



www. **opcom** .ro  
"earning every Day-Ahead  
your trust"

# ANNUAL REPORT

2006



"earning every Day-Ahead  
your trust"

**OPCOM S.A.**  
Hristo Botev 16-18 Blvd. , Bucharest, sector 3  
ROMÂNIA, postal code 030236  
Telephone: +40 (21) 3071 450;  
Fax: +40 (21) 3071 400  
<http://www.opcom.ro>

# CONTENT

Chief Executive Officer's Message	2
Shareholders' General Assembly Message	4
Administration Board Message	6
Romania - The Electricity Market	8
OPCOM - The Marketplace	10
OPCOM - Products for Tomorrow and ... Beyond	14
Transparency, Monitoring, Quality	22
Trading Platforms and IT Support for Overall Activity	24
OPCOM, the Coordinates of Development	26
OPCOM's Presence - 2006	28
The Market Participants - All for Them	32
The Press	34
Financial Report	36

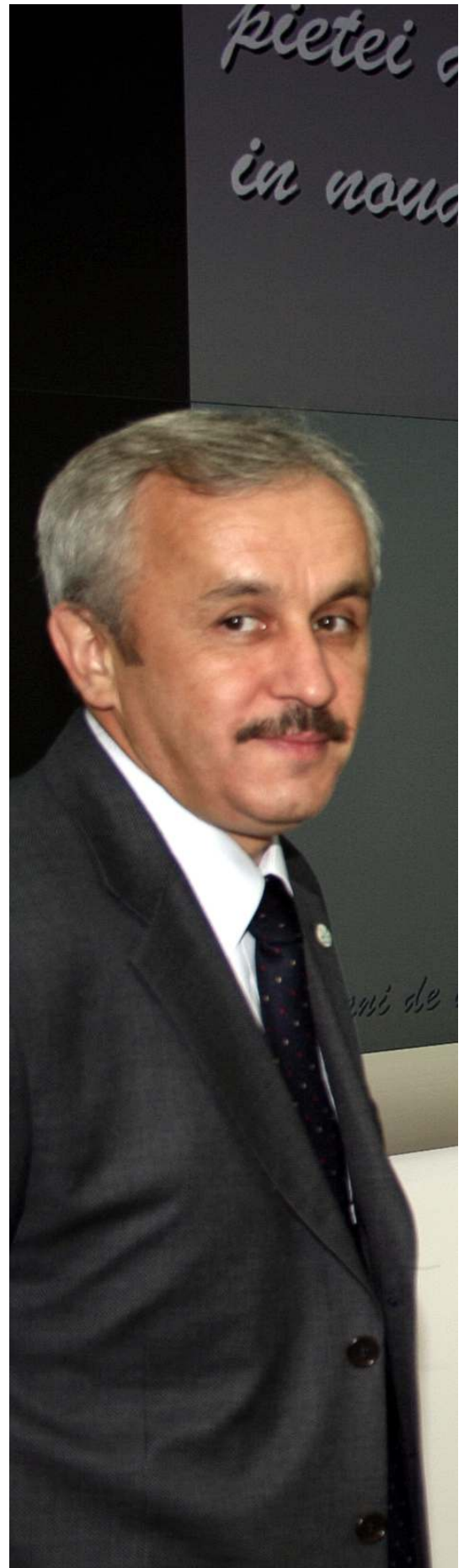
## 2007, THE YEAR OF THE FULL OPENING

When we look back to the 2006 results we have to not forget that now we are in the year of the full opening of the electricity market, giving to all consumers the possibility to choose their supplier.

In February 2007, Romania was visited by the European Energy Commissioner. The SEE energy sector global evaluation was expressed previously using few words: *„This region suffers of a number of deficiencies: lack of energy resources, an inadequate structure for energy transport, disfunctions on electricity supply, lack of competition and serious environmental problems, to name only few of it”*.

Regarding the Romanian electricity market, according to NewsIn, 23 February 2007, the European Energy Commissioner Andris Piebalgs so described: *“EU has to ensure Romanian companies may sell energy on foreign markets and other companies may come in Romanian market. Our goal is to achieve lower prices. The competition in Romanian market is real but small”*. Noting that the Romanian market was characterized without doubt as being truly competitive, we have to accept that the competition's dimension can not go beyond its target: Romania has a consumption lower than each Nordic country, even its population is comparable with the population of all four together. And not forget that these are participating in a common regional market. More or less, each market not focusing to become regional is risking to remain a small market.

Romania, as overall European Union, is committed to an energy system re-shaping process, including the organization of the electricity market. During the next period we have to join our forces meaning electricity sector stakeholders, business community and press, towards deciding on Romania's future regarding energy, as part of the European Union. I mentioned the press because it earned the right to be recognized as partner. It earned this right not only because it committed to a race against the time to understand a framework difficult to be understood even by the engineers and economists, but also because insistently asking for market transparency or representing the interest of the end-consumer, some market players or the public, achieved to contribute on obtaining this transparency. A big pressure was created during the last year by the public opinion towards bringing in full light the mechanisms of electricity contracting through spot or bilateral and making public the parts and the prices for existing contracts. Main responsible stakeholders were then obliged to explain to the press and consequently to the public the rationales and the mechanisms that represented the area of excellence for very few specialists until now.





A matter of importance was the pressure exercised in order to publish the information about the contracts and about the market quota achieved by the main players. We responded to this request by using the most efficient tool: OPCOM web-site is now publishing not only the starting price but also the final one. During the last months, the highest interest target for the press was the debate about contracting mechanisms' efficiency. But previously to this debate, in 2005 the transparency of the contracting process was focused by the press and public attention. It was said that this market is rigid, but we discovered that it is offering enough opportunities to the big producers to sell their generation and to make a profit allowing them to finance the needed investment. Also the suppliers achieved the acquisition of the electricity aimed to ensure the deliveries on retail market, if they did not postpone too much the decisions on acquisitions. The suppliers insistently asking for new instruments in the beginning of 2007 discovered later on the existing product and actively traded, demonstrating that not lack of product's flexibility hindered them to conclude transactions. CBCM, operated 15 months by OPCOM, achieved a quota higher than 10% as 2007 deliveries and will remain in operation. We expect for the Day Ahead Market in 2007 a quota higher than 8% and the number of traded green certificates is growing year by year, together with investment in renewable. Regarding the price of the administrated markets, as you remember, we were usually reserved in evaluations making and mainly we did not make assessments as much as the limited period of its history did not allow trends' analysis. Now we may conclude that generally the spot price is varying in a range between 30 and 50 Euro, being noticeable the almost identical values in February, March 2006 and 2007. These values are not validating a supposed ascendant trend, this impression being created by the extreme values in July-August 2006 and September-December 2007, these values being registered in extreme market conditions. The CBCM price stabilized, with slight decreasing trend in the beginning of 2007, after an increasing trend at the end of 2006, when the available quantities were lower and lower.

Victor IONESCU   
CEO  
Romanian Electricity Market Operator

## THE SHAREHOLDERS' GENERAL ASSEMBLY

With its quota of 7% out of the net consumption of Romania, but also through the volume representing this quota, the Romanian power exchange is the most liquid in the Eastern and South Eastern Europe.

