

# 1 CEO's Foreword

Continuing the commitment and activity of the previous years, OPCOM has achieved in 2002 the operational goal as to provide the daily institutional framework for the transactions involved by the daily or long term activity of the power market players.

The basic operation has been strengthened by increasing the representation activity performed by OPCOM's staff, addressing the domestic events as well as the international events.

But what I intend to emphasize is the process of reorganisation initiated at the transition from 2002 to 2003.

By changing the organisational map and the related work and informational flows we expect not only to increase the staff efficiency but also to well undertake the specific challenges as follows:

- New structural framework emerged from 1342/2001 and 1524/2002 Government Decisions;
- The provisions of the Road Map for Romania in the field of the electricity;
- The future secondary legislation framework based upon the new commercial code, including the regulation of the hydro generation revenue and the hydropower optimisation, the balancing and the capacity markets;
- The future financial power market design;
- The proper implementation of the Phare and IBRD related projects.

2003 would be marked by the target to prepare the future more than the task to sustain the present, even, as in the previous years, the full compliance with the legislation in force will be deeply ensured in the daily operation.

From the beginning of 2003, OPCOM played an important role in the decisional process to design and put in place a new trading platform concerning rules, mechanisms and regulations.

But the changes presumed by the projected future must be completed at a high accuracy level and the skills to operate in the new frame have to be developed.

Therefore, we expect and we ask from the whole OPCOM's staff a deep involvement in order to achieve all envisaged objectives.



**Victor IONESCU**  
**CEO**

## 2 Brief History

### *December, 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, 1999*

The National Electricity Regulatory Authority (ANRE) issued the secondary regulatory framework thus setting up new roles, relationships and responsibilities for all the market participants.

### *June, 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.

### *July, 2000*

The Government Decision no. 627/2000 established SC OPCOM SA, the Romanian Power Market Operator as a subsidiary legal entity of Transelectrica.

### *As an international recognition of OPCOM's activities, starting with:*

✚ *October, 2001* **OPCOM** became **APEX member** (International Power Exchange Association);

✚ *January, 2003* **OPCOM** became **EuroPEX member** (Association of European Power Exchanges).

## 3 OPCOM's Corporate Mission

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.

According to the Government Decision 627/13 July 2000, the Commercial Code of the Wholesale Electricity Market issued by ANRE and the License no. 407/2001 for Wholesale Electricity Market Administration OPCOM has the main functions:

- Electricity Consumption Forecast Activity Coordination;
- Setting up of the Merit Order and of the System Marginal Price;
- Scheduling of the Dispatchable Units;
- Operation Analyses & Synthesis;
- Commercial Arrangements Administration;
- Market Operation Surveillance;
- Disputes Conciliation;
- Assistance and Consultancy for the Market Participants;
- Domestic and International Cooperation.

# 4 OPCOM Organizational Chart

In order to achieve its functions and objectives, OPCOM has the following structure<sup>1</sup>:

