep up with the sustained evolution of the recently emerged Romanian power market.

As an early recognition of its efforts, OPCOM has been accepted full member of the International Power Exchanges Association – APEX starting the October 1<sup>st</sup>, 2001.

All these prompt me now with the pleasant opportunity to convey to all my colleagues who have made possible such achievements, my most sincere and deepest thanks for their enthusiasm, abnegation and ingeniousness.

I would also like to address our grateful thanks to all the entities which have contributed to the launching and successful development of the Romanian power market operated by OPCOM, and first of all to the Ministry of Industry and Resources, which has permanently guided and sustained us, to ANRE, for the active support and fruitful cooperation dedicated to the ongoing improvement of the legal framework and the proper implementation of the related regulations, to all the market players, and last, but not the least, to the Romanian TSO, C.N. Transelectrica S.A. and the National Power Dispatcher, for the close collaboration in coordinating and operating the power market and the National Power System.

In its entire activity, OPCOM has abidingly and unconditionally promoted its statutory principles of neutrality, equidistance, nondiscrimination, equity and full transparency towards all the market actors, which have greatly contributed to OPCOM's institutional progress.

Newly emerged notions, such as the "Merit Order" and the "System Marginal Price", have become essential for the power generation scheduling and optimization and are representing important indicators for the commercial operation of the power market. Moreover, OPCOM has created and implemented an algorithm for the optimization of the start-ups/shut-downs for the thermal generating units, which has succeeded in reducing the number of start-ups/shut-downs by approximately five times, resulting in outstanding savings for the whole National Power System.

As an outcome of the continuous expansion of the share of liberalized market, which has reached recently 33%, as well as of the qualification of new market subjects and eligible consumers alongside with the monopoly splitting recently operated in distribution and thermo generation, a competitive environment is being created. This will facilitate increasing traded volumes on the liberalized market, concomitantly with the enhancement of market liquidity.

In order to successfully cope with all these new developments, OPCOM ought to continuously adapt its operation tools and methods, especially when taking into account the prospective to turn into a power exchange meant to operate in an real competitive environment.

The implementation of the financial instruments specific to an exchange (forward, futures, options) and the set up of a Clearing House operated by OPCOM are representing future ways of enhancing the liquidity of the power market and to get rid of arrears.

In order for OPCOM to meet the short term goals for this year, it must take into consideration the following tasks: the implementation of the turn-key IT and Telecommunication System, financed under a Phare grant; the set up of a comprehensive strategy according to the present transition stage, in order to be able to successfully face the complex requirements generated by the split up of S.C. Electrica S.A. into 8 subsidiaries and the surge of new eligible consumers and independent producers; the implementation of a risk management policy; the international certification of the Quality Management System complying to the ISO 9000/2000 standard, etc.

OPCOM will ceaselessly focus its activity to the main goal of reducing the end user's bill, by developing competitive market mechanisms meant to cut costs.

At the same time, we consider this target as fully consistent with the necessity to comply with the energy sector requirements for Romania's accession to the European Union and with the related efforts of the power industry to become competitive in the wake of the liberalization of the European energy market.

Yours faithfully,

Adrian Goicea  
CEO

## 2. History

**July 2nd, 1998** – Government Decision no. 365/98 decided the reorganisation of the Electricity Autonomous Regie, RENEL and the setting up of the:

- National Electricity Company CONEL S.A.,
- National Company „Nuclearelectrica” S.A.,
- Autonomous Regie of Nuclear Activity.

From its very beginning CONEL held three fully owned subsidiaries, covering each one main domain:

- S.C. Termoelectrica S.A. - electricity and heat generation,
- S.C. Hidroelectrica S.A – hydro electricity generation,
- S.C. Electrica S.A - electricity distribution and supply.

**September 1998** – The Commercial Operator and Forecast Department was established within CONEL, whose main role was starting up commercial operations within the newly established electricity wholesale market, in order to implement new commercial relationships (the so called “conventions”) among the above mentioned subsidiaries and to regulate the proper carrying out of these commercial relations.

**October 22, 1998** - The Government issued the Urgency Ordinance no. 29 establishing the National Electricity Regulatory Authority (ANRE), public institution responsible for the set up and implementation of a regulatory framework for the electricity sector and market operation in conditions of efficiency, competition, transparency and consumers’ protection.

**December 28, 1998** – The Government Urgency Ordinance no. 63 states the framework, principles and main directions for the liberalization of the electricity market in Romania, according to the European Directive 96/92/EC.

**March 1st, 1999** - The National Electricity Regulatory Authority (ANRE) issued the first regulations (e.g. The Power Wholesale Market Commercial Code and the regulation for Scheduling And Dispatching of the National Electricity System), thus setting up new roles, relationships and responsibilities for all the market participants.

**June 1st, 1999** – the Commercial Operator of the electricity wholesale market is set up within CONEL, responsible for the fulfilment of its assigned role, functions and tasks as being settled by the secondary legislation.

**13 July 2000** – The Government Decision no. 627/2000 further unbundled CONEL, splitting it into the following entities established as independent fully state-owned companies:

- S.C. Termoelectrica S.A.
- S.C. Hidroelectrica S.A.
- S.C. Electrica S.A.
- C.N.Transelectrica S.A., as a TSO, with **S.C. OPCOM S.A, as a subsidiary** legal entity.

## 3. OPCOM’s Role

OPCOM plays the role of electricity market administrator, as stated in the primary and secondary legislation in force, providing an organized, viable and efficient framework for the commercial transactions traded within the wholesale power market, in conditions of consistency, fairness, objectivity, independence, equidistance, transparency and non-discrimination.

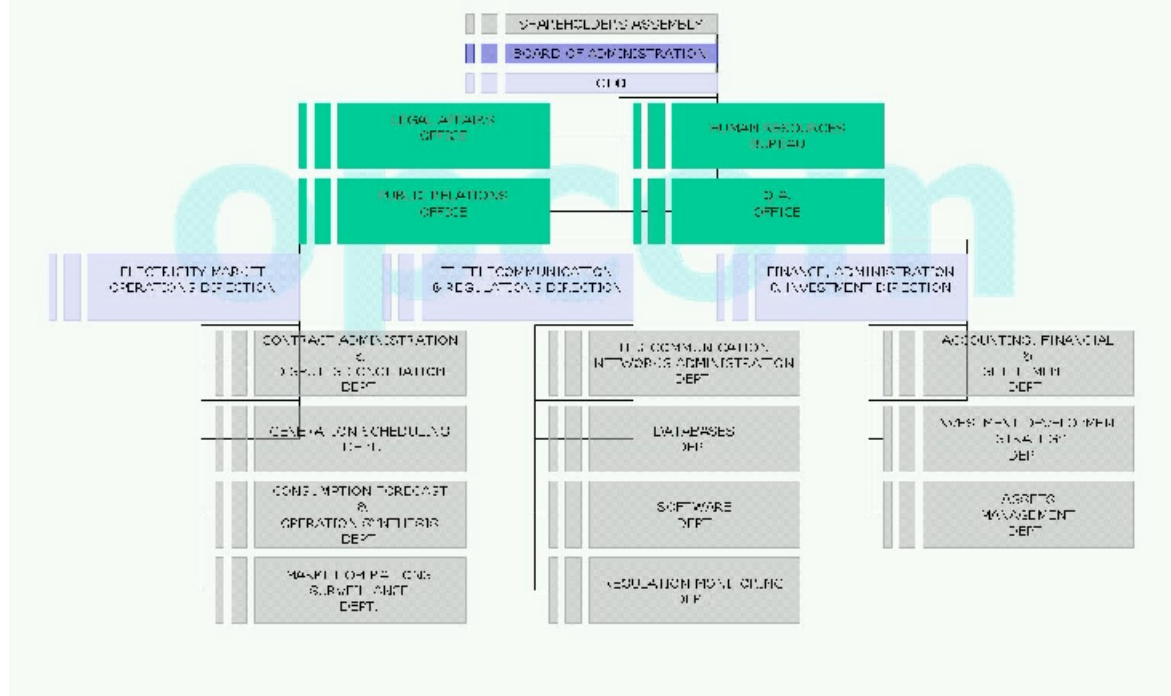
As per the Government Decision 627/13 July 2000 and per the Commercial Code of the Wholesale Electricity Market issued by ANRE, the Commercial Operator has the main functions:

- Registration of the market participants.
- Contract registration and monitoring.
- Coordination of the electricity consumption forecast activity aimed at the operational scheduling of the National Electricity System (SEN).
- Setting up of the merit order of the dispatchable units, by ranking them according to their capacity, offered quantities and prices, turned into the operational schedule of the dispatchable units.
- Setting up of the system marginal price for each programming interval.
- Publication of the system marginal price and other relevant market information.
- Scheduling of the ancillary services traded daily as a component of the operational programming of the dispatchable units for each programming interval.
- Settlement among market participants, for each settlement interval, of the power and ancillary services quantities traded, of the transmission volumes and market administration fees.
- Conciliation of the disputes among market participants and submission of the unsolved litigates to a Committee (CADPEE) appointed by ANRE.
- Temporary suspension of the market participants in case of unfair behaviour and disturbance of proper market operations, as stated by ANRE regulations.
- Contribution to the improvement of the electricity market operation by elaborating new procedures to be submitted to ANRE approval.
- Assistance and consultancy for the market participants, elaboration of surveys and studies as well as of specific analyses and syntheses on specific themes.
- Domestic and international cooperation.

#### **4. OPCOM Organizational Chart**

In order to achieve its functions and objectives, OPCOM has the following structure (figure no. 1):

## The Organizational Chart of S.C. OPCOM S.A.



**Figure 1**

OPCOM's core values are:

- The quality, professionalism, initiative, devotion and competency of the company employees.
- The accumulation, development and sharing of experience.
- The organizational culture.

## 5. OPCOM– Romanian Electricity Market Operator

### 5.1. The structure of the wholesale electricity market

**The Romanian wholesale electricity market** is dedicated to the electricity and ancillary services trade among market participants and is made up by two segments:

- the regulated market
- the competitive market.

**The regulated market** is dedicated to the electricity and ancillary services trade on regulated contract basis (with firm quantities and regulated prices).

