

# Opcom 2008

ANNUAL REPORT / RAPORT ANUAL



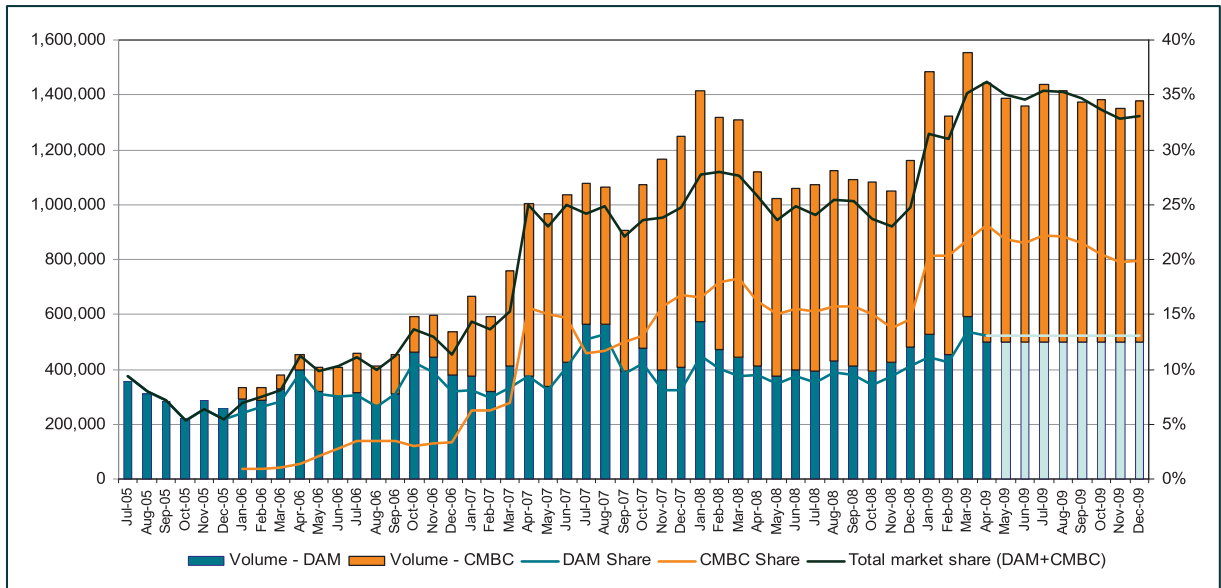
"earning every Day-Ahead  
your trust"

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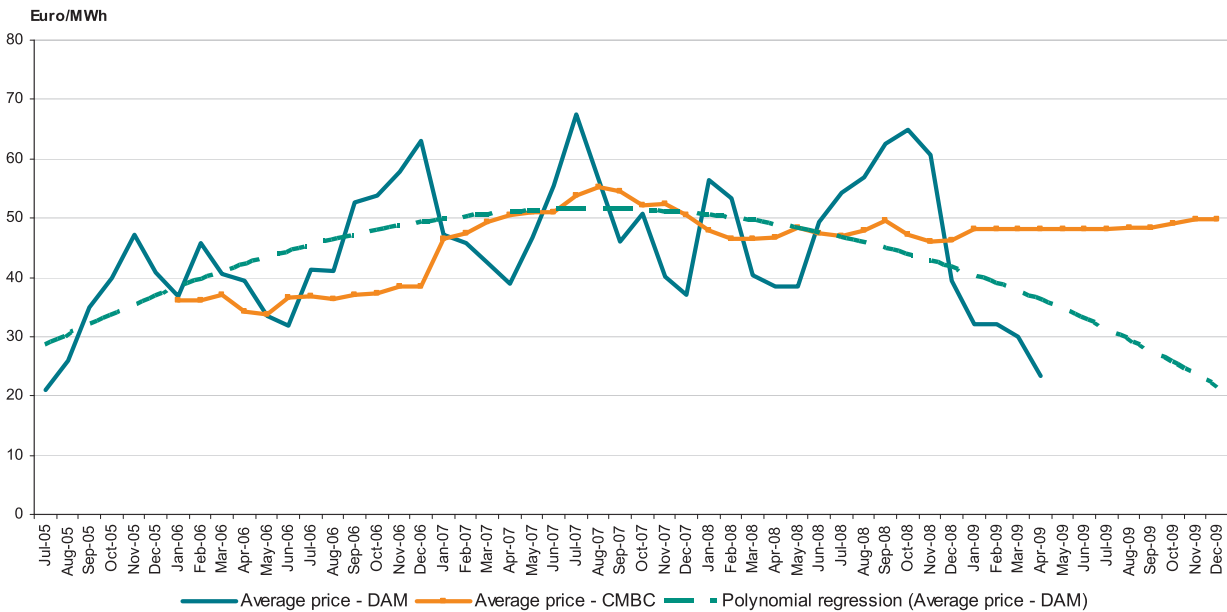
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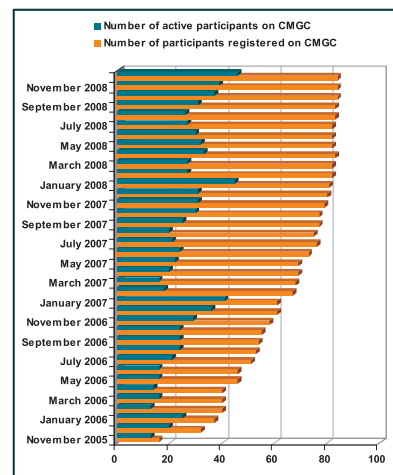
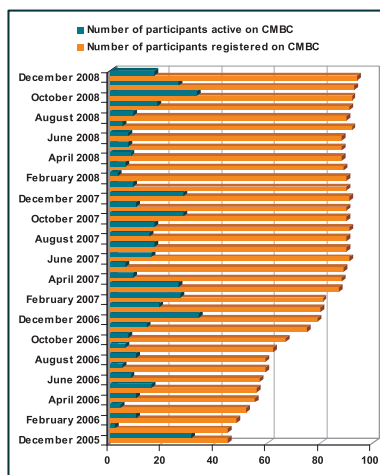
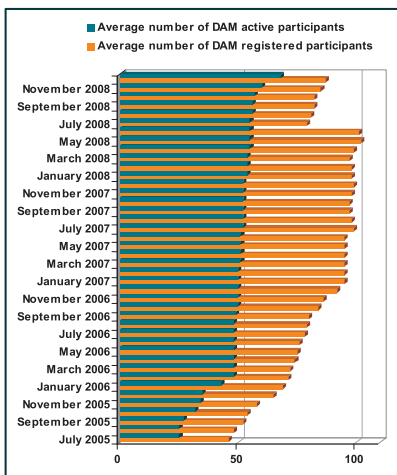
# Expansion and Convergence