## SHAREHOLDERS ASSEMBLY

**Victor MOCANU** (Counsellor – Ministry of Industry and Resources)

**Dumitru BARASCU** (General Manager - Budget, Finance, Accounting Division - Ministry of Industry and Resources)

**Marius UNTESCU** (General Manager -Restructuring and Power Market Division - Ministry of Industry and Resources)

## BOARD OF ADMINISTRATION

**Anca DOBRICA** – President – (Counsellor – Ministry of Industry and Resources)

**Paul ICHIM** (Counsellor - Ministry of Public Finance)

**Victor IONESCU** (Chief Executive Officer – OPCOM)

## CHIEF EXECUTIVE OFFICER – Victor IONESCU

### ELECTRICITY MARKET ADMINISTRATION UNIT

Luminita LUPULUI – Director

#### DISPATCHABLE UNITS SCHEDULING DEPARTMENT

Adriana Marcela CERNAT – Head of Department

Mihai ADAM

Gheorghe DIACONU

Maria DUMITRESCU

Ovidiu Nicolae GEORGESCU

Georgeta ION

Cristina SETRAN

Alexandru-Eugeniu STAN

Mirela TOMA

Cristian TUDORACHE

#### COMMERCIAL ARRANGEMENTS ADMINISTRATION DEPARTMENT

Victoria VASILEVSCHI – Head of Department

Camelia MARINESCU

Gabriel ROSIORU

Gabriela Sanda STANESCU

Silvia-Liliana CONSTANTINESCU

Victoria COZMA

Teisoara HOBEANU

Mihaela TOSU

#### FORECAST, DEMAND &NES OPERATION SYSTEMS DEPARTMENT

Constantin VASILEVSCHI – Head of Department

Smaranda GHINEA

Claudia Georgeta NEDA

Roxana Maria PALADE

Victor Florian POPESCU

Daniela TEODOR

Carmen TEODOROIU

Gherghina VLADESCU

### ELECTRICITY MARKET DEVELOPMENT AND SURVEILLANCE UNIT

Lucian PALADE – Director

#### SECURITY MECHANISMS AND FINANCIAL INSTRUMENTS DEPARTMENT

Rodica POPA – Head of Department

Diana-Alexandra GERENDY

#### PROJECT DEVELOPMENT DEPARTMENT

Bogdan Stefan ACHIM – Head of Department

Mihaela CONSTANTINESCU

Mircea CACUCI

#### INTERNATIONAL COOPERATION DEPARTMENT

Mirela SANDULESCU – Head of Department

Adriana FUIOREA

### ELECTRICITY MARKET SURVEILLANCE DEPARTMENT

Ioan MĂNICUTA – Head of Department

Oana Elena GAVRILESCU

Codrut-Ion MANEA

### ECONOMIC, INVESTMENT &ASSETS UNIT

Nicolae Viorel ROTARU – Director

#### ACCOUNTING DEPARTMENT

Silvia FEDJUC – Head of Department

Gabriela CĂRSTEA

Ramona CROITORU

Liliana DINU

Iuliana GANGA

Floarea GAVRILESCU

#### ALLOCATION INSTALMENT DEPARTMENT

Gheorghe DUTA

Sorin Constantin BEIS

#### INVEST, ASSETS AND ADMINISTRATION DEPARTMENT

Ion ION – Head of Department

Carmen Adriana LUNGAN

Stelica NAE

Dumitru NEDA

Valentin NEDA

Romi-Marin PITIS

Marius VASILESCU

Ileana VLAD

### TELECOMMUNICATION&IT DEPARTMENT

Anca VASILESCU – Head of Department

#### DATABASIS OFFICE

Constantin OPREA – Head Office

Gheorghe DULGHERU

Marian Sultanel PETRESCU

George SBĂRNEA

Vasilica STĂRCU

Constantin TUICA

#### NETWORK SECURITY POLICY & ADMINISTRATION, IT&TC OFFICE

Remus BĂRSANESCU – Head Office

Gheorghe GERENDY

Constantin Nicolae OLARU

Mircea-Dragomir TANASE

Adrian TUDORA

#### COUNSELLOR

Ion CONECINI

#### LEGAL AFFAIRS OFFICE

Gheorghe CALITA

#### HUMAN RESOURCES BUREAU

Aurelia STANCA

#### PUBLIC RELATION OFFICE

Lenuta Maria MUREA

Constantin GRIGORESCU

#### QUALITY ASSUARANCE OFFICE

Doina Mirela DUTOIU

<sup>1</sup> OPCOM's team at 31.05.2003

## 5 The Structure of the Wholesale Electricity Market

The Romanian wholesale electricity market is made up by two segments:

- regulated market;
- competitive market.

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

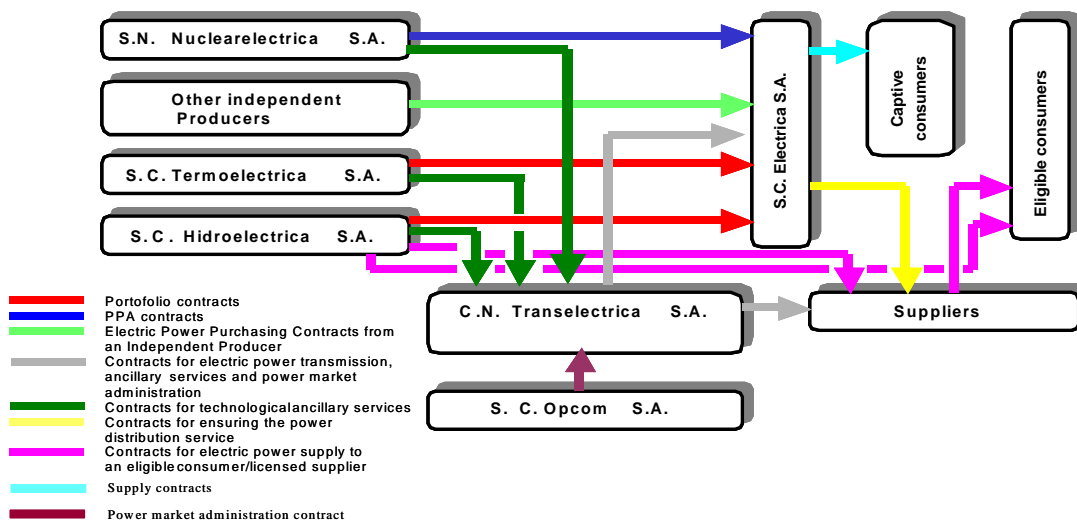
**The competitive market** is dedicated to electricity trade through bilateral contracts and by auction.

As per Government Decision no. 48/31.01.2002 the competitive market is up to 33 % of the total wholesale electricity traded.