**The competitive market** is dedicated to the electricity trade through bilateral contracts and by auction. As per Government Decisions no. 48/31.01.2002, the competitive market is up to 33% of the total wholesale electricity traded.

The competitive market has two components:

- *the bilateral contracts market* between suppliers and eligible customers;
- *the spot market*, representing the part of the competitive market on which the uncontracted electricity is traded by auction at the System Marginal Price (SMP)<sup>1</sup>.

Figure no.2 shows the contractual relations on the Romanian wholesale electricity market.

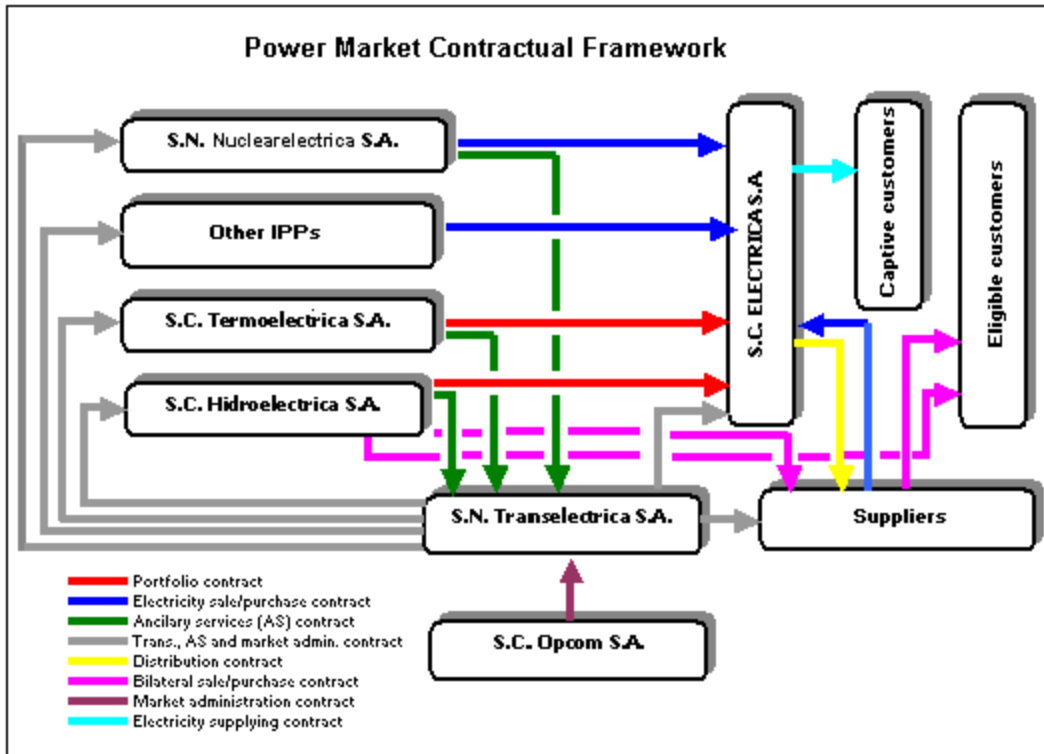


Figure 2

## 5.2. The Wholesale Electricity Market Administration

### 5.2.1. Market Participant's Registration

So far, **ANRE** has licensed 41 eligible customers and has issued 51 specific licenses, as follows:

- 14 electricity producers;
- 33 electricity suppliers;
- 1 transmitter;
- 1 system operator;
- 1 distributor;
- 1 market operator.

According to the Commercial Code, art. 62, the market participants must register with the Commercial Operator according to their license.

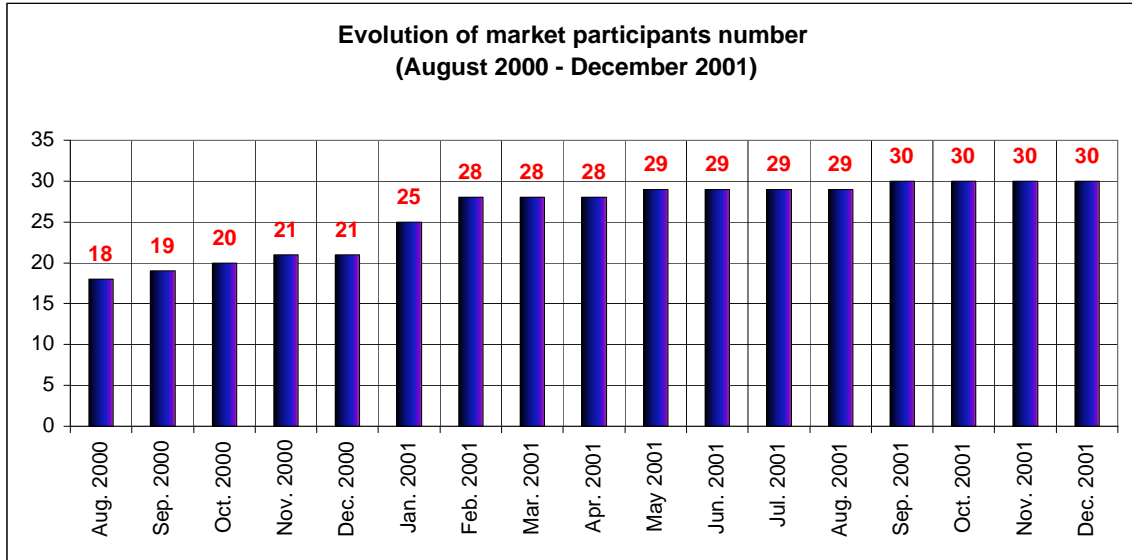
Until 31.12.2001, there have been registered 27 market participants with OPCOM, as follows:

- 7 producers;
- 7 suppliers;

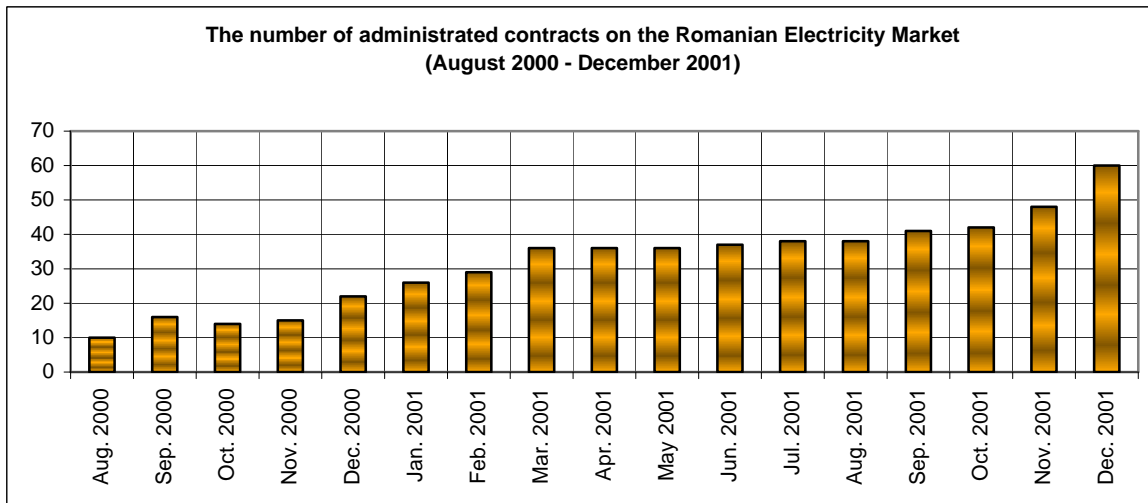
<sup>1</sup>The *System Marginal Price* is the price of the last MWh set up by the merit order to meet the hourly demand.

- 10 eligible customers;
- 1 transmitter;
- 1 system operator;
- 1 distributor.

Figure no.3 shows the evolution of the market participants' number and figure no. 4 presents the evolution of the contracts monthly administrated by OPCOM.



**Figure 3**





**Figure 4**

Table no.1 shows the contracts type between the market participants.

<b>Contracts type</b>	<b>Seller</b>	<b>Buyer</b>
Portfolio contracts	Termoelectrica S.A.	Electrica S.A.
	Hidroelectrica S.A.	Electrica S.A.
Negotiated bilateral contracts	Termoelectrica S.A.	Electrica S.A.
	Hidroelectrica S.A.	Electrica S.A.
PPA contracts	S.N. Nuclearelectrica	Electrica S.A.
Auto-generators Contracts	RAAN	Electrica S.A.
	C.E.T. Braila S.A.	Electrica S.A.
IPP Contracts	C.E.T. Govora S.A.	Electrica S.A.
Ancillary services supply contracts	Termoelectrica S.A.	Transelectrica S.A.
	Hidroelectrica S.A.	Transelectrica S.A.
	S.N. Nuclearelectrica	Transelectrica S.A.
Eligible customer supply contracts	Termoelectrica S.A.	ALRO Slatina S.A.
	Hidroelectrica S.A.	ALRO Slatina S.A.
	Hidroelectrica S.A.	AZOMURES S.A.
	Hidroelectrica S.A.	CESAROM S.A.
	LUXTEN	RATB
	Group Trading S.R.L.	AZOMURES S.A.
Selling-purchase contracts between suppliers	Hidroelectrica S.A.	LUXTEN
	Group Trading S.R.L.	Electrica S.A.
	Romenergo S.A.	Electrica S.A.
	Romelectro S.A.	Electrica S.A.
Supplier – generator contracts	GRIVCO S.A.	Termoelectrica S.A.
Transmission, system services and market administration contracts	Transelectrica S.A.	Termoelectrica S.A.
	Transelectrica S.A.	Hidroelectrica S.A.
	Transelectrica S.A.	S.N. Nuclearelectrica
Transmission, system services and market administration contracts for export	Transelectrica S.A.	Termoelectrica S.A.
	Transelectrica S.A.	Hidroelectrica S.A.
Transmission, system services and market administration contracts for the power delivered to eligible customers (ALRO Slatina S.A., AZOMURES S.A., CESAROM S.A.) and supplier LUXTEN	Transelectrica S.A.	Termoelectrica S.A.
	Transelectrica S.A.	Hidroelectrica S.A.
Transmission, system services and market administration contracts for the power traded between suppliers (Group Trading S.R.L., Romenergo S.A. Romelectro S.A.)	Transelectrica S.A.	Electrica S.A.
System services and market administration contracts with generators for the power	Transelectrica S.A.	RAAN
	Transelectrica S.A.	C.E.T. Govora S.A.
	Transelectrica S.A.	C.E.T. Braila S.A.

delivered in the network in a low voltage level $\leq 110$ kV	Transelectrica S.A.	Electrica S.A.
Market administration contract	OPCOM S.A.	Transelectrica S.A.