The OPCOM DAM and forward volumes and market shares' evolution.



The prices' convergence: OPCOM DAM price and its polynomial regression modeling compared with forward markets' price



Number of registered participants and active participation in OPCOM markets

# Increasing volumes, market shares, consistent prices, new members, year on year

Year on year increasing volumes and market shares of each PX product: DAM and forward markets.

Convergence of the prices in DAM (accounting 10% market share) and CMBC (20%).

Real meaning of OPCOM centralised markets:

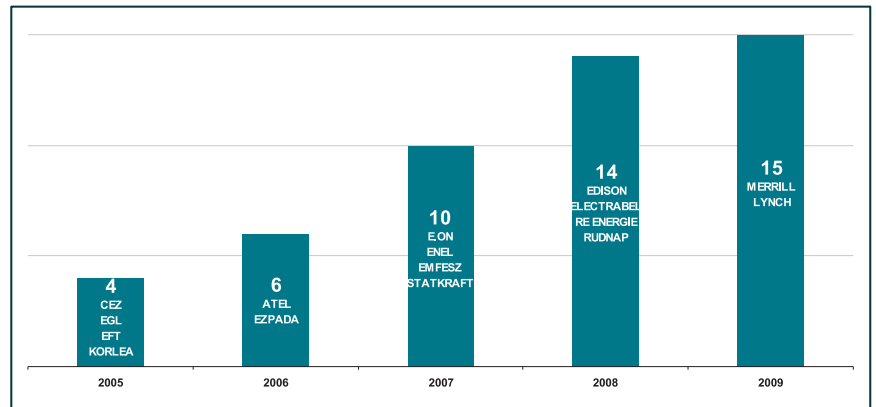
- The full transparency brought by electricity trading in PX
- The chance given to newcomers
- Full competition supported by the overall market structure

DAM achievements:

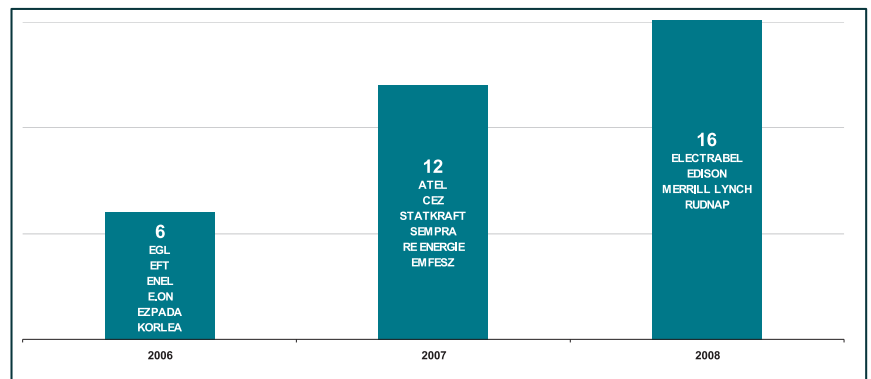
- Non concentrated market
- Permanently increasing number of active participants
- Permanently set up of the consistent spot price signal by using the new market clearing price mechanisms since July 2005
- Safe trading based on two days payments settlement procedures since July 2008.