Only one step have to be accomplished in order to ensure the full success: the counterpart role undertaking, based on the risk management support ensured by the mechanism based on collaterals designed with the cooperation of market players and interested banks. Following the tests period in July 2006 and the last discussions in the Working Group framework, the procedures approval by the Regulatory Authority allowed the beginning of the implementation process, with central account bank selection and IT support finalisation.

During the last year, the trades with electricity attracted the interest of the media in Romania, beyond the interest for spectacular elements being however the effort deployed to understand and to correctly present the facts and the relevant figures.

Beyond the country's borders, the interest of the specialised journals for the Romanian market evolution was consolidated during last year, besides the editorials' currently published last years being published announces about level of trades, achieved quotas and new products launched.

The last version of the World Bank strategy for the electricity market development in South East Europe, published in March 2006 includes a box dedicated to the Romanian electricity sector liberalization. The statements are without equivoque:

*"The level of liquidity in the day ahead market is comparable with power markets in EU member states", respectively*

*"Given the level of liquidity, the Romanian day ahead market provides a benchmark price for the South East Europe power market. OPCOM intends that market participation will be extended to neighboring countries in a phased manner".*

OPCOM intensified in 2006, supported by the main stakeholders (ministry, regulatory authority and transmission and system operator), the efforts for the development of the concepts, co-operation relationships, agreements and IT systems, in order to organize the regional power exchange in Bucharest.

The successive steps made in order to express the intentions and the concepts consisted in participation to the EFET conferences in 2005 and 2006 in Budapest and Warsaw, to the first mini-forum in Athens and to the 8th and 9th meetings of the Athens Forum, to the conferences *"Black Sea Energy"* in Bucharest and FOREN at Neptun. In their actions, the entities that promote this initiative are supported by the World Bank and the consultancy partners in the "Electricity Market Project".

OPCOM meets the European Commission expectations on the European power exchanges to harmonize the electricity trading environments and to develop regional markets as first stage in preparing for the Internal Electricity Market.



Marius Eugen Untescu



Ioana Apan



Dumitru Bărăscu

Two handwritten signatures in blue ink. The first signature is a stylized cursive name, and the second is a more legible name, possibly 'Ioana'.

## THE ADMINISTRATION BOARD

2006 represented for OPCOM and generally for the Romanian electricity market the year of consolidation of the new trading platform launched in the middle of 2005.

The launch of the new trading platform was received in Romania with trust or concerns, with attachment or adversity, with impatience or with fear. It was performed following the intense two years cooperation between the regulatory authority, the transmission and system operator, the market operator, the metering operator and the distribution operators, under the responsible ministry coordination. Not by chance the same structure prepared the Road Map which defined the new platform and this was also the participation in the Electricity Market Committee that coordinated the implementation projects. A necessary experimental period followed and finally, after this preparation, the first commercial transactions were concluded on the Day Ahead Market, in 30th of June 2005 with delivery in 1st of July.

For the partners of OPCOM the success of the spot market was a matter of satisfaction, as far as they contributed to its launch, by actively participating to the preparations, by encouraging or even by financially supporting. The messages received after the communication of the first trading day results let no room for doubt upon the truth that when the new trading platform was launched we were already considered a member of the European Union at least in the electricity market field.

From the point of view of participants, this market facilitates the trading in short time, in a voluntary, transparent and neutral framework. From the point of view of the wholesale market, it establish a price reference for the other segments of the wholesale market and for the future financial market. From the point of view of the power system security, it contributes to the balancing of demand and offer in short term.

Considering these attributes, the high, and for a long period permanently growing interest for the Day Ahead Market should not represent a surprise. At this moment, we are in a period of this interest stabilization, the possibilities to increase the number of participants and of the daily participation coming mainly from the increasing interest of the foreign traders.

This is a new occasion to express our gratitude for the financial support received from the European Commission and for the permanent support of EC Delegation, the former PHARE PIU and CFCU. Also, we express our gratitude to the World Bank for the financial and technical support and not at least for the moral support received.





Anca Dobrica



Radu Chiurtu



Denisa Pătrîlgeanu



Victor Ionescu

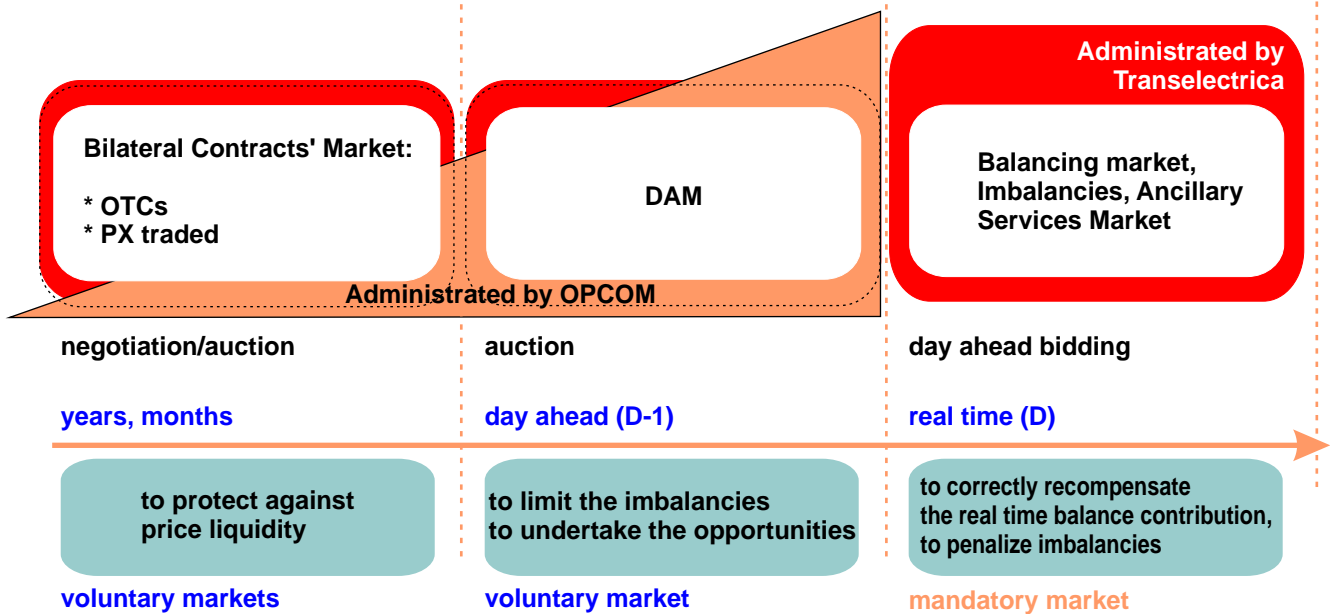


Irina Putineanu

Five handwritten signatures in blue ink, arranged in two columns. The signatures are stylized and difficult to read.

OPCOM: Settlement Agent

**Different Electricity Markets and Related Products for Different Time Delivery**



At the time when the Energy Community Treaty was ratified, it represented a crucial moment for the South East Europe regional electricity market, Romania, one of the nine signatory countries had a functional wholesale market, including well defined segments: bilateral contracts market, spot and balancing markets. This ensemble named „new trading platform” implements the multi-market concept in Romania. The same model was adopted by the most important EU electricity markets, being also recommended for the ECSEE countries.