**Table 1**

**5.2.2. Forecast**

According to the Government Decision No. 627/13.07.2000, OPCOM S.A. "**coordinates the electricity consumption forecast activity in order to issue the operational schedule of the National Electricity System (SEN)**".

OPCOM's coordination role consists of:

**a) Short term forecast:**

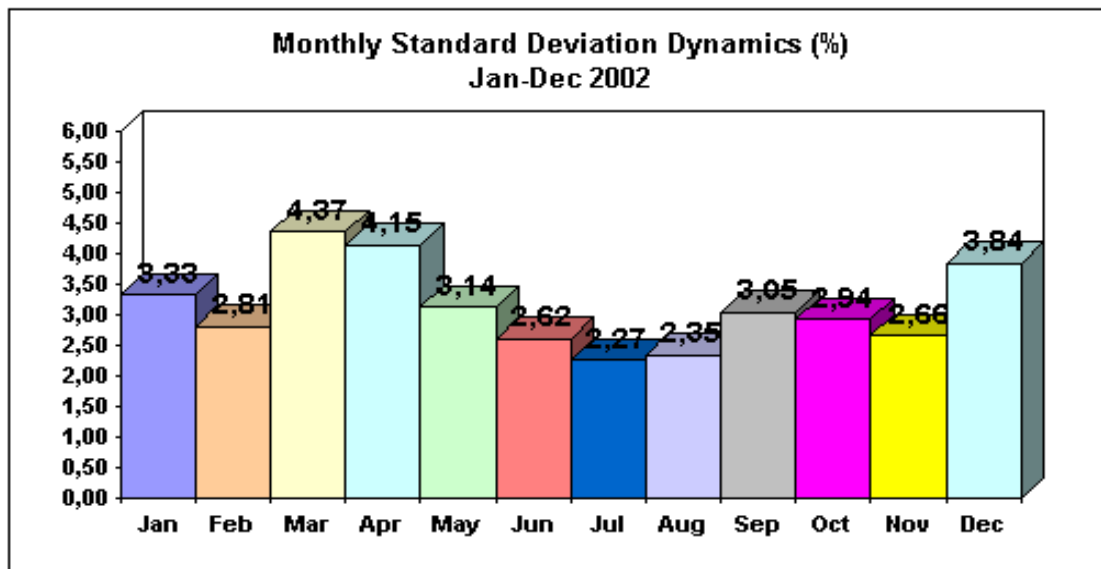
**- Gross consumption forecast**

It is achieved through parametric modelling of temporal series representing the hourly gross consumption related to a period corresponding to at least the last month and the correction of the 48 extrapolated values for the next couple of days, according to the consumption evolution on the same period of the previous year, as well as to the weather forecast for the two days ahead and to other predictable events (daylight savings, sunrise and sunset hours, atypical days of the previous year, etc).

The monthly forecast standard deviation of the hourly gross electricity consumption have been constantly placed under 5%, and its evolution is shown in figure no.5.

**- Net consumption forecast**

It consist of suppliers' forecasts aggregation amended according to the hourly net consumption calculated by OPCOM using its self-developed software which is modelling the National Power System electricity balance. The net consumption forecast is correlated with the gross consumption forecast.



**Figure 5**

**b) Long term forecast**

Has been achieved for the period starting October 2001 to March 2002 and consists of:

- the country's electricity consumption;
- the electricity generated according to the fuels used;
- the necessary fuel supplies;
- fuel consumption;
- fuel reserves.

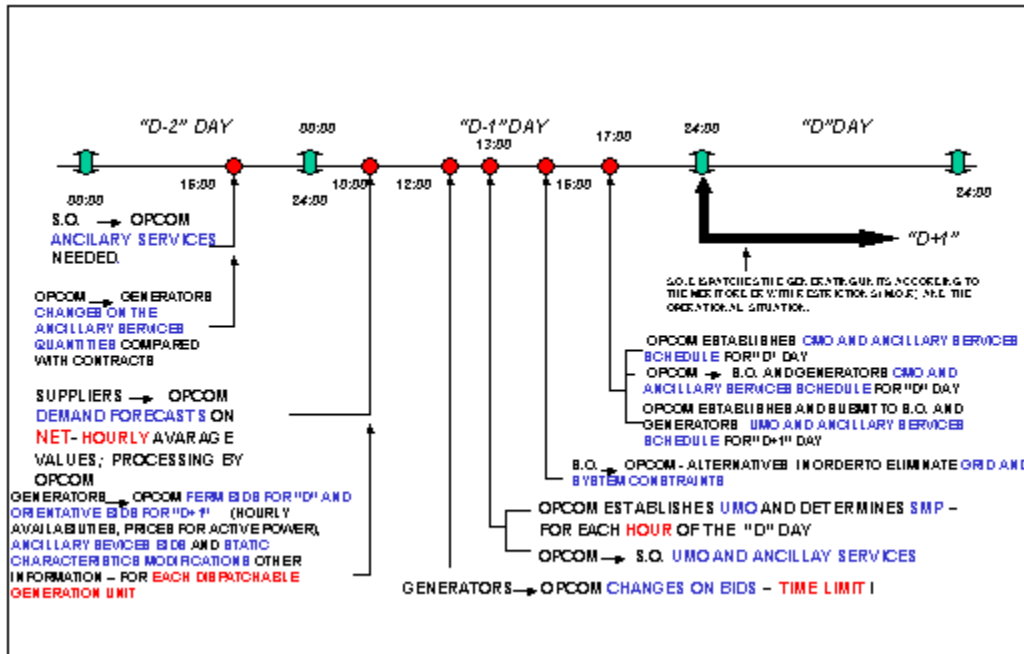
These elements have constituted the basis of the "Winter 2001/2002 Program" approved by the Government Decision no. 607/27 June 2001.

**5.2.3. Dispatchable units scheduling**

This activity has two components:

- Scheduling of the generating dispatchable units;
- Scheduling of the ancillary services

carried out according to the following flowchart:



**Figure 6**

The scheduling activity of the dispatchable units operation consists on: the ranking of the generation bids based on commercial and technical criteria, the correlation with the ancillary services offers and the implementation of the network and system constraints.

The result of this activity represents the dispatchable generating units schedule, that is submitted to the National Power Dispatcher (NPD) and to generators. The operation schedule is firm for the D day and guiding for the D+1 day.

The guiding schedule for the D+1 day provides additional information through which generators, suppliers and NPD are able to remake in due time the decisions concerning their participation in the wholesale power market.

**a) Scheduling of the generating dispatchable units**

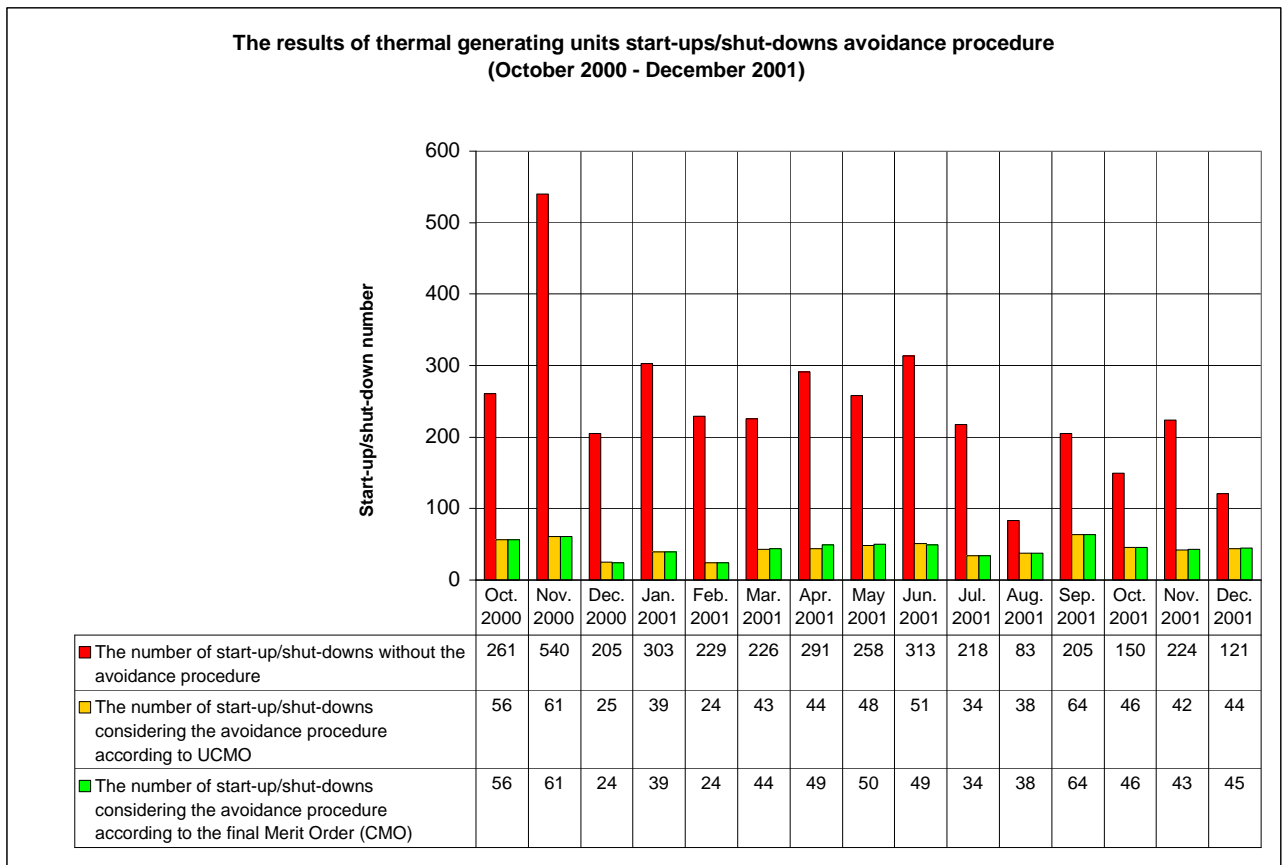
Based on the producers offers and using a self-developed application, OPCOM is setting up:

- The Unconstrained Merit Order (UCMO)<sup>2</sup> for each hour of the D and D+1 days;
- The System Marginal Price (SMP) for each hour of the D day;
- The Constrained Merit Order (CMO) for each hour of the D day.