Forward markets (CMBC and CMBC-CN) providing real prices for bulk electricity trading.

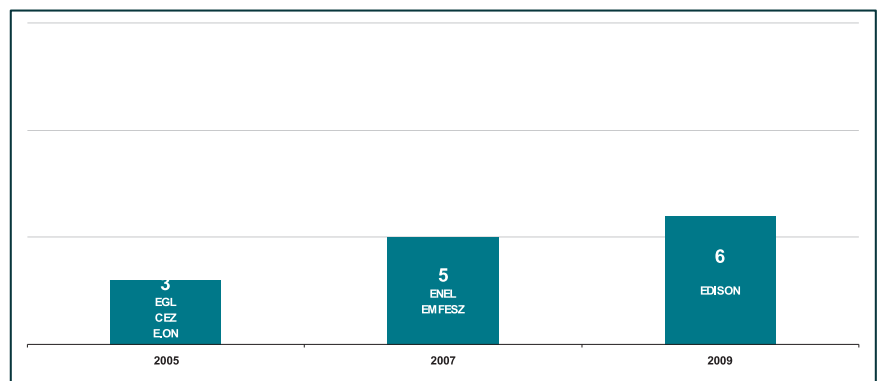
Green certificates market: mandatory quota + trading in centralised way or bilaterally as incentive for investment in renewable generation.



Foreign companies in OPCOM DAM



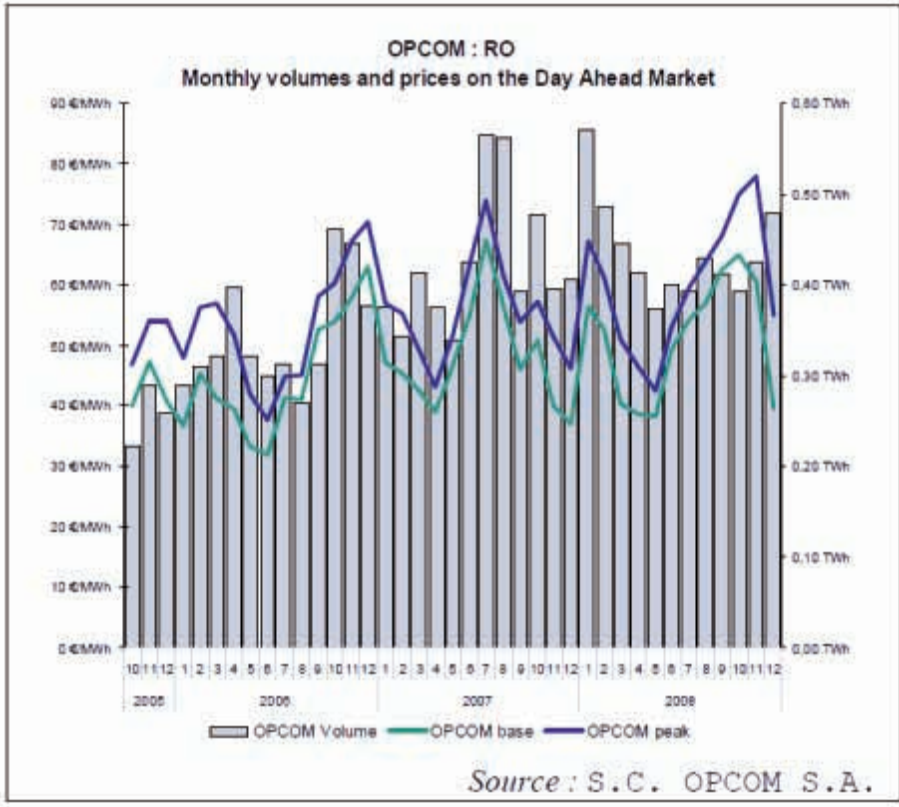
Foreign companies in OPCOM forwards market