According to 609 ANRE's Decision, the contractual relation on the competitive market are:

- ✚ BILATERAL CONTRACTS (between eligible consumers and power suppliers, quantities and negotiated prices);
- ✚ IMPORT CONTRACTS of internal producers from ensuring the portfolio contracts obligations;
- ✚ IMPORT CONTRACTS OF SUPPLIERS;
- ✚ EXPORT CONTRACTS;
- ✚ CONTRACTS OF SUPPLIERS, others than those who sell by regulated tariffs to the captive consumers;
- ✚ NEGOTIATED CONTRACTS of independent producers and selfproducers, others than signers of portfolio contracts;
- ✚ SPOT MARKET TRADES at SMP<sup>2</sup>.

### Power Market Contractual Framework



<sup>2</sup> SMP - The System Marginal is the price of the last MWh set up by the merit order to meet the hourly demand.

# 6 The Wholesale Electricity Market Administration

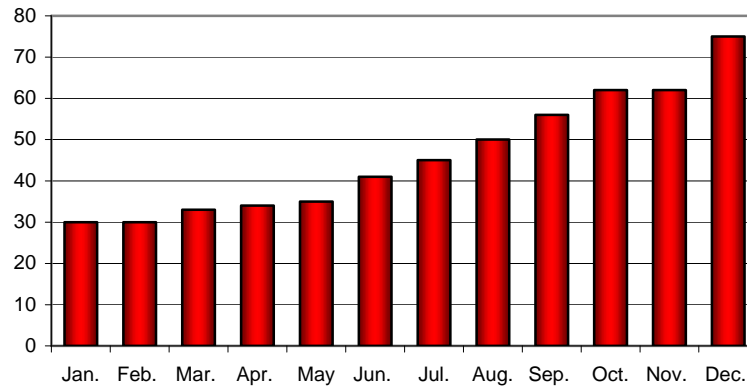
## Market Participant's Registration

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

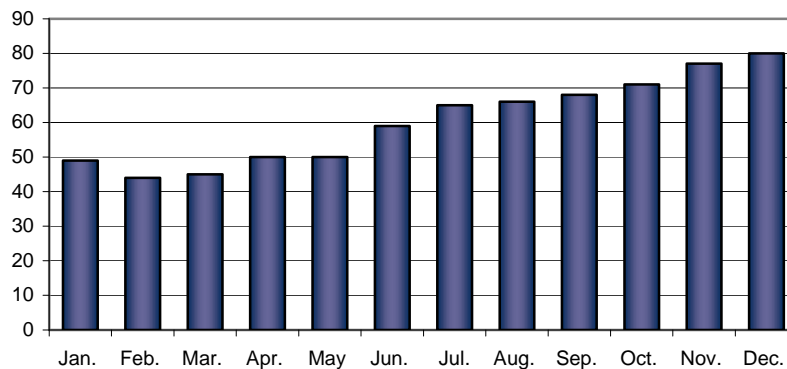
Until 31.12.2002, there have been registered 75 market participants, as follows:

- 18 Producers;
- 27 Suppliers;
- 20 Eligible Consumers;
- 1 Transport Operator;
- 1 System Operator;
- 8 Distribution Operators.

### Market participants number evolution



### The evolution of the administrated contracts on the wholesale electricity market



## Forecast

According to the Government Decision No. 627/13.07.2000 and the 407 Licence Conditions, OPCOM S.A "coordinates the electricity consumption forecast activity in order to issue the operational schedule of the National Electricity System".

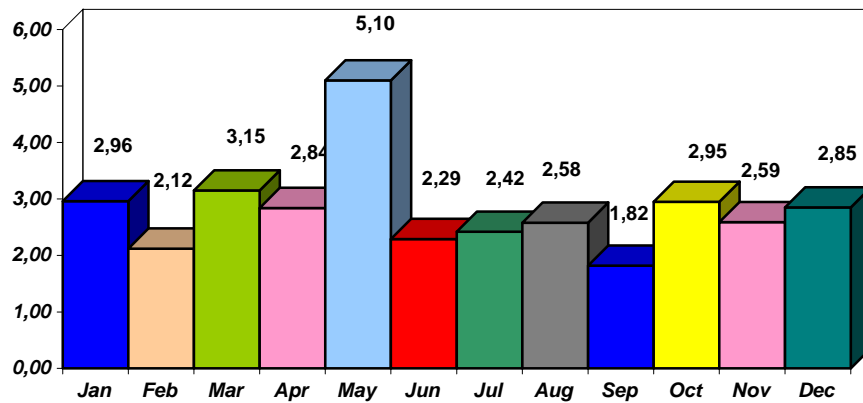
OPCOM's coordination role consists of:

### Short term forecast:

It is achieved through parametric modelling of time 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 weather forecast for the two days ahead and to other predictable events (sunrise and sunset hours, atypical days of the previous years, etc).

In 2002 the yearly forecast standard deviation for the hourly gross electricity consumption was **2,91%**.