To avoid the uneconomic operation of the generating units and the negative effects to the technical equipment due to a large number of start-ups/shut-downs as a result of ordering only by the commercial criteria, OPCOM has implemented “The algorithm for thermal generating units start-ups/shut-downs avoidance”.

Using this algorithm, OPCOM respects the options for each thermal units expressed by generators in their daily bids, and which are stating data about:

- The minimum operational hours after starting for a generating unit;
- The minimum stationary hours after stopping for a generating unit.



**Figure 7**

<sup>2</sup> The Unconstrained Merit Order (UCMO) represents the list of the generating units, ascending ranked upon the bided prices.

Analysing the results shown in the figure no. 7, the number of start-ups/shut-downs of the scheduled generating units decreased 5.5 times in the period 01 October 2000 – 31 December 2001.

Considering that the scheduling is made for almost 45 generating units, an average of one event (start-up/shut-down) for each 32 days interval results.

The following figures (no. 8 and 9) are showing the main elements characterizing the electricity wholesale market (August 2000 – December 2001).

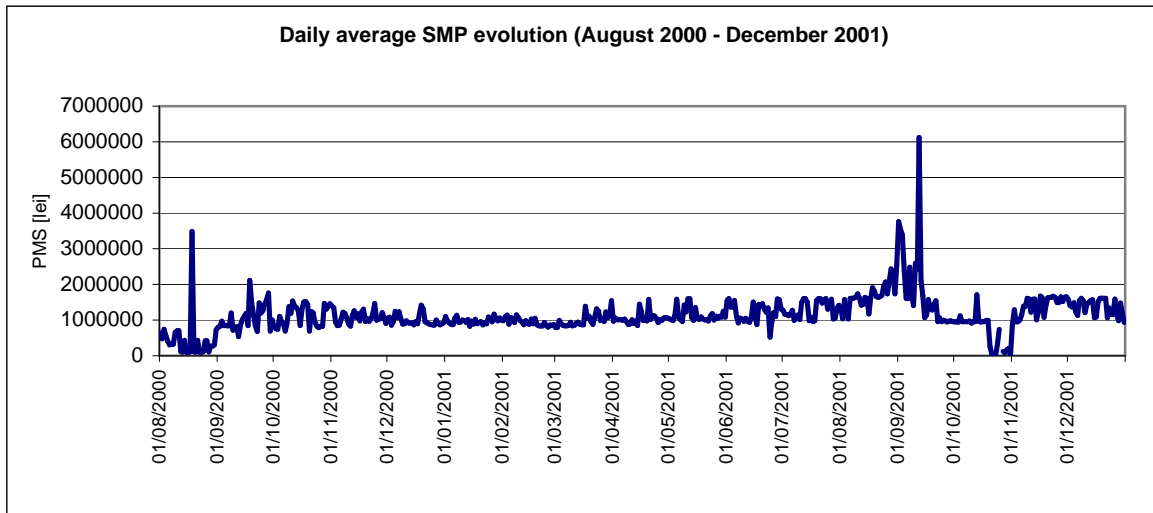


Figure 8

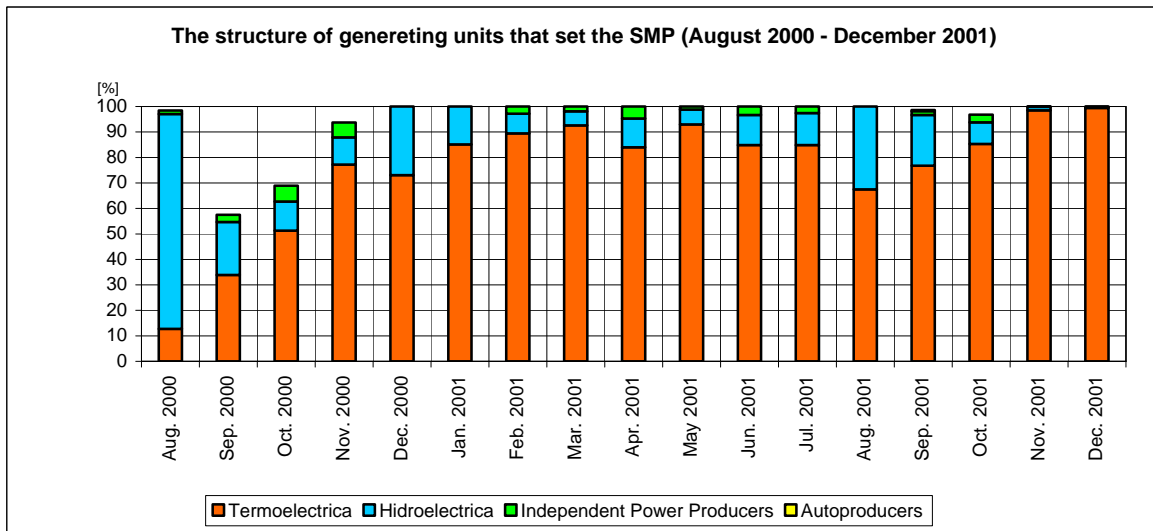
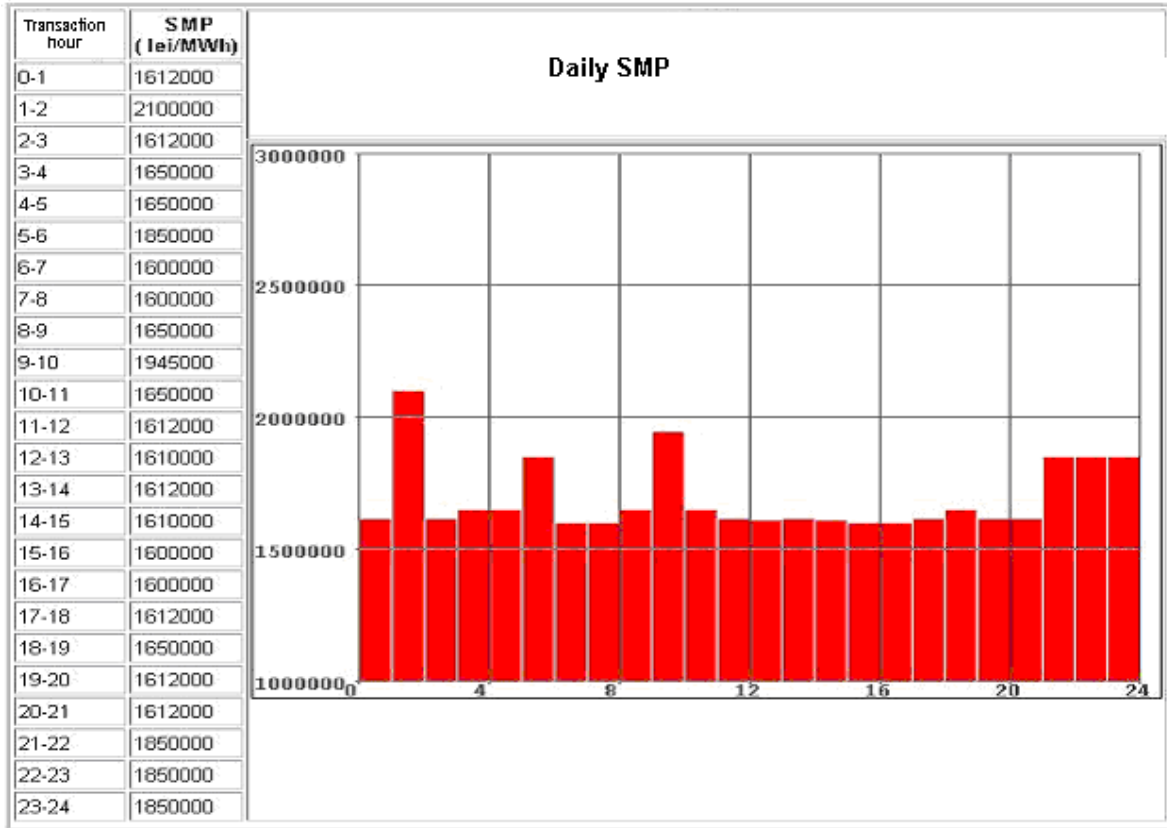


Figure 9

OPCOM publishes daily (on its Web site, Mediafax, Reuters), the hourly values of the System Marginal Price (SMP) for the current day, information that is shown in figure no. 10.



**Figure 10**

In table no.2 are shown the system and network restrictions submitted by National Power Dispatch (NPD).

Period (October 2000 - December 2001)	Number of days with NPD constraints	Constraint type/Constrained unit type			
		Electricity lines outages		Requests from SO to generate a specified power (minimum or maximum) for some units	
		thermo	hydro	thermo	hydro
Aug. 2000	-	-	-	-	-
Sep. 2000	3	-	-	-	-
Oct. 2000	3	-	-	-	-
Nov. 2000	12	-	-	-	1
Dec. 2000	3	2	-	1	
Jan. 2001	-	-	-	-	-
Feb. 2001	1	-	-	-	1
Mar. 2001	9	-	-	3	1
Apr. 2001	5	-	-	5	-
May 2001	17	-	4	16	2
Jun. 2001	23	-	23	29	15
Jul. 2001	11	-	11	10	1
Aug. 2001	5	2	2	-	1
Sep. 2001	6	3	4	-	3
Oct. 2001	1	-	1	-	-
Nov. 2001	1	-	-	1	1
Dec. 2001	2	-	-	3	1
<b>TOTAL</b>	<b>81</b>	<b>5</b>	<b>45</b>	<b>67</b>	<b>26</b>

**Table 2**

### **b) Scheduling of the ancillary services**

*The ancillary services* are requested services in order to maintain the operation security level of the National Electricity System (NES), as well as to maintain energy quality parameters requested by the legal standards.