It is unanimously recognised the fact that Romania is the only country in the region organizing functional spot and balancing markets, as well as it is the only country in the region already fulfilling the two treaty requirements: the market opening for all non household consumers (achieved in July 2005, required beginning with 1 January 2008) and the TSO unbundling.

The initial big thermal generation company restructuring led to a generation concentration placing Romania among the countries with moderated concentration.

Regarding the Day Ahead Market trades, the concentration indexes indicate during last months a non concentrated market. On the other hand, the increase of the opening degree to 83,5% created the premise for the existence of a big number of suppliers and their active participation in order to respond to diversified electricity demand on the retail market. The market opening for all non household consumers was a necessary intermediary step, taking into consideration the need to prepare the 2007 full market opening.

# ROMANIA - THE ELECTRICITY MARKET

The electricity market participants  
Licensed / accredited by ANRE:

- producers / auto-producers
- suppliers
- transmission and system operator
- distribution operator
- eligible consumers

According to the provisions of the secondary legislation, the electricity market is competitive at the level of electricity producers and suppliers.

The activities representing a natural monopoly, transmission and distribution, are fully regulated. Network operators comply with the public service obligations: connection, transmission and distribution.

In 2006, the market opening degree was 83,5%.

The trades within the Romanian electricity market were performed according to the secondary legislation in the two market segments:

- regulated market,
- competitive market.

Regulated market

Where energy and services are traded:

- Regulated contracts for electricity sale / purchase (quantities and prices established through Decisions and Orders issued by ANRE's president);
- Regulated contracts for:
  - transmission service,
  - ancillary services,
  - distribution service

Competitive market

Where energy is traded through:

- Bilateral contracts negotiated or PX traded on CMBC platform between producers/suppliers and other producers/suppliers;
- Import/export contracts of licensed owners / eligible consumers;
- Contracts between suppliers and eligible consumers;
- DAM trades;
- Balancing Market trades;
- Financial responsibility for the licensed owners registering imbalances.

## OPCOM - A MARKET FOR ELECTRICITY

After the launch of three trading products during 2005, 2006 represented for OPCOM and the Romanian electricity market a period of these instruments' consolidation, a continuation of the efforts towards the improvement of the transparent and competitive trading framework offered by OPCOM to the market participants and the diversification of the products' range as well as the international recognition of the consolidated regional position.

The most important result of the year 2006 is the growth of liquidity, this being a proof of the increased participants' interest and the premise to establish a consistent price.

Thus:

- *On the Day Ahead Market administrated by OPCOM 4.11 TWh were traded in 2006, representing a quota of 7.74%. The DAM traded volume on DAM increased with 27% in 2006 comparing with 2005 if we consider the last six months of each year.*
- *The traded volume on centralized bilateral contract administrated by OPCOM reached a 2.41% quota as 2006 deliveries, at an average price of 130 lei/MWh. The traded quantity in 2006 with 2007 delivery was of 2.252 TWh at an average price of 159 lei/MWh.*
- *The number of green certificates traded on centralized market operated by OPCOM towards the 2006 mandatory renewable quota fulfillment was of 20,939, at an average price of 42 Euro/certificate.*

The three products represented stages of the road map in the electricity field provisions' implementation (July 2003), document which guaranteed the adhesion of Romania to the energy *acquis communautaire*, condition to close the chapter 14, Energy.

December 2006 brought the long time expected general consensus (OPCOM, ANRE, market participants, banks) regarding the „*Procedure to post, check and use of financial guarantees for DAM participation*” and the „*Procedure regarding receives and payments associated DAM trades*”, of which implementation will allow the undertaking of counterpart role by OPCOM.



## OPCOM - A MARKET FOR ELECTRICITY

### Key Figures 2006

DAM	
Traded Volume [MWh]	4,105,931
Market Share [%]	7.74
Value* [Euro]	192,495,636
* daily exchange rate lei/euro	
CMBC	
Traded Volume [MWh]	2,959,125
Concluded Contracts	34
Value** [Euro]	124,436,305
Deliveries [MWh]	1,254,579
Market Share [%]	2.41
Value** [Euro]	45,124,674
** avg. exchange rate lei/euro for 2006	
CMGC	
Traded Green Certificates	20,939
Value*** [Euro]	879,415
*** exchange rate lei/Euro in 29.12.2005	

2006 records

Highest Traded Volume: 18,605 MWh (Wednesday, November 1st)

Highest Value of Trades: 1,139,862 euro (Thursday, November 23rd)





#### Role

Short term efficient trade facilitation (one day before delivery), in a competitive, transparent, anonymous and neutral framework; reference price for other wholesale market segments and for the future financial market; the balance of generation and consumption in short term (day ahead).

#### The products characteristics

Hourly spot contracts

Minimum Volume: 0.001 MWh

Participation is voluntary being allowed to all license owners registered at DAM (generators, suppliers and network operators). To be registered as DAM participant, the license owners have to previously sign a convention to assume the balancing responsibility towards TSO by registering as Balance Responsible Party or to prove the responsibility transfer to another BRP. The identity and bidding intentions are anonymous.

#### The trading mechanism

Two-side closed auction, portfolio based. The hourly offers express the willingness to sell/buy at a minimum/maximum price. The sell/buy offers are aggregated in separated curves, their intersection point defining the spot price and traded volume for each hourly interval.

#### Offers' characteristics

Sell/buy offers are simple offers including up to 25 quantity - price pairs.

Trading interval - the hourly interval for which the bid is submitted.

The Quantity - the volume intended to be traded by participant, established based its own efficiency criteria.

The Price - the price at which the participant is willing to buy and/or to sell in the specified hourly interval the quantity indicated in the pair quantity-price.