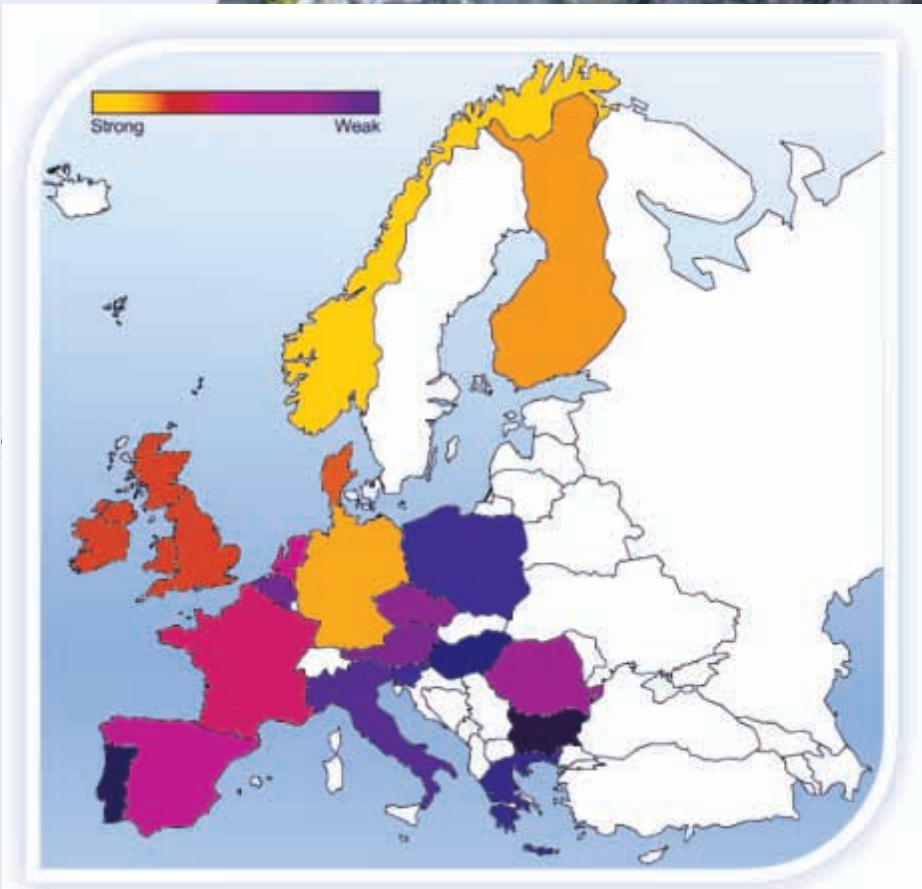
Foreign companies in OPCOM green certificates' market

# South Eastern Europe

## Romania



Source: DG TREN Quarterly Report on European Electricity Markets



Source: DG TREN, Moffatt and Associates - "Review and Analysis of EU Wholesale Energy Markets"

# Romania harvests now the fruits of believing in liberalization: European recognition of its electricity market's results

## CEO's Statement

Romania is placed in the region of Europe which last time was called "the 8<sup>th</sup> one" while the others are not bearing a number. Through the Ministerial Council decision on 27.06.08 this region got also a "perimeter" but disputes are still open and the harmony was installed neither at the decision level nor as domestic markets' design. In these conditions is even heavier to act as a market integrator but to supply an example is still possible. Despite the structures' variety which the domestic markets offer, the clarification effort where now the European associations participate within the Project Coordination Group represents a new chance to offer a model to be followed in order to avoid divergent market infrastructure investment and the delays in implementation. In such conditions Romania may wonder if its daring and unique effort in this region was observed in Western or Central Europe and if it will be followed in a reasonable time horizon by the neighbouring countries. In this respect, the decision of the Hungarian transmission and system operator to build a spot market and the related exchange institution, not lastly to act towards coupling the new market with the similar market from Romania found the full cooperation support from OPCOM. Well ranked by the reviews deployed by the Data Monitor and Moffatt Associates reports and recently included in the quarterly report of DG TREN, the Romanian power market is rewarding the investors as authorities, operators, the participants through transparency and liquidity. Already considered by 2007 issue of the Data Monitor report as being a relatively sophisticated market and one of the key wholesale market in the Eastern Europe, Romania realizes a stunning jump in the ranking presented by Data Monitor in its annual issue "European Wholesale Power Market Development" (July 2008). Thus, based complex assessment including among other criteria the current status, electricity demand, wholesale and retail market fragmentation (opposed to concentration) as well as potential for interconnectivity, Romania is placed among the first eight electricity markets of European Union, considered as being established markets. Year on year, the number of participants in OPCOM administered markets increased, as well as of active participants. By undertaking the counterpart role in DAM, OPCOM has offered one of the most liquid and safe market in Romania. In 2008, the members of the product groups acted together towards a better market: a market with European recognition.