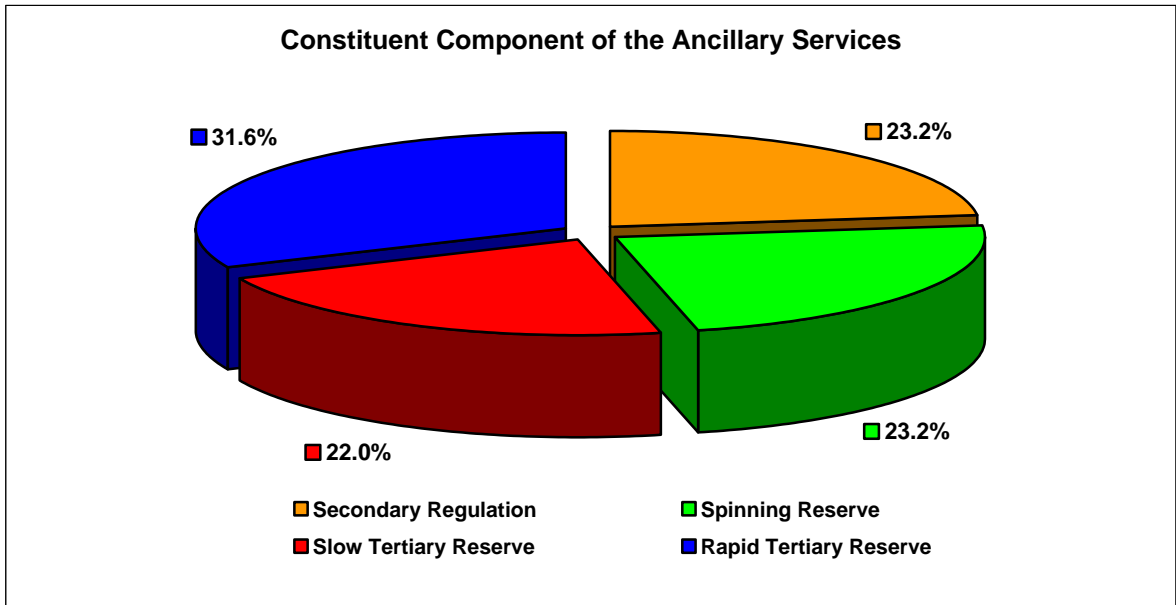
The ancillary services are provided by the qualified suppliers and are intended to ensure:

- Frequency stability in normal and outage regimes;
- Voltage stability in normal and outage regimes;
- To cover the technological losses in the electric transmission grid;
- System (NPS) restoration in a partial or total voltage outage situation.

At present the ancillary services scheduled by OPCOM as a part of the dispatchable units scheduling are meant:

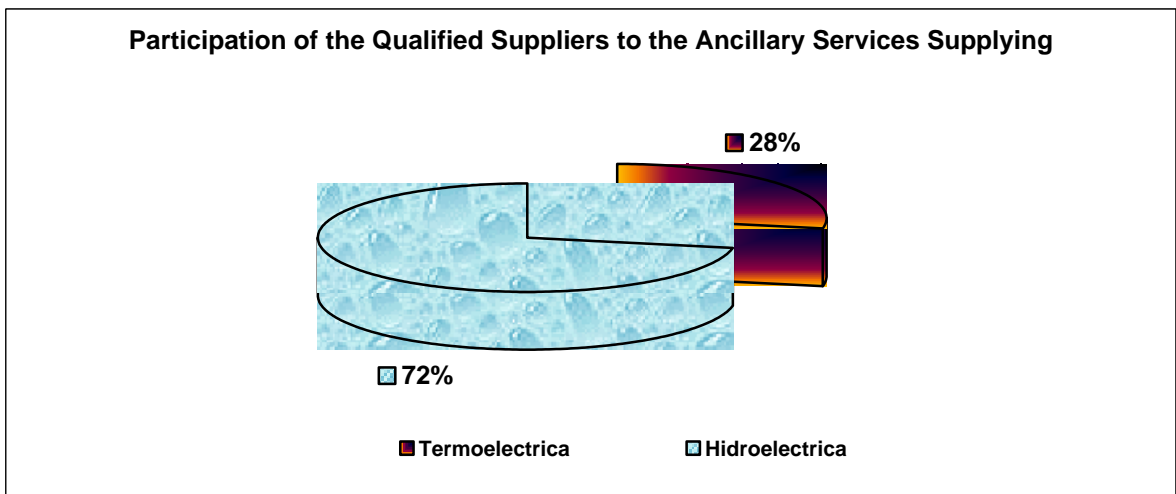
- To ensure the primary frequency regulation;
- To ensure the load/frequency control;
- To ensure the active power reserve;
- To ensure the reactive power and the voltage control;
- To cover technical losses in the power transmission grid.

Figure no. 11 shows the Ancillary Services structure breakdown by type.



**Figure 11**

The Ancillary Services structure breakdown by qualified suppliers type is shown in figure no. 12.



**Figure 12**

OPCOM ancillary services scheduling is based on the ancillary services contracts and the changes requested by the National Power Dispatch (NPD) within 48 hours before D day.



In order to perform ancillary services scheduling, OPCOM receives the ancillary services offers and validates them taking into account the units technical characteristic, operational statements send by NPD concerning the status of the units and the quantities required under the contracts and/or the requested modifications, as well as their coordination with the unconstrained merit order (UMO).

Following the same steps as in the scheduling activity for the dispatchable units production, OPCOM sends to NPD the ancillary services schedule. NPD informs OPCOM about the system and network constraints (if this is the situation) related to the scheduling.

The final ancillary services delivery schedule for the day D, applicable within the National Electricity System dispatching process is correlated by OPCOM with the constraint merit order (CMO) and takes into consideration the options of eliminating some constraints for the ancillary services. These options are proposed by NPD by 16:00 hour of the D-1 day and are exemplified in table no. 3:

Total	Constraint causes for ancillary services				
	Operational lines withdrawal	Operational power plants withdrawal	Simultaneously withdrawal of lines and power plants	Simultaneously withdrawal of lines and power plants due to fuel shortage	Withdrawal of T and AT from operation
08.2000-12.2001	14	11	8	1	2

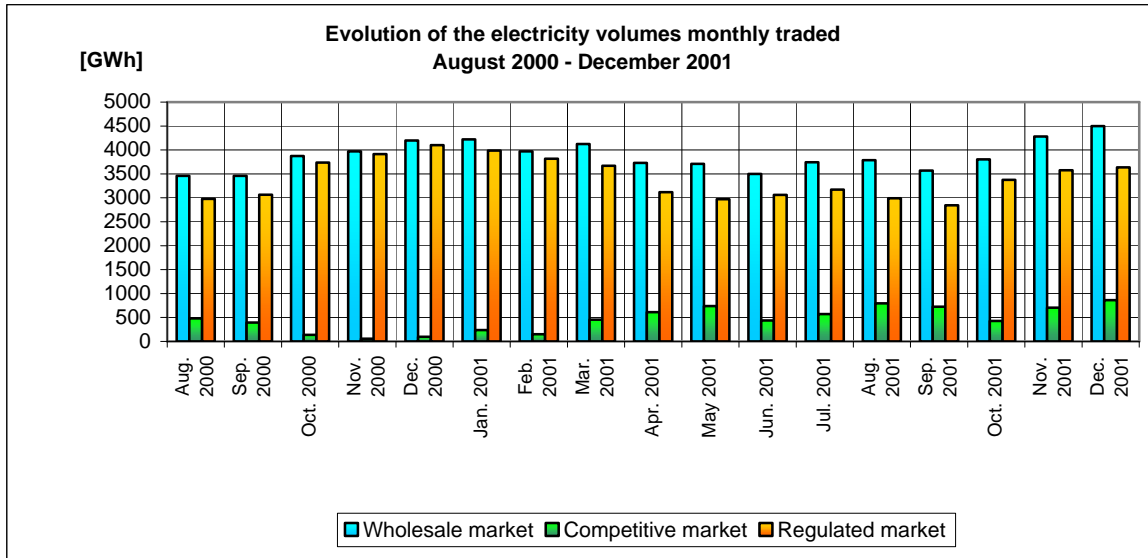
**Table 3**

OPCOM sends the final ancillary services schedule to NPD and to each ancillary services supplier, which has bided that day.