#### Regulatory Framework

The Commercial Code

#### Contractual Framework

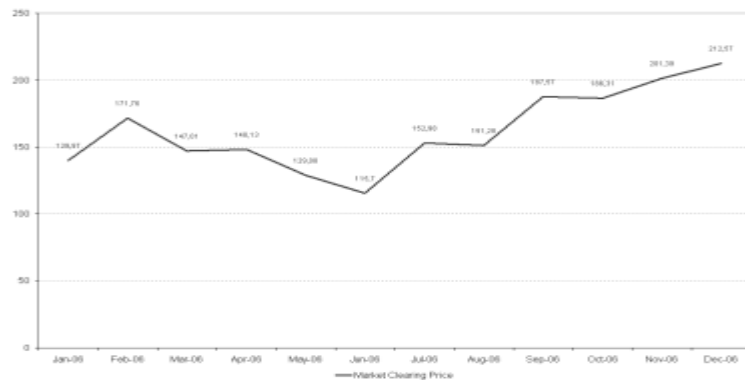
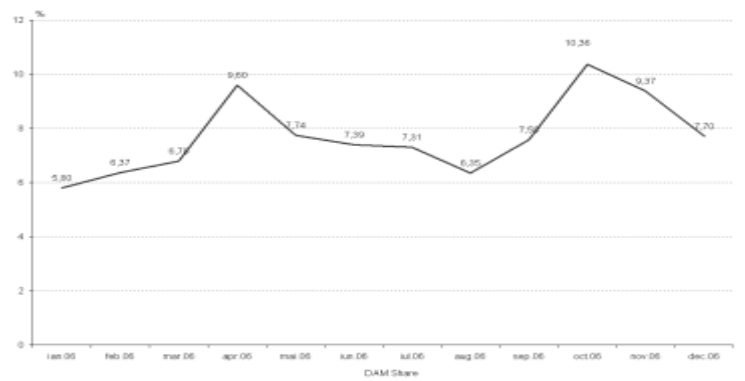
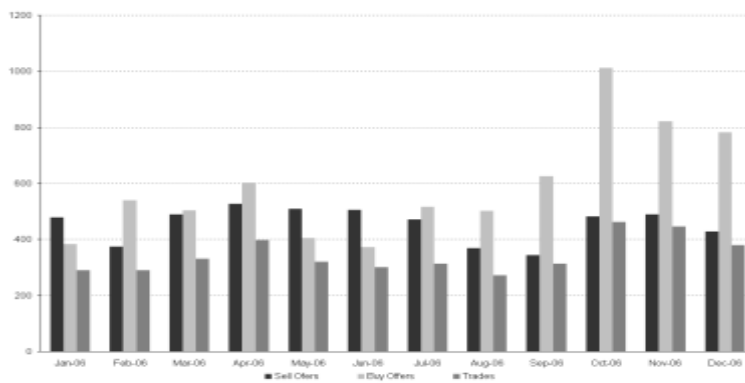
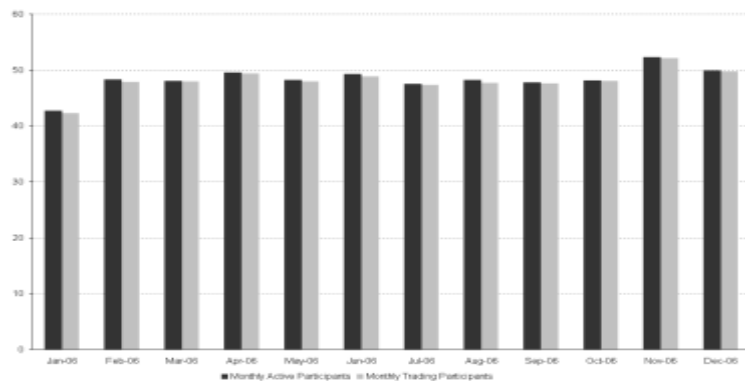
The Participation Accession Agreement

#### Procedural Framework

Operational Procedures; Trading Platform User's Guideline







## OPCOM - PRODUCTS FOR TOMORROW AND ... BEYOND

### Role

Mechanism to stimulate the electricity generation from renewables (wind, sun, biomass, geothermal, waves, hydrogen produced from renewable, hydro based electricity produced in power plants with capacity lower and equal with 10 MW, commissioned/refurbished since 2004).

Obligation to acquire on yearly basis a number of green certificates equal with the mandatory quota multiplied by the electricity quantity delivered to the end consumers on yearly basis.

### Product's Characteristics

Green Certificate - Document proving the generation of 1 MWh based on renewable.

### Offers' characteristics

The Quantity of electricity associated with one green certificate is 1 MWh.

The Value of green certificates represents a supplementary income earned by the generator due to the "clean" energy injected into the network.

The price represents a supplement received for the green certificates sold, due to the benefits brought to the environment, being determined based on the offer-demand criterion. The green certificates' price varies in a range  $[P_{min} \div P_{max}]$  established through Government Decision.

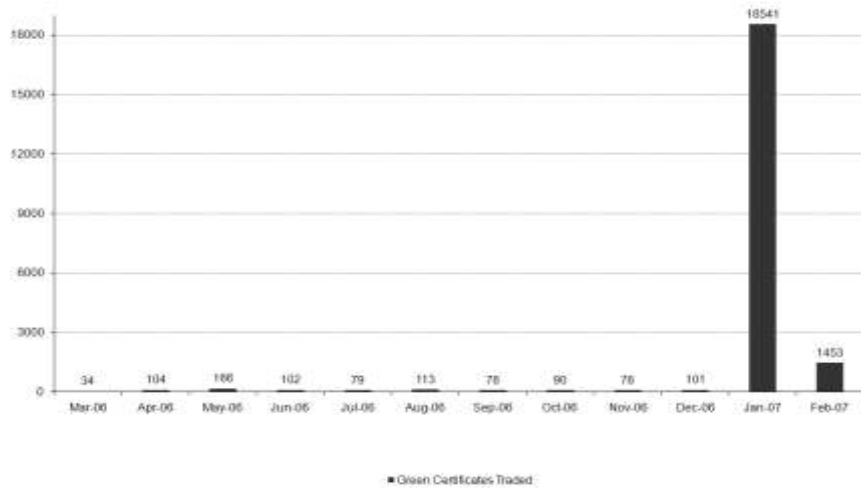
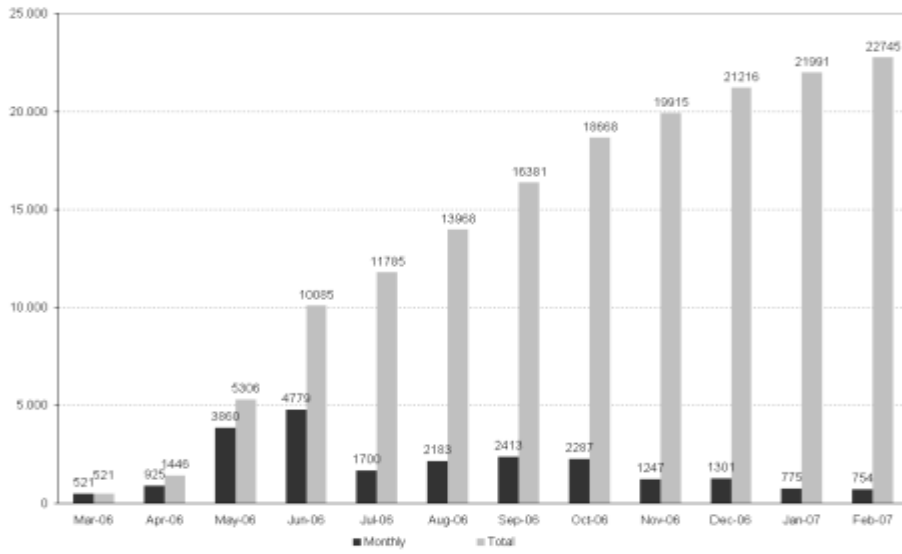
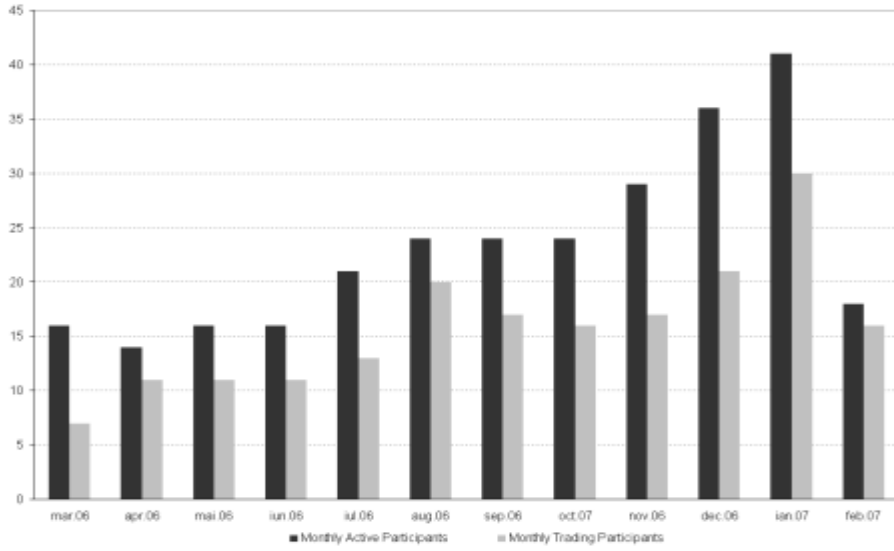
The minimum price is imposed to protect the generators.