### Monthly Standard Deviation Dynamics



### Medium term forecast

Has been achieved for the period starting October 2002 to March 2003 and consists of:

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

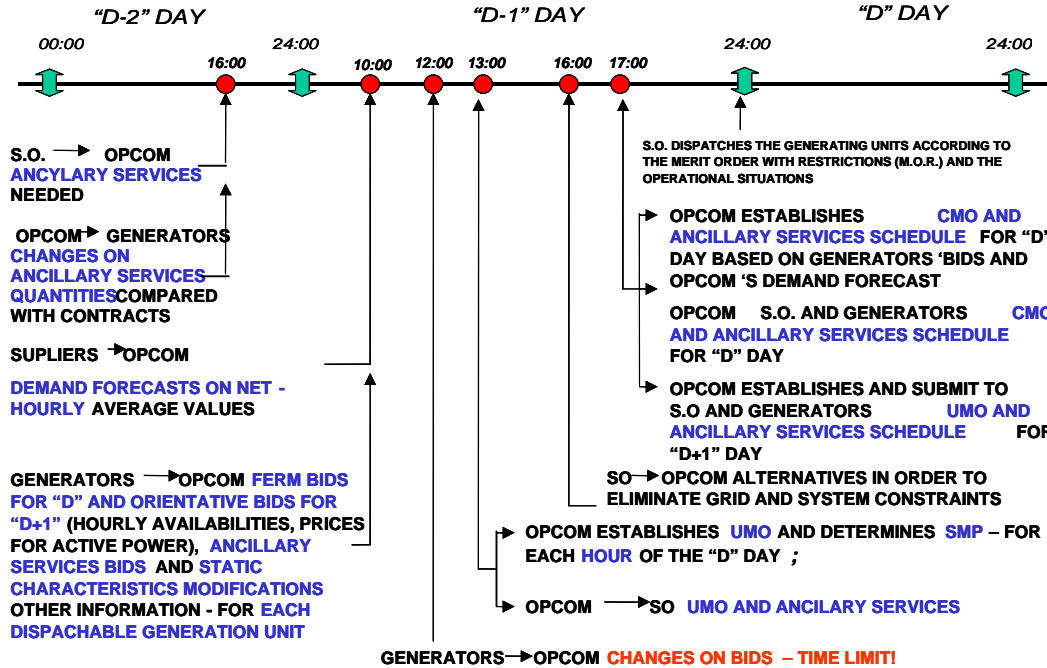
These elements have constituted the basis of the "Winter 2002/2003 Program" approved by the Government Decision no. 848/31 July 2002.

## 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:

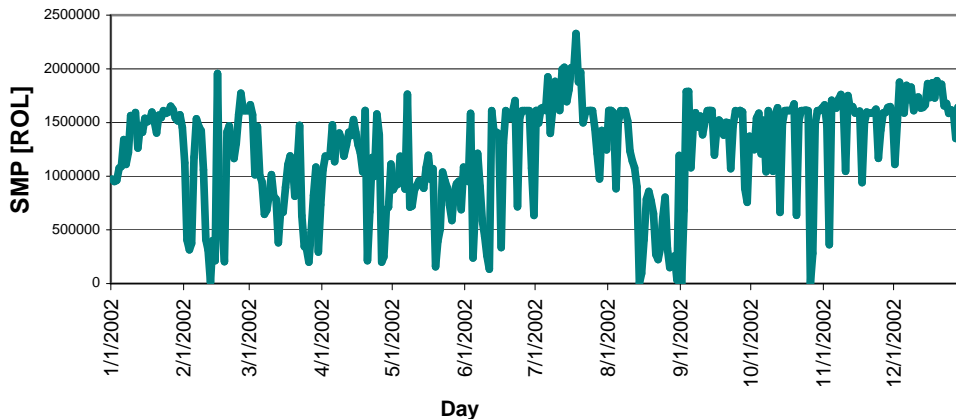


In order to schedule the dispatchable units operation OPCOM takes into consideration both commercial and technical criteria as well as the correlation with the ancillary services offers and the implementation of the network and system constraints.

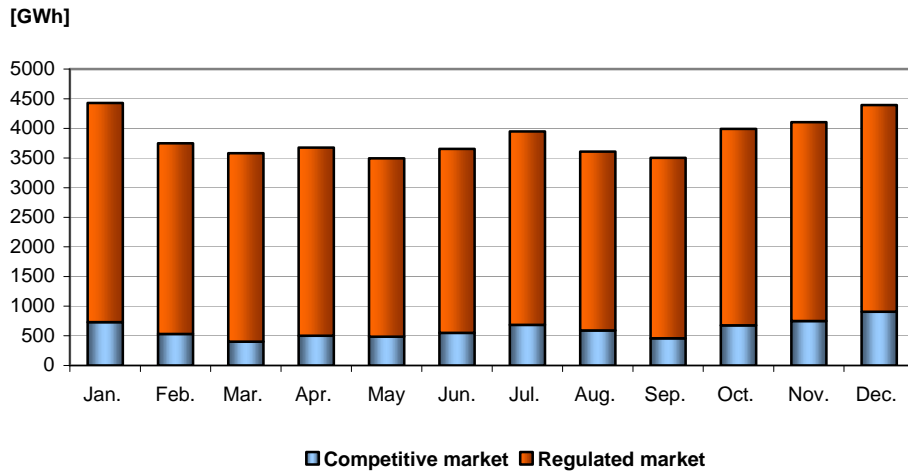
The results of this activity are:

- ✚ The Merit Order;
- ✚ The System Marginal Price;
- ✚ The dispatchable generating units schedule (production and ancillary services), that is submitted to the National Power Dispatcher and used in real time operation.