Victor Ionescu



# The Increasing Role in the Electricity Market Development

Without doubts, 2008 is representing the best year of OPCOM since incorporation. For the consecutively third time since the launch of the new trading mechanisms in 2005, and without registering a single exception during these years, OPCOM is reporting yearly results better than in the previous year.

The stabilisation in slight increase of the DAM trades' market share at a level close to 10% continues the last years' tradition by placing OPCOM on the first place regarding the liquidity among the spot markets in Eastern Europe. More than ever before, due to the new centralised settlement mechanism, the trades are safe, anonymous and liquid, including payments' speed. The reaction of participants was immediately determining the increase of the active participation.

The trades in 2008 on the Centralised Market of the Bilateral Contracts (CMBC) increased the market share of 2008 deliveries at 15.66% while the market share of deliveries in 2009 was already of 20% from the forecasted consumption at the end of 2008.

The centralised market of bilateral contracts with continuous negotiation received encouraging signals regarding the increase of the interest of participants for the electronic trading.

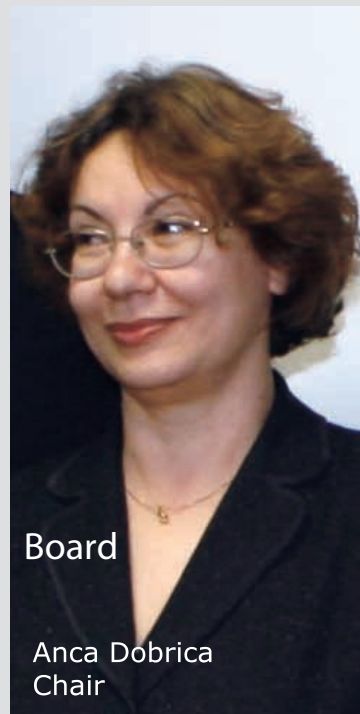
This time, the green certificates prove year by year as being the optimal incentive for the generation from renewable. The integrated energy and climate change package adopted by the European Parliament and by the Council at the end of 2008, as well as the expressed intentions to focus in 2009 on the energy efficiency come to strengthen the OPCOM interest to implement a framework for greenhouse gas emission allowance trading system as well as for certificates to incentive the energy efficiency, in line with the „Romania Energy Strategy for the 2007-2020 period“.

The direct cooperation with market participants was in 2008 more active, the two product groups acting as the fora dedicated to the modeling of products and participants' interest balancing.

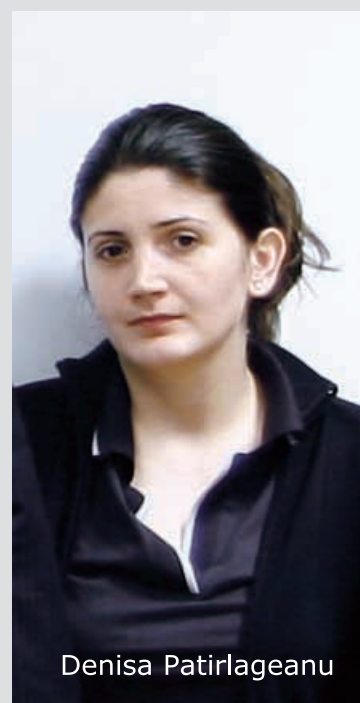
## Administration

## Board

Anca Dobrica  
Chair



Irina Putineanu



Denisa Patirlageanu



Radu Chiurtu



Victor Ionescu





Luminita Lupului  
Radu Chiurtu

Silvia Fediuc  
Victor Ionescu

Anca Dobrica  
Chair

Denisa Patirlageanu  
Lucian Palade

Irina Putineanu  
Remus Barsanescu

## Shareholders' General Assembly

Dumitru Barascu

Ioana Apan



Marius Untescu

# Directors' Report

## The Markets

### ***The Day-Ahead Market***

The volume of DAM trades achieved 5.2 TWh at the end of 2008, the equivalent of an average value of 593 MWh/h, 3% more than during 2007. The interest for the spot trading remained at high level all the time, the number of participants sending at least one offer being of 79, approximately 90% of the number of participants registered until the end of the year. The average number of the daily active participants was 55 in 2008, 6% higher than during 2007. The trades which covered each hourly interval were varying in terms of volume in a range of 158-1,143 MWh/h depending on the participants' opportunities. The average price in 2008 was of 188.21 RON/MWh (51.21 EUR/MWh) determining a total amount of trades which represents more than 1 billion RON (272.8 million EUR). On the background of the large spread of the yearly average prices cleared by the European power exchanges during 2008 in a range from 45 EUR/MWh to 87 EUR/MWh, the average price on the OPCOM DAM, 51.2 EUR/MWh represents one of the lowest prices in Europe, the second ranked value after Nord Pool Spot.