#### **5.2.4. Settlement**

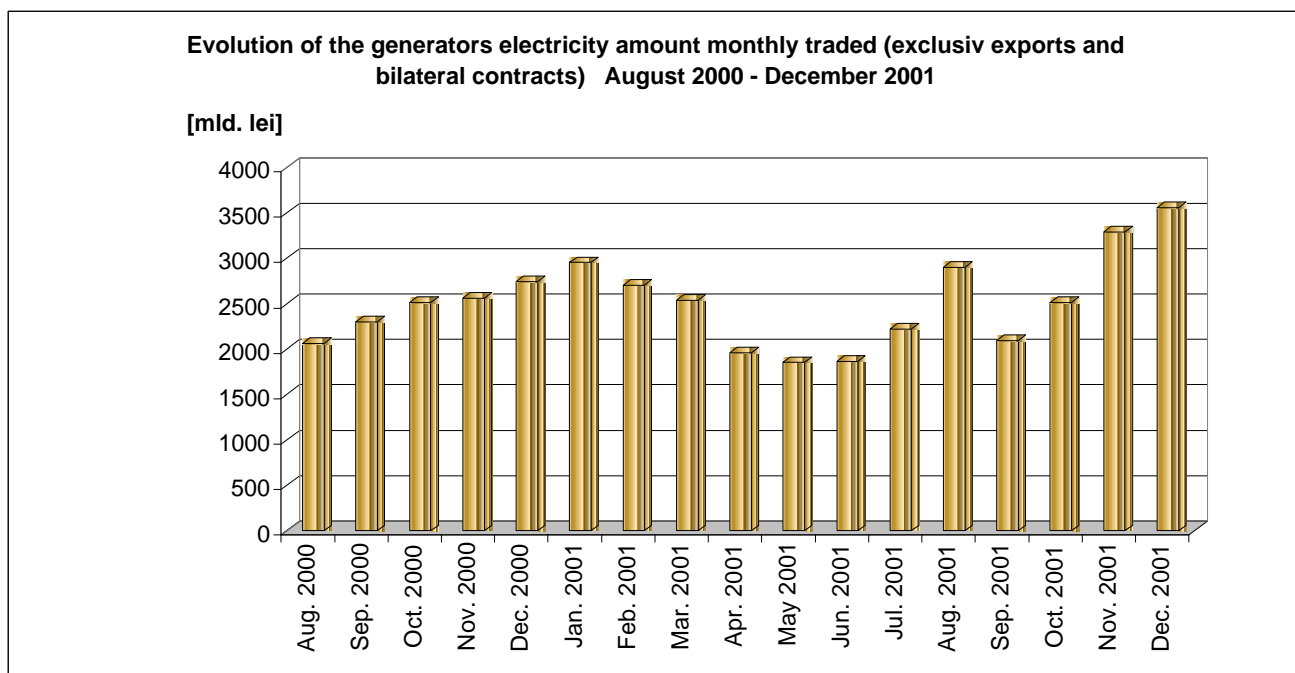
Electricity volumes, traded services, payments and settlement are made according to the regulations issued by the authority in force and to the clauses of the contracts between market participants.

In figure 13 is presented the monthly traded electricity quantities (in MWh), with its two components: regulated and competitive market.



**Figure 13**

Figure 14 shows the total monthly traded electricity values in billion (mld.) lei.



**Figure 14**

The monthly traded electricity volume settlement price on the spot market was established as an average of hourly system marginal prices, weighted with hourly forecast electricity volumes to be traded on the spot market, resulted from the merit order without constraints. To set this price, only the hourly intervals when bids and offers were balanced have been taken into consideration. For the hourly intervals when the marginal price resulted from the merit order without constraints was

higher than 1.612.500 ROL/MWh, a maximal value of 1.612.500 ROL/MWh, according to the ANRE Decision no. 568/2000, has been considered. The weighted average marginal system price is shown in figure 15 .

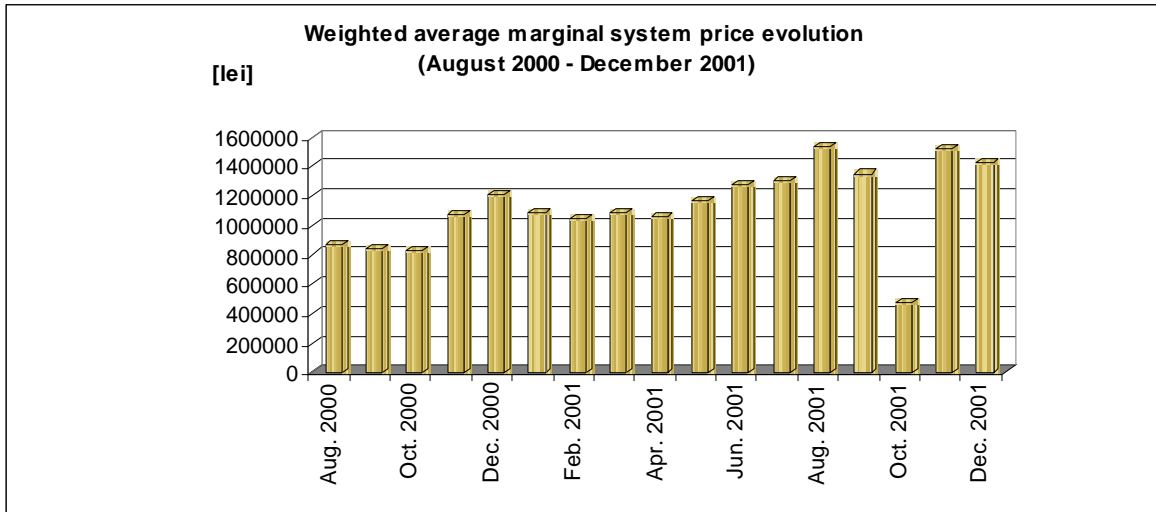


Figure 15

Figure 16 shows the ancillary services volume evolution with regulated tariffs, by the main qualified suppliers.

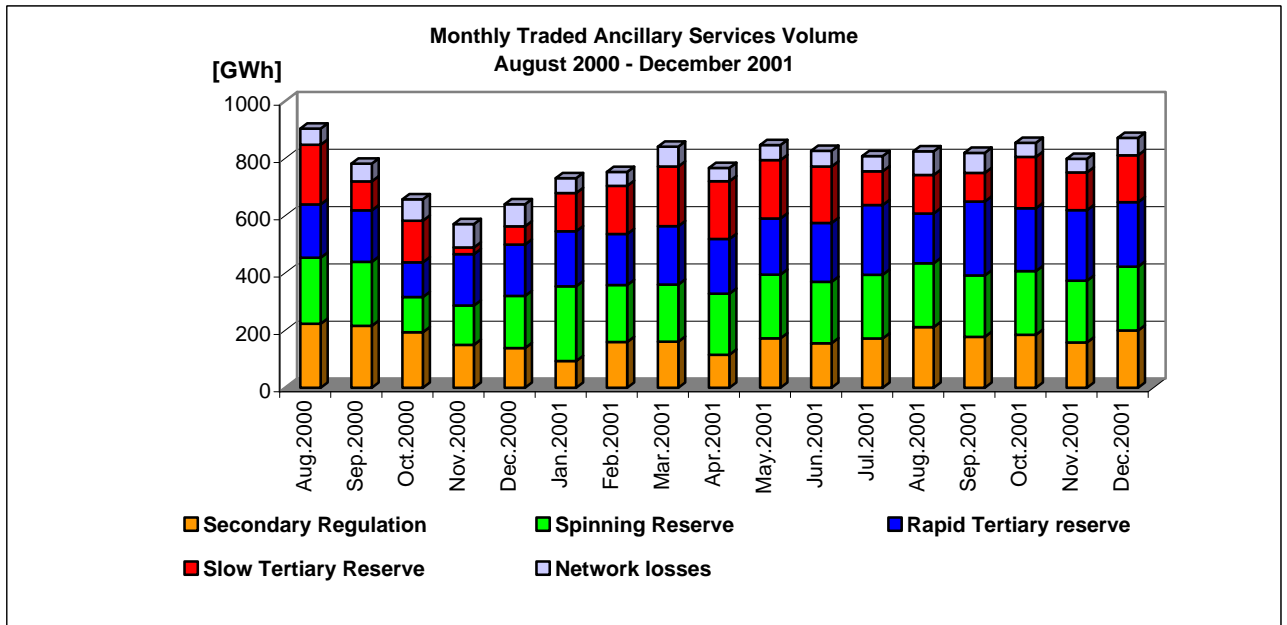
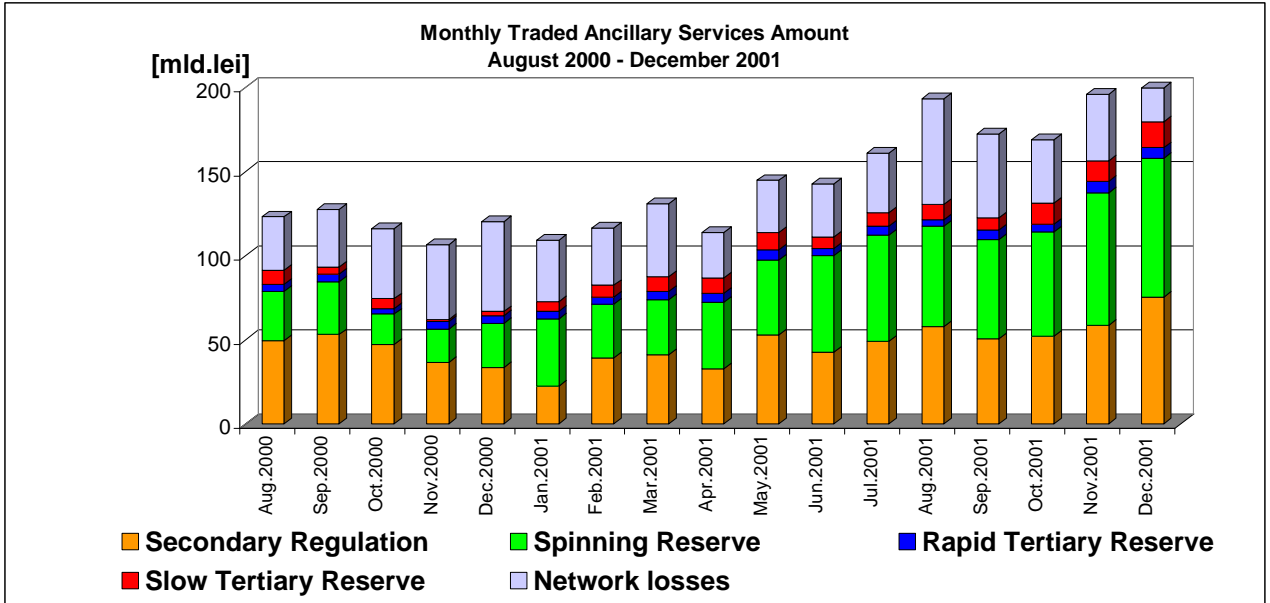