### The evolution of the System Marginal Price

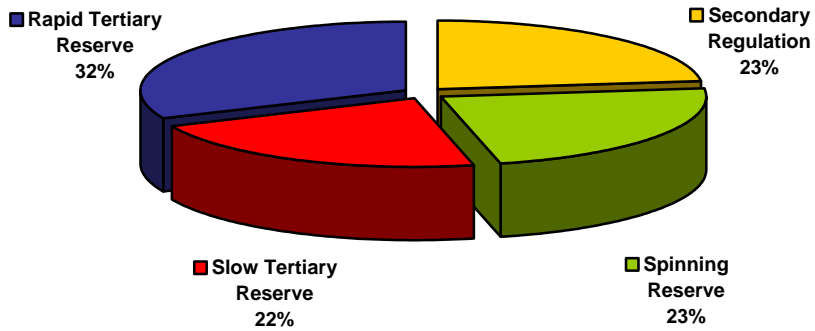


### The evolution of the traded electricity on the wholesale market

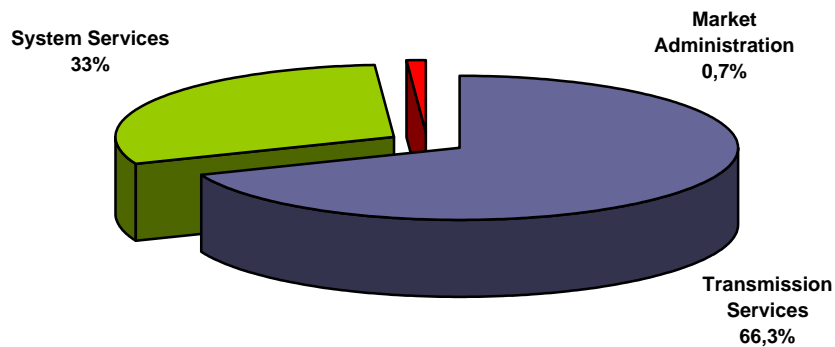


Within the competitive market the electricity volume traded on the spot market was **3 249 GWh**.

### Ancillary Services



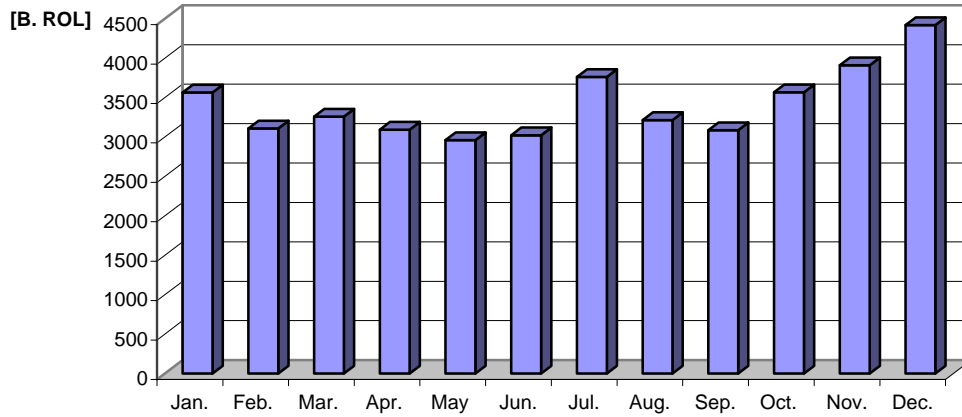
### Transmission Services, System Services and Market Administration Services