The maximum price is imposed to protect the consumers.

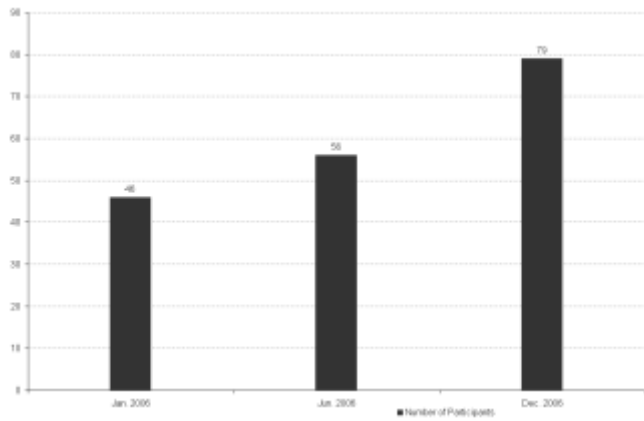
In the 2005-2012 period the annual minimum and maximum green certificates' trading values are of 24 Euro / certificate, respectively 42 Euro / certificate, calculated based on the exchange rate of the National Bank of Romania for the last working day in December, the previous year.



# Green Certificates Market



# OPCOM - PRODUCTS FOR TOMORROW AND ... BEYOND



## Role

Medium and long term efficient trading facilitation, in a transparent and neutral framework.

Providing the needed trust to the public, consumers, owners.

The balance of demand and offer in medium and long term.

## Product's characteristics

The market participants intentions and identity are known by the overall business community. The offers are not standardized from the point of view of the offered quantities, periods and delivery deadlines. The market is open for generators, suppliers and eligible consumers.

## Offers' characteristics

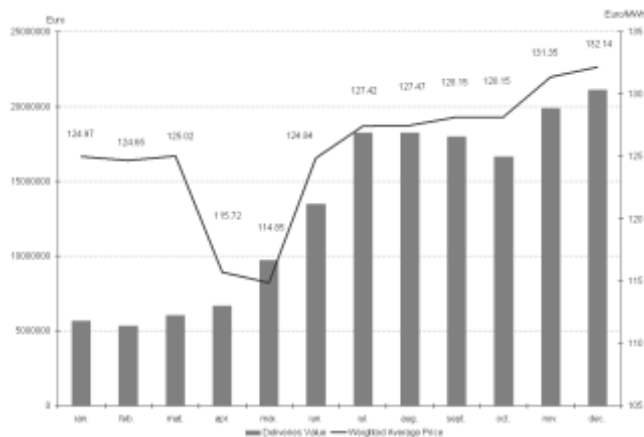
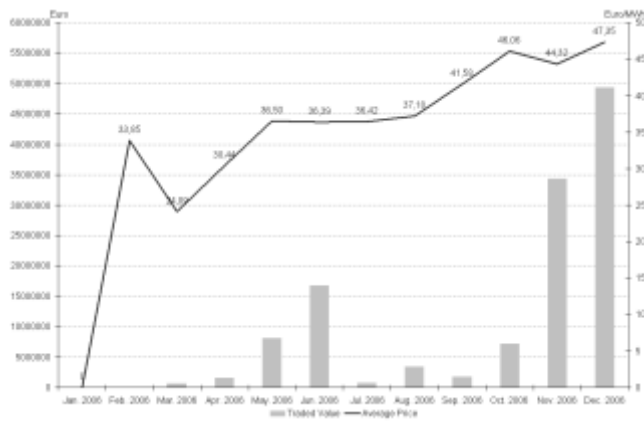
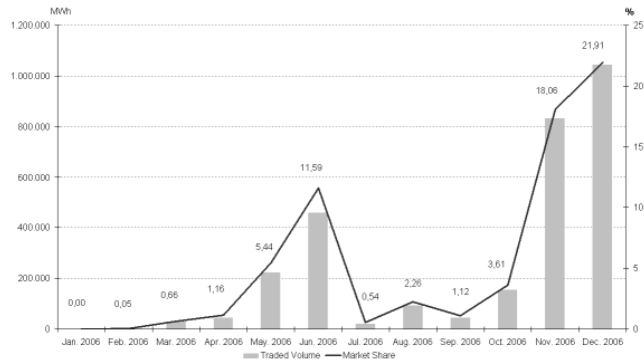
Quantity of electricity traded through a contract. This quantity represents fraction from the volume that the CMBC participant intends to trade and is established depending on its own efficiency criteria.

Delivery period - this market traded offers for delivery / consumption will be for at least one month delivery period.

Price, depending on the bid type:

Minimum, expressed in Lei/MWh, the auction starting value for published sell offer;

Maximum, expressed in Lei/MWh, the auction starting value for published buy offer.