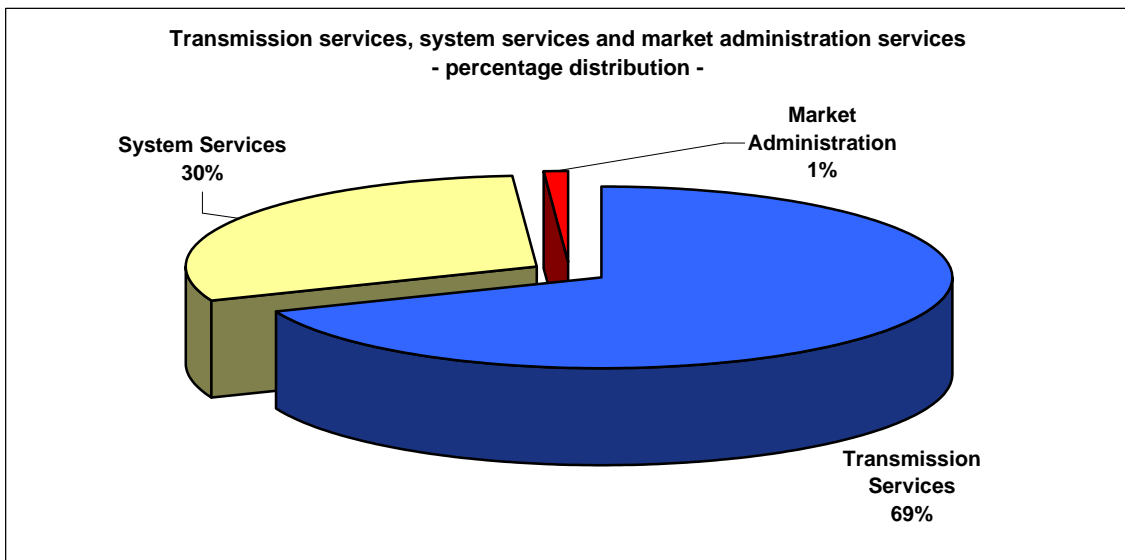
Figure 16

Figure 17 shows the ancillary services monthly amount evolution with regulated tariffs, by the main qualified suppliers.

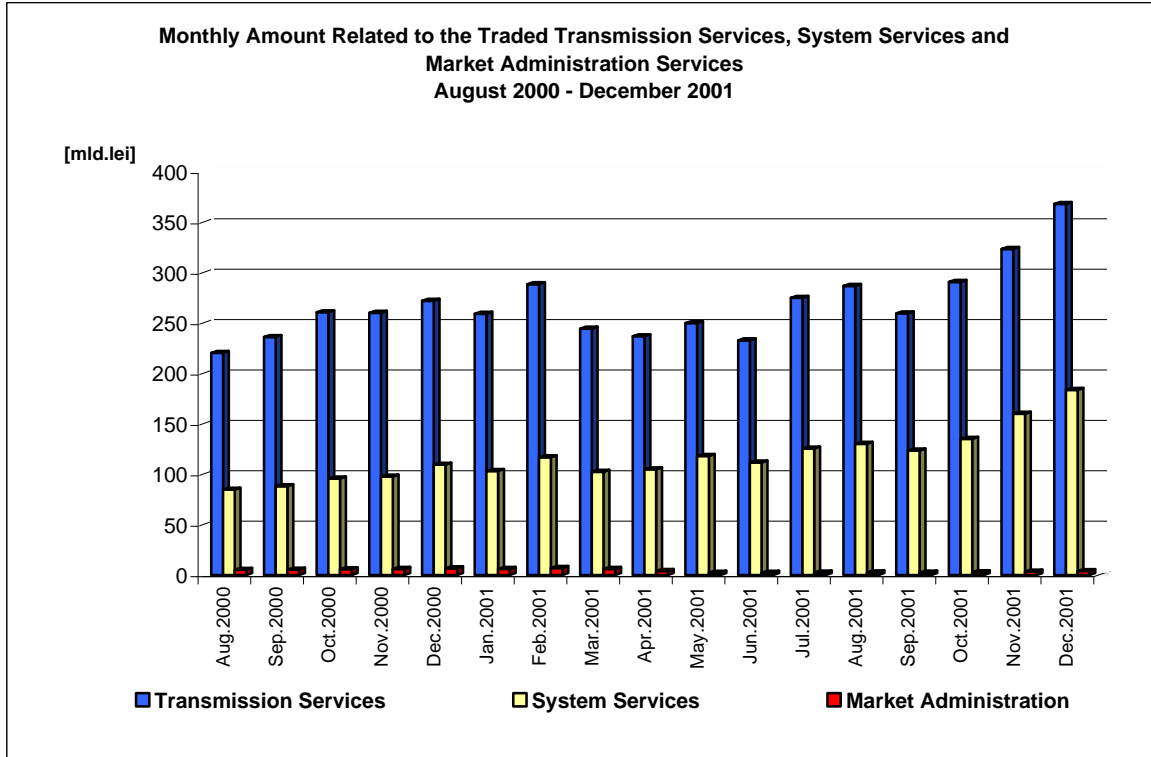


**Figure 17**

The amounts and the related dynamics of the transmission service, ancillary services supplied by Transelectrica and of the power wholesale market administration services delivered by OPCOM are shown in figures 18 and 19.



**Figure 18**



**Figure 19**

### 5.2.5 Information Technology & Telecommunication (IT&T)

At present, OPCOM's activity is based on an IT support consisting of an internally designed and developed network and of software products created and developed by OPCOM's staff.

The OPCOM integrated IT design was assessed in order to provide for the best performance, taking into account the followings components:

- a) data bases for:
  - market participants' registration;
  - contracts registration and monitoring;
  - bids registration (dispatchable units and ancillary services);
  - dispatchable units schedule;
  - registration of the achieved average hourly power (data provided by the system operator);
  - registration of the net power consumption (data provided by suppliers);
  - registration of the settlements among market participants.
- b) Software applications for data base designing, maintenance and operation;

## 6. Strategy and Development

Consistent with the assumed mission, OPCOM has designed and built its development strategy.

The company's first existence year was characterized by the orientation on short and medium term goals, without missing the necessity to prepare the basis for the long-term prospective. OPCOM has focused its short and medium term efforts and resources in order to be able to respond to all the responsibilities of the wholesale power market administration, choosing the client's requirements approach.

It should be outlined that OPCOM has reached the organizational, technical and technological development by an efficient use of the available resources, mainly internal. The first year results are due mostly to the personnel professional level, quality, devotion and availability.

The power and ancillary services daily trading had to be maintained permanently in accordance with the market reform and restructuring status, as well as with the market participants' maturity level.

Due to these reasons, OPCOM has taken into consideration the development of the infrastructure necessary for the day-ahead trading market and the premises for the intra-daily trading opening.

Internally, the institutional strengthening and infrastructure development have been permanently kept consonant with the market and market agents' evolution, a careful attention being paid to the development of power and services market mechanisms.

Benefiting from an active support provided by the Ministry of Industry and Resources, the European Union Delegation and the authorities involved in the Community programs, important external resources and competencies have been attracted.

The PHARE Project RO9805.01-06, entitled "Restructuring and Introduction of Market Mechanisms in the Romanian Power Sector" has been launched in order to prepare the investment to be commissioned under the PHARE 2000 Program on Information Technology (IT) and Communication infrastructure, whose strengthening is necessary to ensure a fully functional status for OPCOM.

The IT and Communication System needs, in terms of system processes, information flows and sizing, have been identified in order to ensure the accomplishment of all responsibilities related to the administration function of the physical market. The necessary budget and optimum implementation calendar have been also settled.

The investment will be accomplished based on the design and technical specifications provided by the qualified consultant (Red Electrica of Spain) in close collaboration with OPCOM. The resulted IT and Communication System will be an integrated, modern and competitive one, able to provide reliability, viability, stability and continuity to the physical market trading.

The project is providing institutional development assistance too.

The reviews and recommendations provided by the consultants in terms of management system and organization, financial modelling and projections, tariff methodology, communication and public relations, ownership structure, are all useful for an efficient and solid corporate operation. Under the same project OPCOM has benefited of a Market Simulation System tool, dedicated to personnel training, as well as for the market participants and all other interested parties.

In our view, the organizational development is directly depending on the human resources development.

Valuable results have been scored by the training sessions carried along under the PHARE Project RO9805.01-07 „Technical Assistance for the Commercial Operator of the Power Market”, consistent with the above mentioned principle.

An important contribution to the human resources development has been provided through know-how transferred in our benefit by the experience exchanges developed under USEA and USAID.

The technical assistance provided by skilled consultancy teams involved in these projects has been actively and professionally supported by our specialists.

OPCOM will continue to act consistently with the view to further ensure total transparency of all its operations, non-discrimination, equidistance and neutrality.

A specific activity direction for OPCOM will be to monitor and to properly cope with the risks generated by its operations, as well as with the market risks. In this respect, OPCOM will develop a suitable risk management policy. It will include, also, a rating component meant to correctly assess the technical and financial capabilities of each and every market participant.

OPCOM intends to become an attractive and efficient trading environment for all the agents interested to be actively involved in the domestic and regional energy market as well , by developing the market instruments required by every stage of the Romanian wholesale power market progress and to permanently contribute to the improvement of the legislative framework governing the electricity trade.

In this respect, OPCOM will take further steps to enhance its capabilities regarding the settlement among market participants, by founding a clearing house under its umbrella.

It will also move in the direction of creating the conditions and implementing a Romanian Power Exchange able to act both as a national and a regional power exchange. Together with these a special stress will be put on promoting the specific financial instruments (forward, futures, options) meant to enhance the liquidity of the power market.