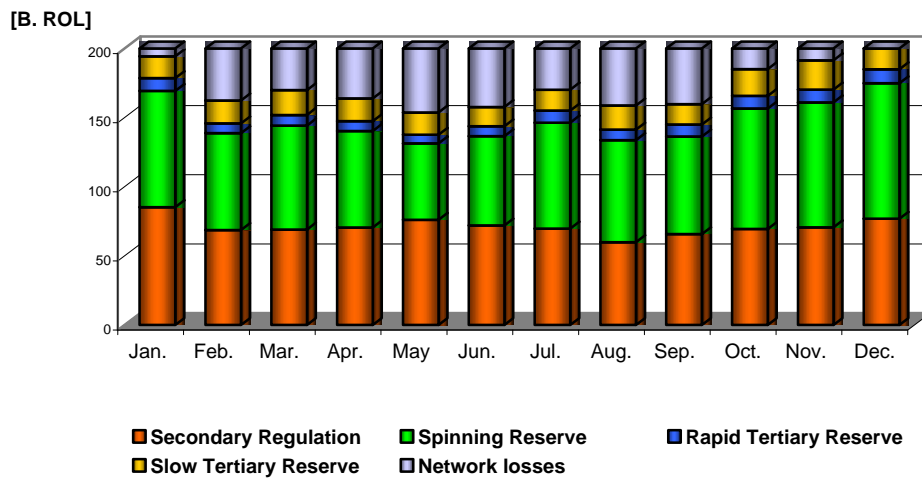


## Settlement

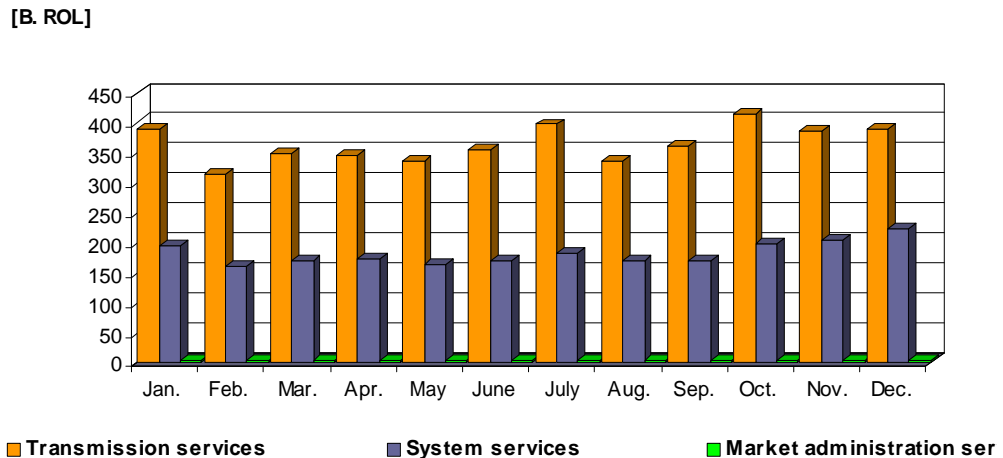
**Evolution of the Monthly Traded Electricity Amount  
- exports and bilateral contracts excluded -**



**Evolution of the Monthly Traded Ancillary Services Amount**

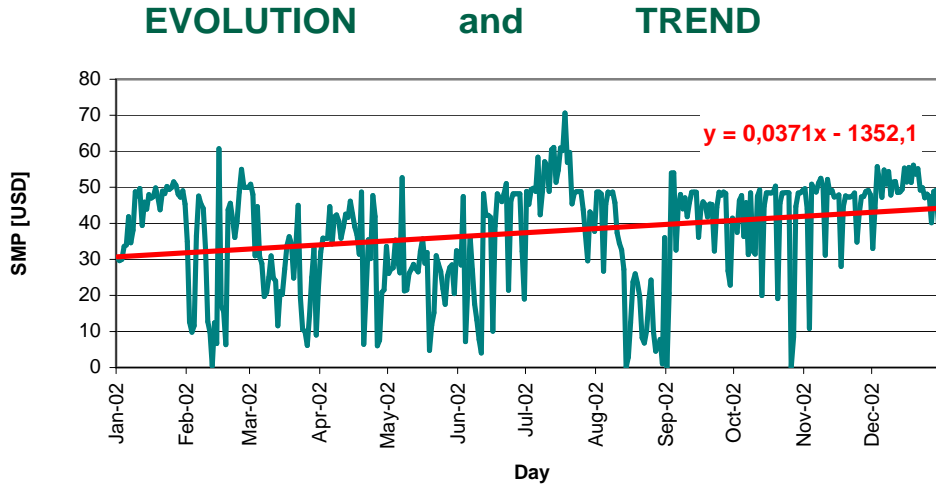


**Monthly Amount Related to the Traded Transmission Services,  
System Services and Market Administration Services**

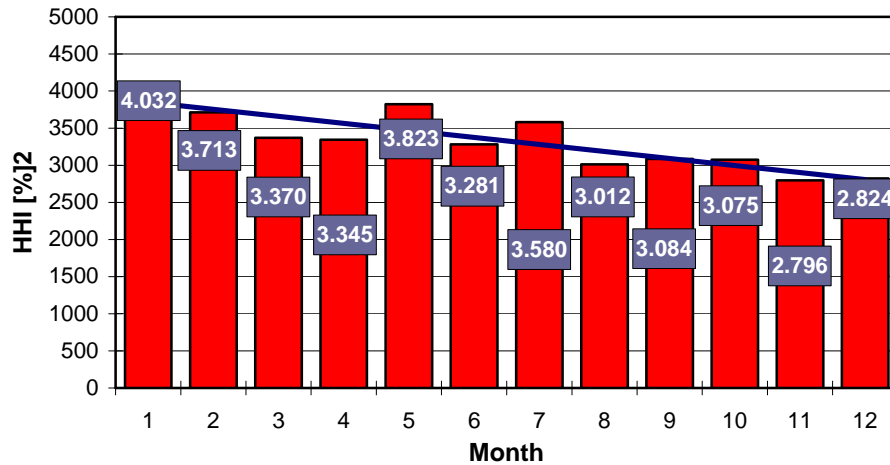


## Market Operation Surveillance

### System Marginal Price Analysis



### Monthly Evolution of Herfindahl Hirschman Index on the Wholesale Electricity Market



## 7 Information Technology & Telecommunication

At present, OPCOM's activity is based on an IT&T support consisting of an internally designed and developed network and of software products created and developed by OPCOM's staff.