## Contractual Framework

The Participation Accession Agreement

Procedural Framework

Operational procedures



# OPCOM - PRODUCTS FOR TOMORROW AND ... BEYOND

## In the Bilateral Contracts' Market

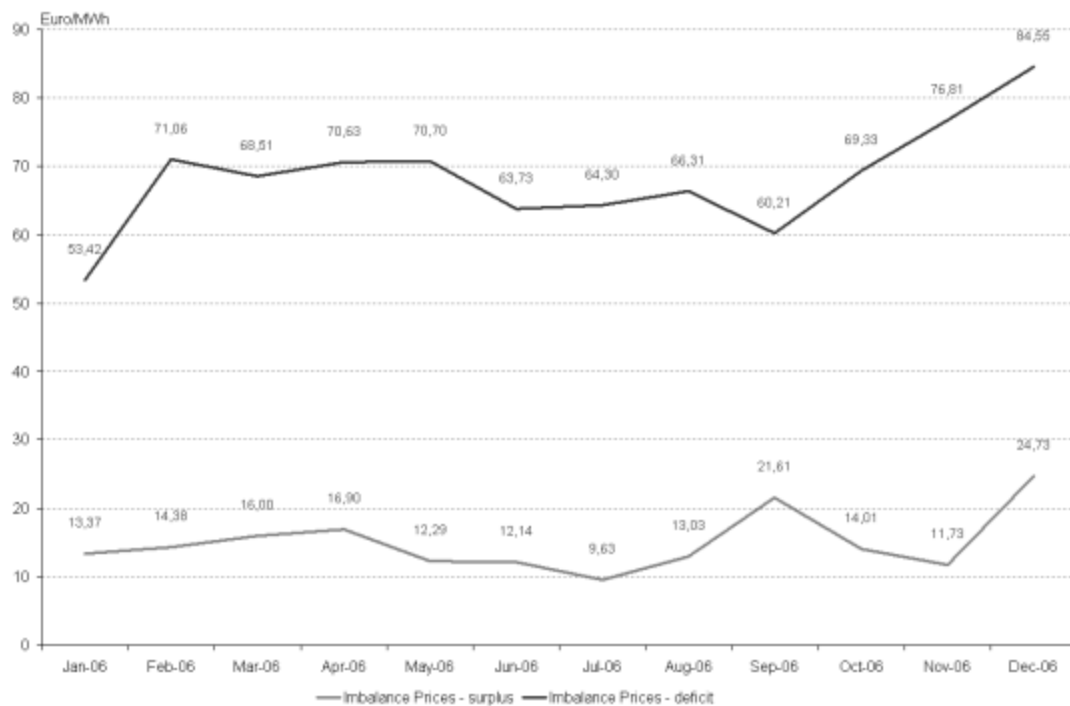
- Settlement of electricity and ancillary services quantities traded according to the provisions of the commercial contracts, regulations and metered and communicated data;
- Establishment of rights to receive and obligations to pay for each market participant within each ongoing contract on the regulated market.

## In the Day Ahead Market:

- Settlement of the traded electricity quantities;
- Establishment of hourly, daily, weekly and monthly rights to receive and obligations to pay for each market participant;
- Dissemination of the daily and weekly settlement notes.

## In the Balancing Market:

- Establishment of rights to receive and obligations to pay for the participants to the Balancing Market;
- Establishment of the surplus and deficit prices;
- Establishment of the costs for system balancing and internal congestion management;
- Establishment of rights to receive and obligations to pay related notified imbalances.





## TRANSPARENCY, MONITORING, QUALITY

On 16.11.2006 in Brussels, within the framework of the workshop dedicated market monitoring organized by NARUC, OPCOM presented a position paper expressing the freedom degrees and the intentions of OPCOM in its attempt for administrated markets' transparency improvement. There is a tight relationship between these efforts and the OPCOM image as one of the European power exchanges, the perception of Romanian and foreign press, analysts and consultants, European fora. OPCOM represents a piece of Romanian electricity market and a part of this market image is due to OPCOM. In 2006, the electricity market gathered favorable assessment of the World Bank, European publications (Platts, HEREN, Argus, DataMonitor) and consultants (the study of the SEETEC consortium, the studies of Nord Pool Consulting and REKK).

OPCOM was keen to promote its image and the results in markets' administration, taking also into consideration the role which it intends to play in the regional market, by developing a specialized department addressing all needed issues towards image promotion, through media and by events organizing. OPCOM was a trustable partner for the ministry and IRE by organizing informative, working and promotional events, dedicated to the electricity market's concerns: the press conference „Electricity market“ (13.02.2006), round table IRE (19.07.2006), round table „One year electricity market operation in the new structure (15.08.2006)“.

Based on a new structure and updating the published documents, the new web-site of OPCOM became the visiting card of OPCOM, its role and performance becoming visible to the participants, public and press by data and information publishing.

According to the commercial code and procedures approved by the regulatory authority, the activity of the market surveillance is performed in the organized framework, independent from other departments, reporting to the CEO and to the regulatory authority.

### Tasks and Responsibilities

Data and information reporting, benchmarking data management, indexes' calculation, evaluation of trends and monitoring the consequences, the evaluation of administrated markets' operation and the participants behavior.

### Monitoring Subject:

The bidding history: analysis of the previous bids in similar conditions with the current ones, the influence of bidding behavior upon the prices, the market concentration and potential effects.

### Published Information:

Pre Trade: price scale, maintenance plans, aggregated allowed priority generation.

Post Trade: matching curves, hourly traded volumes and related prices, priority generation hourly traded in DAM.

The year 2006 represented a year of consolidation for OPCOM Quality Management System, which received a new Certificate of Approval ISO 9001:2006, following the certificate renewal audit performed by Lloyds Register QA in July 2006. The new certificate is valid until 31st July 2009 and it is applicable to the following fields of activity: "Operator and administrator of centralized electricity markets: day-ahead, green certificates and bilateral contracts; Settlement operator for electricity traded in centralized and bilateral markets". Both the external (the surveillance audit and the certificate renewal audit performed by Lloyds Register) and the internal audits performed on OPCOM' Quality Management System has shown once again the pursuit and the commitment of OPCOM management to maintain and improve the Quality Management System.





## The Trading Platforms and IT Support for Overall Activity

IT platforms' support is a cornerstone for all operations of marketplaces as trading, settlement, information collection and supply. All internal activities and connection with the outside world depend on the information technology support. A good choice of technology solutions represents the guarantee for reliable operation of the power exchange, this being the precondition to become a competitive marketplace.

If OPCOM is now considered the market leader in South East Europe and the most active power exchange in Eastern Europe this is the result of the four main pillars: quality of the Romanian market, meaning structure and regulation, products' quality, trustable infrastructure and permanent focus on relationship with participants.

To build market products based on high tech platforms was the strategy to earn the trust of participants and to establish a long term relationship with the best qualified IT suppliers was considered the most appropriated way to provide the reliable infrastructure support.

In 2006 OPCOM enhanced its capability as marketplace by finalizing the implementation of the CONDICO integrated platform for trading and clearing. The aim to follow the example of the Nordic power exchange as gradual development and main principles implementing: simple mechanisms, safe trading and secured operation hopefully met the opportunities to acquire similar platforms.

OMX, the supplier of CONDICO is a world leader developing, delivering, integrating, maintaining and operating technology solution for exchanges, marketplaces and clearing organizations. OMX is the main IT partner of Nord Pool ASA having a crucial role in the development of the Nordic market.

As OPCOM will continue to develop the partnership with the regional stakeholders in South Eastern Europe, the enhancement of existing platforms towards regional purposes as market mechanisms and information management is a must. Consequently the continuation of the already traditional cooperation with the two Nordic giants Nord Pool and OMX Technology AB was secured due to the efforts made in 2006. The partnership with AREVA, the supplier of OPCOM DAM platform will continue in the same framework of trust, security and cooperation.

Beyond the trading platforms requirements, the IT department faced the challenge of overall assets modernization as hardware and telecommunication devices. The highest level technologies were implemented once the planned acquisitions were transparently deployed.

During the last years OPCOM became not only a reliable marketplace but also an information and meeting center, the dissemination of trading data and general market information transforming OPCOM in the preferred source of information for active users of OPCOM products, wholesale market participants, press and public. The efforts made by OPCOM in 2006 represent a guarantee that the future will not disappoint the users of this source.

The acquired redundancy of Internet services supported the improvement of the trading security by better connecting OPCOM with the world of the clients and worldwide information flows.