## BALANCE SHEET

=(000) ROL=

	15-Aug-00		31-Dec-00		30 June 01		31-Dec-01	
<b>ASSETS</b>								
Intangible assets	124,888	2.30%	124,888	0.40%	176,483	0.40%	570,933	1.25%
Property, Plant, Equipment	2,944,799	54.20%	2,875,761	10.00%	4,476,735	10.60%	5,218,995	11.39%
Investment in process	0	0.00%	0	0.00%	0	0.00%	212,712	0.46%
Other Fixed Assets	2,360,231	43.50%	2,553,270	8.90%	5,641,107	13.30%	5,058,661	11.04%
<b>Total fixed assets</b>	<b>5,429,918</b>	<b>100.00%</b>	<b>5,553,919</b>	<b>19.40%</b>	<b>10,294,325</b>	<b>24.30%</b>	<b>10,490,368</b>	<b>22.89%</b>
<b>Financial Investments</b>	<b>0</b>	<b>0.00%</b>	<b>0</b>	<b>0.00%</b>	<b>52,380</b>	<b>0.10%</b>	<b>73,164</b>	<b>0.16%</b>
Inventories	607	0.00%	140,565	0.50%	112,171	0.30%	-	0.00%
Accounts receivable	0	0.00%	21,788,617	76.00%	28,775,236	68.00%	33,874,068	73.90%
Cash	0	0.00%	1,195,902	4.20%	2,625,102	6.20%	232,251	0.51%
<b>Current Assets</b>	<b>607</b>	<b>0.00%</b>	<b>23,125,084</b>	<b>80.60%</b>	<b>31,512,509</b>	<b>74.40%</b>	<b>34,106,319</b>	<b>74.41%</b>
<b>Other current</b>	<b>0</b>	<b>0.00%</b>	<b>945</b>	<b>0.00%</b>	<b>482,212</b>	<b>1.10%</b>	<b>595,842</b>	<b>1.30%</b>
<b>Total Assets</b>	<b>5,430,525</b>	<b>100%</b>	<b>28,679,948</b>	<b>100%</b>	<b>42,341,426</b>	<b>100%</b>	<b>45,836,626</b>	<b>100.00%</b>
<b>LIABILITIES &amp; STOCKHOLDERS EQUITY</b>								
Financial Debt	0	0.00%	0	0.00%	0	0.00%	717,633	1.57%
Accounts Payable, others	0	0.00%	13,728,125	47.90%	14,304,681	33.80%	15,308,193	33.40%
<b>Total Liabilities</b>	<b>0</b>	<b>0.00%</b>	<b>13,728,125</b>	<b>47.90%</b>	<b>14,304,681</b>	<b>33.80%</b>	<b>16,025,826</b>	<b>34.96%</b>
Stockholders Equity	1,203,500	22.20%	1,203,500	4.20%	1,203,500	2.80%	1,203,500	2.63%
Reserves, others	4,227,025	77.80%	12,495,171	43.60%	12,495,171	29.50%	12,587,778	27.46%
Undistributed profit/losses		0.00%	1,253,152	4.40%	14,338,074	33.90%	16,019,522	34.95%
<b>Stockholders' Equity</b>	<b>5,430,525</b>	<b>100.00%</b>	<b>14,951,823</b>	<b>52.10%</b>	<b>28,036,745</b>	<b>66.20%</b>	<b>29,810,800</b>	<b>65.04%</b>
Other Debt			0		0			
<b>Total Liabilities &amp; Equity</b>	<b>5,430,525</b>	<b>100%</b>	<b>28,679,948</b>	<b>100%</b>	<b>42,341,426</b>	<b>100.00%</b>	<b>45,836,626</b>	<b>100.00%</b>
The exchange rate (end of the period): ROL/ USD			25,926		28,953		31,597	



## PROFIT & LOSS ACCOUNT

=(000) ROL=

	31-Dec-00		30-Jun-01		31-Dec-01	
<b>Turnover</b>	<b>26,722,000</b>	<b>100.00%</b>	<b>*27,611,233</b>	<b>100.00%</b>	<b>45,320,519</b>	<b>100.00%</b>
Change in Inventories	-		-			
Own Work Capitalized	-		-			
Total output	26,722,000	100.00%	27,611,233	100.00%	45,320,519	99.99%
Other Revenues			-		2,682	0.01%
<b>Operating revenues</b>	<b>26,722,000</b>	<b>100.00%</b>	<b>27,611,233</b>	<b>100.00%</b>	<b>45,323,201</b>	<b>100.00%</b>
Materials	278,748	1.00%	518,059		584,987	1.29%
Energy	-		145,824		272,819	0.60%
Other materials					395,119	0.87%
<b>Total material costs</b>	<b>278,748</b>	<b>1.00%</b>	<b>663,883</b>	<b>2.40%</b>	<b>1,252,925</b>	<b>2.76%</b>
Services	863,105	3.20%	2,421,777	8.80%	7,480,175	16.50%
Taxes	111,420	0.40%	238,940	0.90%	538,773	1.19%
Wages	3,122,470	11.70%	5,291,117	19.20%	12,703,808	28.03%
Other operational costs	31,770	0.10%	147,952	0.50%	484,944	1.07%
Depreciation cost	366,531	1.40%	1,001,232	3.60%	2,646,540	5.84%
<b>Total Operating Costs</b>	<b>4,774,044</b>	<b>17.90%</b>	<b>9,764,901</b>	<b>35.40%</b>	<b>25,107,165</b>	<b>55.40%</b>
<b>EBIT</b>	<b>21,734,551</b>	<b>81.30%</b>	<b>17,518,368</b>	<b>63.40%</b>	<b>19,732,437</b>	<b>43.54%</b>
<b>Operational profit</b>	<b>21,947,956</b>	<b>82.10%</b>	<b>17,846,332</b>	<b>64.60%</b>	<b>20,216,036</b>	<b>44.60%</b>
Financial Income	5,586	0.00%	29,986	0.10%	62,359	0.14%
Financial Costs	-		5,014		44,742	0.10%
Interests	-		-		-	0.00%
<b>Net Fin. Income</b>	<b>5,586</b>	<b>0.00%</b>	<b>24,972</b>	<b>0.10%</b>	<b>17,617</b>	<b>0.04%</b>
Extraordinary Income	-		-		241,085	0.53%
Extraordinary Costs	218,991	0.80%	357,950	1.30%	545,958	1.20%
<b>Net Extr. Income</b>	<b>-218,991</b>	<b>-0.80%</b>	<b>-357,950</b>	<b>-1.30%</b>	<b>-304,873</b>	<b>-0.67%</b>
<b>TOTAL REVENUES</b>	<b>26,727,586</b>	<b>100.00%</b>	<b>27,641,219</b>	<b>100.10%</b>	<b>45,626,645</b>	<b>100.67%</b>
<b>TOTAL COSTS</b>	<b>4,993,035</b>	<b>18.70%</b>	<b>10,127,865</b>	<b>36.70%</b>	<b>25,697,865</b>	<b>56.70%</b>
<b>Profit before Tax</b>	<b>21,734,551</b>	<b>81.30%</b>	<b>17,513,354</b>	<b>63.40%</b>	<b>19,928,780</b>	<b>43.97%</b>
Corporate Tax	5,438,960	20.40%	4,428,432	16.00%	5,162,410	11.39%
<b>Profit after Tax</b>	<b>16,295,591</b>	<b>61.00%</b>	<b>13,084,922</b>	<b>47.40%</b>	<b>14,766,370</b>	<b>32.58%</b>
Dividends	-		NA			
Reserves, other	15,042,439		NA			
The exchange rate (average/year)	21.696 ROL/ USD		26.221 ROL/ USD			

\* Starting the 17<sup>th</sup> of April 2001 ANRE changed the tariff for electric power market administration from 1,531 lei/Mwh to 650 lei/Mwh.

## CASH FLOW STATEMENT

=(000) ROL=

		31-Dec-00		Jun-01		31-Dec-01	
	<b>EBIT</b>	<b>21,734,551</b>	<b>100.00%</b>	<b>17,518,368</b>	<b>100.00%</b>	<b>19,732,437</b>	<b>100.00%</b>
	Depreciation cost	366,531	1.70%	1,001,232	5.70%	2,646,540	13.41%
	Change in Working Capital	-8,201,395	-37.70%	-6,862,936	-39.20%	-3,379,146	-17.12%
+/-	Inventories	-139,958	-0.60%	28,394	0.20%	112,171	0.57%
+/-	Receivable	-21,788,617	-100.20%	-6,986,619	-39.90%	-5,098,832	-25.84%
+/-	Others current	-945	0.00%	-481,267	-2.70%	-113,630	-0.58%
+/-	Payable	13,728,125	63.20%	576,556	3.30%	1,721,145	8.72%
+/-	Prepaid expenses	0		0		0	
<b>1</b>	<b>Operational Cash Flow</b>	<b>13,899,687</b>	<b>64.00%</b>	<b>11,656,664</b>	<b>66.50%</b>	<b>18,999,831</b>	<b>96.29%</b>
	Capital Expenditure in PPE & intangible	-124,001	-0.60%	-4,740,406	-27.10%	196,043	0.99%
	Capital Expenditure in financial investment						
<b>2</b>	<b>Cash Flow from Investments</b>	<b>-124,001</b>	<b>-0.60%</b>	<b>-4,740,406</b>	<b>-27.10%</b>	<b>196,043</b>	<b>0.99%</b>
<b>3</b>	<b>Cash flow from operations (1+2)</b>	<b>13,775,686</b>	<b>63.40%</b>	<b>6,916,258</b>	<b>39.50%</b>	<b>19,195,874</b>	<b>97.28%</b>
	<b>Cash Flow from Financing</b>						
+/-	Financial assets	0	0.00%	-52,380	-0.30%	-73,164	-0.37%
+/-	Loans	0	0.00%	0	0.00%		0.00%
	Net Fin. Expenses	5,586	0.00%	24,972	0.10%	17,617	0.09%
	Net Extr. Income/(Expenses)	-218,991	-1.00%	-357,950	-2.00%	-304,873	-1.55%
	Corporate Tax	-5,438,960	-25.00%	-4,428,432	-25.30%	-5,162,410	-26.16%
+/-	Equity	0	0.00%	0	0.00%		0.00%
	Dividends paid	0	0.00%	0	0.00%		0.00%
+/-	Others	-6,927,419	-31.90%	522,634	3.00%	-13,440,793	-68.12%
	<b>Total Cash Flow from Financing</b>	<b>-12,579,784</b>	<b>-57.90%</b>	<b>-4,291,156</b>	<b>-24.50%</b>	<b>-18,963,623</b>	<b>-96.10%</b>
	<b>Free Cash Flow</b>						
+/-	<b>cash</b>	<b>1,195,902</b>	<b>5.50%</b>	<b>2,625,102</b>	<b>15.00%</b>	<b>232,251</b>	<b>1.18%</b>
	<b>Initial Balance</b>	<b>0</b>		<b>1,195,902</b>		<b>1,195,902</b>	
	<b>End Balance</b>	<b>1,195,902</b>		<b>3,821,004</b>		<b>1,428,153</b>	