The OPCOM integrated IT&T 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 settlement activity results;
  - hydropower units technical parameters.
- b) Software applications for data base maintenance;
- c) Software applications to establish the demand forecast and the generation unit scheduling including production and ancillary services.

## 8 Quality Management System

One of the OPCOM main goals in 2002 was the certification of quality management system according to ISO 9001/2000.

In order to achieve this objective the following stages were fulfilled:

- Setting-up of the quality policy statement and quality objectives;
- Preparation of the quality management system documentation;
- Implementation of the established quality management system;
- Favorable Lloyds Register visit report regarding preliminary audit of the quality management system

Quality management system planning for the year 2003 has as a core objective to obtain till the end of July the certification of OPCOM according to ISO 9001/2000.

## 9 Strategy and Development

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


The company's second 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 second year results are due mostly to the personnel professional level, quality, devotion and availability.

At present, the framework for OPCOM's institutional development between 2003 – 2010, incentive as well as restrictive, is set up by the following issues:


 **elements related to the market structure:** The Romanian market structure was set up, at participants level, and is representing a favorable premise regarding creation of an effective competitive market. This structure was mainly due to the succession of legal decisions implemented: the Government Urgency Ordinance 63/1998, the Government Decisions 627/2000, 1342/2001 and 1524/2002, as well as by other intermediary legal elements concerning the outsourcing of the cogeneration plants;

 **elements related to the secondary legislation and market maturity:** the new market structure will increase in terms of performance as long as the secondary legislation evolution will be adequate, the operators will act complying with the assigned roles and the financial capability of the companies will increase simultaneously with the strengthening of their experience gain due to the competitive action within market;

 **elements related to the national strategies:** Romania made important steps concerning the following issues:

- integration of the National Power System within the European connections, through the UCTE adherence preparation;
- accession to EU, at both political and economic levels, by concluding the Chapter 14 – Energy meaning the harmonization with the related aquis communautaire, as well as by signing the Kyoto agreement representing the adhesion to the sustainable development concept;
- establishment of the Regional Power Market, by participating to the Stability Pact for South-Eastern Europe ( Köln, June 1999), aiming for “creating viable market economies, based on markets opened for the international trade” and “establishing the economy cooperation within the region”, by sing the Statement of Intention for Implementation of the Competitive Market in South-Eastern Europe (Thessalonik, September 1999), and Memorandum of Understanding concerning the South-Eastern Regional Electricity Market and it's integration to European Union Electricity Market (Athens, 2002).

Guidelines (according to the Road-Map and the National Development Strategy in energy field)

 electricity market structure evolution (it is foreseeable, given the time horizon, that the current restructuring process, with the objectives of privatization facilitation

and enabling efficiency through competition will be followed by coagulation selective process as getting close and further to regional market integration);

- + primary and secondary legislation evolution (during competitive framework and participant's evolution maturation, protectionist actions will be skimped, which implies simplification of market model; mechanisms through this model will be implemented, will gain complexity together with competitive character instead);

- + logistic development, including HR and IT&T tools (institutional development strategies and staff training level will be sustained through know-how and self-efforts, while IT tools development need will be covered by supply contracts, as well as internal development);

- + international consultancy: as getting close to integration moment, the market model evolution will claim appropriate consultancy in order to solve commercially and competitively specific issues to interconnected systems operation: transfer & pricing capacities allocation mechanisms, transit tariffs etc.).

## Coordination and cooperation

- + development project coordination will be ensured by S.C. OPCOM SA participation to Electricity Market Coordination Committee, including Ministry of Industry and Resources, ANRE, Transelectrica, OPCOM and Electrica representatives;

- + as to successfully prepare 2005 horizon, characterized by approval of the new electricity market regulations and the operation of new integrated IT system, ANRE and OPCOM will build joint working groups.