The future seems to be safer but the work will be harder in a very competitive power exchanges' world.



# OPCOM - THE COORDINATES OF DEVELOPMENT

## Vision, Strategy, Mission

Vision: *"To be the leading power exchange and clearing house in South East Europe"*

Strategy: *"A balanced development of the products' portfolio and a phased approach of the regional partners towards the creation of a regional power exchange and clearing house to serve the SEE countries"*

Mission: *"To provide reliable prices and facilitate efficient cross border trades for the South East European power market"*

## Guidelines

- Consolidation of the liquidity of the spot market and of the price consistency
- DAM counterpart role undertaking
- Consolidation of the centralised markets for on term contract liquidity (contracts with physical delivery and financial instruments)
- Favourable placement within the Athens Forum process and the SEE regional PX role undertaking correlated with the technical assistance projects' development according to the provisions of the Energy Community Treaty.

## Goals

- In the second part of 2007 OPCOM will implement mechanisms to guarantee the DAM electricity trades' payment by undertaking the counterpart role.
- In the first part of 2007, OPCOM will deploy the efforts to improve the products offered to the market participants on the Centralised Bilateral Contracts Market.
- OPCOM will develop the needed actions for clearing house establishment in 2008.
- OPCOM, supported by the Ministry of Economy and Finance, Transelectrica and ANRE will cooperate with regional institutions established within the Athens Forum process and with the transmission system operators and regulators in the neighbouring countries in order to create a regional electricity spot market. It is intended to experimentally launch this market in 2008.

Depending on national developments, OPCOM intends:

- To offer trading services for white certificates on a centralized market, the mechanism being dedicated to incentive the energy efficiency.
- To offer trading services for GHG certificates.



## OPCOM'S PRESENCE - 2006



- 13 February Bucharest, Romania, OPCOM Press Conference
- 3 - 5 April Bucharest, Romania, Black Sea Energy Conference
- 31 May - 1 June Warsaw, Poland, EFET Conference „Energy Trading”
- 31 May - J June Ohrid, Macedonia, 6th Balkan Power Conference
- 11 - 15 June Neptun, Romania, FOREN 2006
- 22 - 23 June Athens, Greece, 8th meeting Athens Forum



- 6 September Belgrade, Serbia, Joint meeting of SETSO NACMPF SG and EFET TF SEE Transmission capacity allocation in SEE region: Coordinated flow-based Auction (CA)
- 6 - 7 September Vienna, Austria, Seminar „Energy Industry: Economic Perspectives Romania - Austria”
- 20 - 21 September Bucharest, Romania, The 9th session of the Joint Intergovernmental Romanian-Bulgarian Commission on Economic, Scientific and Technical Cooperation



- 20 - 21 September Bucharest, Romania, Meeting NEK EAD, Transelectrica, Opcom
- 21 - 22 September Budapest, Hungary, REKK and Corvinus University, Conference C3EM - “Electricity Market for Central and Eastern Europe”



- 9 - 10 October Borovets, Bulgaria, Meeting NEK EAD, Transelectrica, Opcom
- 18 October Budapest, Hungary, First meeting of Romanian - Hungarian Energy Working Group
- 24 - 25 October Vougliameni, Greece, 9th Meeting Athens Forum
- 29 Oct. - 1 Nov. Seoul, Republic of Korea, Annual Meeting APEX
- 16 - 17 November Bruxelles, Belgium, WorkShop NARUC „Market Monitoring”, ETSO Conference „Power Market Transparency”
- 30 November Sofia, Bulgaria, UCONOMICS & American University in Bulgaria - Training course Electricity Market Liberalization „Power exchanges”



Somewhere in Balkans, 31 May - 2 June, Ohrid, Macedonia. The sixth Balkan Power Conference

<p style="text-align: center;"><b>EXPERIENCES FROM TRADING IN ROMANIA</b></p> <p style="text-align: center;">The Romanian Power Market Operator Hopes &amp; Concerns</p> <p style="text-align: center;">OPCOM</p> <p style="text-align: center;"><b>7th edition</b> <b>€nergy Trading</b> central &amp; eastern europe</p> <p style="text-align: center;">Warsaw, Poland, 30 May-1 June 2006</p>	<p><b>Summary of the presentation</b> <b>Experiences from trading in Romania</b></p> <p>The Romanian specific way from the vertical integrated monopoly to a liberalised, competitive electricity market is characterized by the day ahead trading since the beginning of the market opening process (2000's fall). The regulatory authority was established since 1998, ANRE being responsible with the implementation of the secondary legislation, supporting the liberalisation process in the electricity field. The first step of unbundling created the transmission and system market, respectively distribution operators, also the first players as hydro, nuclear and thermal based generation companies. As second stage of the process it could be noted the splitting of thermal generation and distribution companies in more parts, which reduced year by year the market concentration. The rise of private suppliers acting as intermediaries between the wholesale and retail segments of the market improved the framework. It was also an excess of generation capacity due to the decline of electricity demand in Romania during the latest decade of 20th century that encouraged the competition.</p> <p>The day ahead market is operated by OPCOM, the Romanian market operator, based on new rules including the two side auction since 2005, June 30 and its consolidation in relation with the second market as the balancing one is an ongoing process. This day ahead market is acting similarly with every West European, also Polish and Czech electricity spot markets. More than that, its liquidity is placing OPCOM on a medium level place in Europe: the average of 424 MW hourly traded in March is ensuring a consolidated position. Also the March quota of 6.88% is satisfactory for the first year.</p> <p>"This very moment, OPCOM is focusing its efforts on guarantees and payments procedures' fine tuning. To be noted that during the last months of the 2005 year, OPCOM launched two new products responding to the recently signed treaty of South East Europe energy Community requirements: the green certificates market and the bilateral contracts trading.</p>
--	---

Warsaw, Poland, 31 May - 1 June, "Experiences from trading in Romania. Romanian Power Market Operator hopes and concerns", EFET Conference "Energy trading"



Neptun, Romania, 11-15 June, FOREN 2006 - Round table "Regional electricity market and the internal European market"

OPCOM'S PRESENCE - 2006



Bridges across the Danube

Belgrade, 6 September, Meeting EURELECTRIC, SETSO, EFET. Representatives of OPCOM and NEK EAD together

Borovets, 10 October, Meeting NEK EAD, Transelectrica, OPCOM



A smile in Vougliameni: UCTE, EFET, OPCOM. The 9th Athens Forum Meeting, October, 2006





Romanian people at Seoul, 29 October- 1 November, OPCOM representatives participate to the annual APEX meeting



Attempt for transparency, 16-17 November, Brussels. The representatives of OPCOM participate at the Work Shop Power Market Monitoring organized by NARUC and the ETSO Conference "Power Market Transparency"

## THE MARKET PARTICIPANTS - ALL FOR THEM



During the seven years of operation OPCOM constituted itself in a competent forum not only to train but also to consult the participants regarding the products to be listed. Before the launch of the Day Ahead Market, as well as before the launch of the Centralized Bilateral Contracts Market, OPCOM organized sessions to present the specific principles and rules of the products and to simulate the trading. Also, the design of the product belonging to the centralized forward contracts market prepared in 2006 was performed during the meetings of the Product Group organized by OPCOM, gathering 19 relevant CBCM market participants.