### ***The Centralised Market for Bilateral Contracts awarded through Public Auction***

The trades of 11.5 TWh, corresponding to 97 bilateral contracts concluded in 2008, with deliveries in 2008 and 2009 underline the role of the Centralised Market for Bilateral Contracts to provide transparent and liquid electricity trading for delivery terms greater than 1 month. Besides the deliveries in 2008 of 8.6 TWh representing 15.66% of the consumption and the related average price of 173 RON/MWh (47.4 EUR/MWh), 2008 also ensured the strengthening of the 2009 liquidity: until now, the trades in 2008 guarantee record deliveries of 10.5 TWh, covering 20% from consumption forecasted by the regulatory authority for 2009.

### ***The Centralised Market for Bilateral Contracts with Continuous Negotiation***

On the electronic platform of the Centralised Market for Bilateral Contracts with Continuous Negotiation 165 standard contracts of 1 MW were traded for weekly and monthly base load deliveries amounting to 36,360 MWh, with an average price of 213.26 RON/MWh (55.60 EUR/MWh).

### ***The Centralised Market for Green Certificates***

On February 28<sup>th</sup>, 2009, the results of the last auction for 2008 raised the number of green certificates purchased by suppliers on the OPCOM platform at 110,109, meaning 83.14% of the certificates issued for 2008. With these last trades, the total number of green certificates traded on CMGC for the purposes of the 2008 mandatory quota fulfilment increased almost three times compared to the number of the green certificates traded until February 29<sup>th</sup>, 2008, accounting for 2007.

The interest of generators and suppliers for the centralised trading of the green certificates is strengthening, in 2008 the active participation increasing with 25% comparing to the previous year.

### ***The Settlement***

Beginning with July 2008, OPCOM offered to the participants a new mechanism for the centralised settlement of the spot trades, by central counterpart role undertaking. The payments related to the trades during the period July – December 2008 amounted to 585.3 million RON (158.7 million EUR). The instruments needed for the fulfilment of payments in two days time towards participants with net seller positions were created. The settlement activity, performed strictly according to the regulation in force included the calculation of quantities and collection rights/payment obligations for:

- regulated contracts for electricity sale/purchase between the generators and the suppliers to the captive consumers or between producers and network operators for their own technological consumption in distribution/transmission networks;
- regulated contracts regarding transmission service, the tariff component for injection into the transmission network, ancillary services, transmission services (tariff component for extraction from transmission network), operational services and services performed by the system operator for the wholesale electricity market participants;
- trades concluded on the Day Ahead Market of over 1 billion RON and Green Certificates Market of 14.6 million RON (4.1 million EUR) administered by OPCOM;
- trades of 551.1 million RON on the balancing market administered by Transelectrica;
- the imbalances of the balance responsible parties of 541.milion RON and the notification of imbalances of the dispatchable units of 228,000 RON.

The additional costs or earnings resulting from the system balancing have been determined and redistributed.

The quantities for the bilateral contracts on the competitive market concluded on the centralized markets administered by OPCOM (CMBC and CMBC-CN) or directly negotiated outside of the centralized markets and for the import/export contracts have been determined, according to the data sent by the participants and to the provisions of the regulations in force.

### **Market surveillance**

The department has a specific regime, the operational relation with the CEO being direct. The department entrusted with market surveillance is sharing daily activities between the three main goals settled by the Wholesale Electricity Market Commercial Code, the methodology of the regulatory authority and the internal procedures:

The market surveillance

- Internally reports the results and conclusions of the monitoring activity in regular basis or when necessary;
- Externally reports to the regulatory authority: primary data regarding participants' bids and the price formation, analysis on markets' evolution and the participants behaviour;
- Disseminates information to increase the market transparency, prepares press releases regarding the monthly and yearly market performance.

### **The Investment Policy and Plan**

The 2008 investment plan provided total investment expenses of 1,974.92 thousands RON. The updates during the year as well as the initial plan were analysed and approved by the Board of Administration and the Shareholders' General Assembly.

At 31.12.2008 the investment expenses performed were in total amount of 1,473.26 thousands RON. Savings of 77.46 thousands RON were achieved for the 23 finalised objectives.

The acquisitions were made following the provisions of the EGO no. 34/2006 regarding "the award of public acquisition contracts, contracts for the concession of the public works and contracts for the concession of the services".

From the total of 23 objectives finalised in 2008, two objectives were realised on the basis of the contracts awarded before 01.01.2008.

From the total of 27 contracts awarded in 2008, 11 contracts were awarded for 14 objectives included in the investment plan.