**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.**

# 10 Financial Report

## Balance Sheet

USD

	31-Dec-00	31-Dec-01	31-Dec-02
<b>ASSETS</b>			
<b>Intangible assets</b>	<b>4.817</b>	<b>18.069</b>	<b>118.617</b>
Property, Plant, Equipment	110.922	165.174	132.518
Investment in process	-	6.732	-
Other Fixed Assets	98.483	160.099	264.856
<b>Total fixed assets</b>	<b>209.405</b>	<b>332.005</b>	<b>397.374</b>
<b>Financial Investments</b>	<b>-</b>	<b>2.316</b>	<b>25.489</b>
Inventories	5.422	-	6.652
Accounts receivable	840.416	1.072.066	701.135
Cash	46.128	7.350	4.729
<b>Current Assets</b>	<b>891.965</b>	<b>1.079.416</b>	<b>712.517</b>
<b>Other current</b>	<b>36</b>	<b>18.858</b>	<b>34.498</b>
<b>Total Assets</b>	<b>1.106.223</b>	<b>1.450.664</b>	<b>1.288.496</b>
<b>LIABILITIES &amp; SHAREHOLDERS EQUITY</b>			
Financial Debt	-	22.712	126.328
Accounts Payable, others	529.512	484.482	510.645
<b>Total Liabilities</b>	<b>529.512</b>	<b>507.195</b>	<b>636.973</b>
Shareholders Equity	46.421	38.089	35.925
Reserves, others	481.955	398.385	578.190
Undistributed profit/losses	48.336	506.995	37.408
<b>Shareholders' Equity</b>	<b>576.712</b>	<b>943.469</b>	<b>651.523</b>
<b>Total Liabilities &amp; Equity</b>	<b>1.106.223</b>	<b>1.450.664</b>	<b>1.288.496</b>

## Cash-Flow Statement

USD

	31-Dec-00	31-Dec-01	31-Dec-02
<b>DEBIT</b>	<b>846.562</b>	<b>643.019</b>	<b>152.926</b>
Depreciation cost	14.138	83.759	140.015
Change in Working Capital	<b>-316.266</b>	<b>-41.748</b>	<b>-56.752</b>
<b>+/-</b> Inventories	-5.398	4.449	-6.652
<b>+/-</b> Receivable	-840.416	-382.487	310.031
<b>+/-</b> Payable	529.512	355.118	-361.079
<b>+/-</b> Prepaid expenses	36	-18.828	948
<b>1 Operational Cash Flow</b>	<b>544.433</b>	<b>685.031</b>	<b>236.189</b>
Capital Expenditure in PPE & intangible	-4.783	-179.573	-206.320
<b>2 Cash Flow from Investments</b>	<b>-4.783</b>	<b>-179.573</b>	<b>-206.320</b>
<b>3 Cash flow from operations (1+2)</b>	<b>539.651</b>	<b>505.458</b>	<b>29.869</b>
<b>+/-</b> Loans	0	0	110.885
Net Fin. Expenses	215	560	-21.070
Net Extr. Income/(Expenses)	-8.447	-8.928	-92.295
Corporate Tax	-209.788	-165.315	-56.557
Dividends paid	0	0	-221.214
<b>+/-</b> Others	-275.431	-324.425	255.113
<b>Total Cash Flow from Financing</b>	<b>-493.450</b>	<b>-498.107</b>	<b>-25.139</b>
<b>+/- cash</b>	<b>46.200</b>	<b>7.350</b>	<b>4.729</b>
<b>Initial Balance</b>		<b>37.849</b>	<b>6.933</b>
<b>End Balance</b>	<b>46.200</b>	<b>7.350</b>	<b>4.729</b>

Average annual exchange rate  
LEI/USD

25.926

31.597

33.500

USD

	31-Dec-00	31-Dec-01	31-Dec-02
<b>Turnover</b>	<b>1.030.703</b>	<b>1.434.330</b>	<b>1.455.905</b>
Total output	1.030.703	1.434.330	1.373.201
Other Revenues	-	85	4.396
<b>Operating revenues</b>	<b>1.030.703</b>	<b>2.868.745</b>	<b>2.833.501</b>
Materials	10.752	18.514	32.967
Energy	-	8.634	17.639
Other materials	-	12.505	
<b>Total material costs</b>	<b>10.752</b>	<b>39.653</b>	<b>50.607</b>
Services	33.291	236.737	381.249
Taxes	4.298	17.051	9.909
Wages	120.438	402.057	612.598
Other operational costs	1.225	15.348	30.043
<b>Depreciation cost</b>	<b>14.138</b>	<b>83.759</b>	<b>140.015</b>
<b>Total Operating Costs</b>	<b>184.141</b>	<b>794.606</b>	<b>1.224.421</b>
<b>Profit before tax and interests</b>	<b>838.330</b>	<b>2.058.833</b>	<b>1.507.830</b>
<b>Operational profit</b>	<b>846.562</b>	<b>2.074.139</b>	<b>1.609.080</b>
Financial Income	215	1.974	478
Financial Costs		1.416	21.548
<b>Net Financial Income</b>	<b>215</b>	<b>558</b>	<b>-21.070</b>
Extraordinary Income		7.630	9.433
Extraordinary Costs	8.447	17.279	101.729
<b>Net Extr. Income</b>	<b>-8.447</b>	<b>-9.649</b>	<b>-92.295</b>
<b>TOTAL REVENUES</b>	<b>1.030.918</b>	<b>1.444.018</b>	<b>1.387.258</b>
<b>TOTAL COSTS</b>	<b>192.588</b>	<b>813.301</b>	<b>1.347.697</b>
<b>Profit before Tax</b>	<b>838.330</b>	<b>630.717</b>	<b>39.561</b>
Corporate Tax	209.788	163.383	56.557
<b>Profit after Tax</b>	<b>628.542</b>	<b>467.335</b>	<b>-16.996</b>

## Profit & Loss Account