*We have to underline two aspects: on one hand Romania does not have the excessive concentration and vertical integration present in other EU member states, due to decisions taken in 2000 and the following years, and on another hand, OPCOM contributed and contributes to the increase of the transparency of the electricity market. Also, OPCOM endeavors actions towards regional integration through extension of the administrated spot area, in cooperation with the regional partners. OPCOM is supported by regional donors, which places the marketplace in a favorable position to organize the regional trades in spot as well as bilateral contracts. (RNC-WEC, Mesagerul energetic, March 2007)*

*OPCOM was constituted by young specialists, succeeding to organize several trading platforms, on a market in full development process of market economy development. (Lucian Anghel, General Secretary of ANFEE, Mesagerul energetic, March 2007)*

*AFEER considers that OPCOM has the capability to professionally operate on the proposed platforms in order to improve the operation of the existing ones, but only on the background of a clear state's willingness to fix the showed deficiencies and to implement new trading instruments. (AFEER, Wall-Street, no. 25 2007)*



*We believe that only by joining the efforts of ANRE, OPCOM, producers and suppliers and with the support of the Ministry of Economy and Commerce, the aim of the free market will be achieved and become concrete through the promotion of the physical deliveries as well as the financial instruments within the framework of a regional electricity market. (EGL GAS & POWER ROMANIA, 17.01.2007)*

#### Experiences from Romania

- *Most developed market in South East Europe*
- *Good perspectives and visions of further developing assuring the leader position in region*
- *Weakest part: state-owned production entities influenced by politics*
- *Presence of all institutions and mechanisms that one European country needs*
- *Diferent market opportunities*

*(EFT presentation, EFET Conference "Energy trading", Prague, 5-7.06,2007)*

## THE PRESS



The specialized international press (Platts, HEREN, ARGUS, DOW JONES, DataMonitor) discovered the development resources of the Romanian electricity market in the period before the launch of the new trading platform, in June 2005. Later on, main articles or brief news, as well as the periodical publication of the trading data has transformed OPCOM in a permanent presence in the journals' pages. So, in less than one year, OPCOM went through the long road from exception to normality, hence occupying its own place among the European power exchanges.



For the Romanian press the maximum peak of the interest regarding the electricity market operator was 2006 and the beginning of 2007. The end of 2005 focused the interest of the press on electricity market through the liberalization until 83.5% decided in the middle of the year and the two centralized markets' launch at the end of the year. After that, the efforts to launch the forward contracts, on the background of the increase of the trades' quota on CMBC in 2006 increased the interest of the Romanian press not only for electricity trades but also for OPCOM. The publishing of bilateral trades' prices on CMBC also represented a valuable achievement as transparency and, accordingly, as interest from the press.



# FINANCIAL REPORT

## Balance Sheet

	2005 December 31	2006 December 31
<b>ASSETS</b>		
Intangible assets	57,756	4,834,148
Property, Plant, Equipment	632,703	2,653,003
Investment in process	538,131	-
Other Fixed Assets	98,463	160,657
<b>Total Fixed Assets</b>	<b>1,269,296</b>	<b>2,813,660</b>
Financial Investments	-	-
Inventories	9,894	158,539
Accounts receivable	742,018	694,369
Cash	205,826	444,075
<b>Current Assets</b>	<b>957,737</b>	<b>1,296,983</b>
Other current	7,801	11,486
<b>Total Assets</b>	<b>2,292,591</b>	<b>8,956,278</b>
<b>LIABILITIES &amp; STOCKHOLDERS EQUITY</b>		
Financial Debt	543,907	309,791
Accounts Payable, others	247,677	300,069
<b>Total Liabilities</b>	<b>791,584</b>	<b>609,860</b>
Stockholders Equity	570,591	739,524
Reserves, others	906,077	1,999,977
Undistributed profit/losses	-	-
<b>Stockholders' Equity</b>	<b>1,476,668</b>	<b>2,739,501</b>
Other debt	24,339	5,606,917
<b>Total Liabilities &amp; Equity</b>	<b>2,292,591</b>	<b>8,956,278</b>
Average annual exchange rate RON/EUR	3.6771	3.3817



# FINANCIAL REPORT

## Profit & Loss Account

	2005 December 31	2006 December 31
Turnover	2,360,575	3,167,596
Own Work capitalized	0	0
Total output	2,360,575	3,167,596
Other Revenues	15,177	865,697
Operating revenues	2,375,752	4,033,293
Materials	89,732	129,092
Energy	32,881	25,289
Other materials		
Total material costs	122,613	154,382
Services	416,409	544,190
Taxes	6,863	6,385
Wages	883,926	1,219,656
Other operational costs	58,776	39,950
Depreciation costs	169,211	1,256,927
Total Operating Costs	1,657,798	3,221,489
Profit before tax and interests	730,428	818,213
Operational profit	717,954	811,805
Financial Income	12,474	6,408
Financial costs	8,079	66,540
Interests		
Net Financial Income	4,395	-60,132
Extraordinary Income		
Extraordinary Costs		
Net Extr. Income	0	0
TOTAL REVENUES	2,388,226	4,039,701
TOTAL COSTS	1,665,877	3,288,029
Profit before Tax	722,349	751,672
Corporate Tax	123,305	128,372
Profit after Tax	599,044	623,300
Average annual exchange rate RON/EUR	3.6771	3.3817





# FINANCIAL REPORT

## Cash Flow Statement

		2005 December 31	2006 December 31
	DEBIT	717,954	811,805
	Depreciation cost	169,211	462,613
	Change in Working Capital	-628,285	-819,148
+/-	Inventories	-9,894	-158,539
+/-	Receivable	-742,018	-694,369
+/-	Other current	-	-
+/-	Payable	150,393	30,757
+/-	Prepaid expenses	-26,766	3,004
1	Operational Cash Flow	258,881	455,270
	Capital Expenditure in PPE & intangible	-717,964	-28,053
	Capital Expenditure in financial investment		
2	Cash Flow from Investments	-717,964	-28,053
3	Cash Flow from operations (1 + 2)	-459,083	427,217
	Cash Flow from Financing		
+/-	Financial assets	-	-
+/-	Loans	543,907	309,791
	Net Fin. Expenses	4,395	-60,132
	Net Extr. Income/(Expenses)	-	-
	Corporate Tax	-123,305	-128,372
+/-	Equity	-	-
	Dividends paid	-	-
+/-	Others	239,912	-104,429
	Total Cash Flow from Financing	664,908	16,858
	Free Cash Flow		
+/-	Cash	205,826	444,075
	Initial Balance	175,458	223,805
	End Balance	205,826	444,075
	<b>Average annual exchange rate RON/EUR</b>	<b>3.6771</b>	<b>3.3817</b>





**"earning every Day-Ahead  
your trust"**

**OPCOM S.A.**  
Hristo Botev 16-18 Blvd. , Bucharest, sector 3  
ROMÂNIA, postal code 030236  
Telephone: +40 (21) 3071 450;  
Fax: +40 (21) 3071 400  
<http://www.opcom.ro>