### **The Financial Position**

The short term debts recorded on 31.12.2008 an increase of more than seven times comparing with 2007, mainly due to the day ahead market administration. The weight of these debts within the total amount of the short term debts is of 95%. On 31.12.2008 no debts having maturities longer than one year were recorded. The value of the OPCOM SA share capital did not record changes in value compared to the value at 31.12.2007.

The share capital at 31.12.2008 is RON 3,547,850. This is divided in 354,785 registered shares, each having a nominal value of RON 10.

On 31.12.2008 an increase of reserves comparing with 31.12.2007 is registered, after forming the legal reserves. According the in force legislation, at 31.12.2008, from the current year profit the legal reserve was constituted, in amount of 116.796 RON.

The revenue from regular activity resulted from the electricity market services delivered based on the regulated tariff approved by ANRE. The financial revenues increased in 2008 resulting from the interests related to the banking accounts.

The operational expenses were done depending on the company needs, correlated with the level of the realised revenues and the annual investment, procurement, training programs and the other programs approved by the company in order to ensure the safe and economically efficient operation. The financial expenses are due to the exchange rate differences during the year.

At 31.12.2009 the total amount of gross profit is of RON 2,232,839. The company recorded an increase in the gross profit both comparing with the value for 2007 and the planned value due to: the increase of the revenue related the basic activity as a result of an amount of electricity higher than the one forecasted by ANRE for the 2008 year as well as the permanent monitoring of expenses correlated with the planned values and the date of signing of the IT platforms' after sale services contracts.

### **Personnel policy**

The Board of the company has permanently analysed the needs to hire personnel for the fulfilment of the regular activities tasks, by combining the measures of personnel hiring with those of personnel repartition according to an efficiency optimisation criterion, correlated with the fulfilment of the employees' professional aspirations. An increased attention was paid to selecting training activities, according to the quality over quantity principle. The particular problems raised were solved according to the collective labour agreement provisions.

### **The Company Administration in 2008**

The company is managed, according to its Articles of Association by the General Shareholders Assembly and by the Administration Board. The states' representatives in the General Shareholders' Assembly are appointed and recalled, according to the Articles of Association, through the Order issued by the Minister of Economy. The members of the Administration Board are appointed and recalled, according to the Articles of Association by the General Shareholders' Assembly. The Administration Board members were reconfirmed by the decision no. 9/31.07.2007. The Administration Board includes 5 members appointed for a period of no longer than 4 years with the alternative to be reelected. The CEO of the Company is a member of the Administration Board. According to the provisions of the law no. 31/1990, with further modifications, the activity of the Administration Board is based on a contract of mandate.

# Day Ahead Market



The day ahead market is built on a closed auction mechanism, with two side bidding. The hourly bids express sell / buy intentions at a minimum maximum price. The intersection of the sell – buy bids aggregated in the offer and demand curves determines the spot price and volume traded for each hourly interval.

This market facilitates the trade in short time, in a voluntary, transparent and neutral framework, establishing a reference price for the other segments of the wholesale market. From the angle of the security of supply and electricity sector operation, this market contributes to the demand and offer short term balance.

The market share represented by the DAM trades was permanently having an ascending trend since the new mechanisms' launch in 2005 until the first months of 2009.

2008 represented a step in this ascension. It was extremely important this market share to not diminish when the counterpart role was implemented. Hopefully, the market share kept a high level, the turning point represented by the change of settlement procedures being successfully surpassed.

Two phenomena were naturally manifested simultaneously after this date: the active participation increased and the degree of the market concentration decreased, this being expressed by the lower values of the Herfindahl Hirschman index.

The implementation of the new mechanism where OPCOM is having the counterpart role within the electricity trades on DAM presents undoubted benefits compared with the bilateral settlement mechanism as can be seen below:

- *The reduction of the deadline to issue the payment orders from the minimum 20 banking days to the maximum 2 banking days from the day of trade by using the provisions of the NBR regulations regarding the encashment based direct debit instructions and Internet payment orders emission;*
- *The strengthening of the trust in this market due to the security of the entire payment fulfilment by using the mechanism of collaterals;*
- *The reduction for each DAM participant of the average number of trade partners from 40 to 1 and of the invoices number from 160 to 1.*
- *Totally anonymous trades*

Due to the revision of the documents, relevant changes regarding terms, clauses and the annexes of the participation standard terms of agreement were done, which needed a new registration for the participants in DAM trades, these accepting new settlement rules by signing the revised terms of agreement.



# Green Certificates Market

At 31.12.2007, the total installed generation capacity based renewable participating in the Green Certificates Market has been of 36,338 MW (29,683 MW hydro and 6,655 MW wind) and at the end of 2008, of 74,429 MW (67,524 MW hydro and 6,905 MW wind).

Green certificates are issued in the first 10 working days of a month for the electricity generated in the previous month. For the electricity generated in 2008 the certificates were issued beginning with February 2008 and ending with January 2009.

The green certificates price, both on green certificates bilateral market and on the Centralised Market of the Green Certificates varies between the minimum and the maximum prices legally established, respectively:

- The equivalent of 24 euro/Green Certificate and 42 euro/Green Certificate, at the exchange rate set by NBR for the last working day of the previous year, for the trades until November 2008;
- The equivalent of 27 euro/Green Certificate and 55 euro/Green Certificate, at the exchange rate set by NBR for the average value of euro in December last year, for the trades beginning with December 2008.

46,299 green certificates were issued for the electricity generated from renewable qualified to participate on the market for green certificates in 2007 from which:

- 39,113 green certificates for the electricity produced in small hydro power plants,
- 7,186 green certificates for the electricity produced by wind turbines.

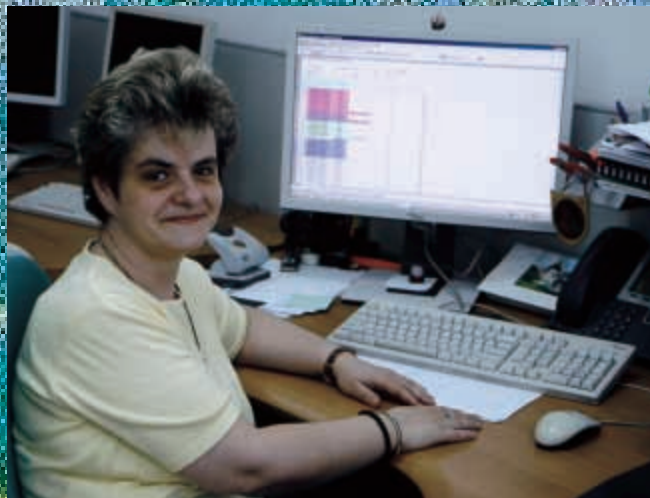
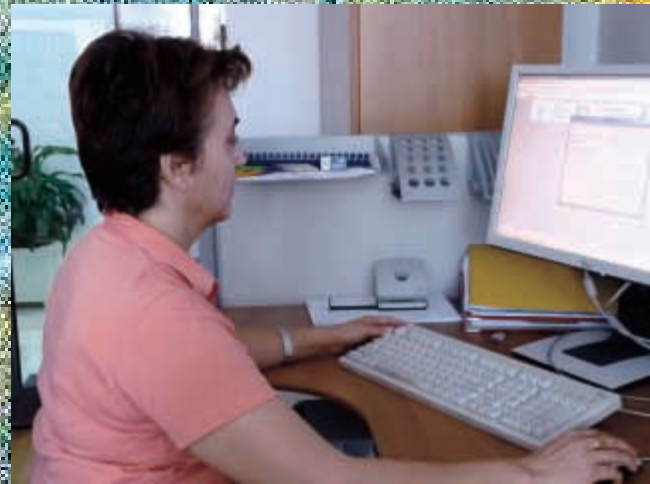
There were issued 132.445 green certificates for the electricity produced from renewable qualified to participate to the market for green certificates in 2008 from which:

- 121,450 green certificates for the electricity produced in small hydro power plants,
- 10,995 green certificates for the electricity produced by wind turbines.

For the year 2008 2.86 times more certificates were issued comparing with 2007, the number of the green certificates for hydro power plants participating in the promotion process increasing 3.1 times and the number of the ones issued for wind turbines increasing 1.53 times.

37,703 green certificates were traded during 2007 on the Centralised Market for Green Certificates and 95,593 in 2008, this meaning 2.54 times more. 24 bilateral contracts sale/purchase were concluded during 2008 for green certificates:

- 10 contracts concluded between producers and suppliers, 2,675 green certificates being sold for the 2007 quota and 11,084 being sold for the 2008 quota.
- 14 bilateral contracts were concluded between suppliers in January and February 2008, in order to fulfill the mandatory quota for 2007.



# The Green, White, Black Project



The Romanian energy strategy for the period 2007 – 2020, adopted by Romanian Government through the 1069/2007 decision, defines the general and specific objectives of the energy sector, envisaging the energy security, the sustainable development and competitiveness. The targets and ways established for the sector include the growth of the energy efficiency, the promotion of the generation based on renewable and the reduction of the environmental impact. The strategy provides continuous strengthening of the centralized green certificates market administered by OPCOM, as well as the CO<sub>2</sub> allowances and efficiency certificates marketplace implementation by utilizing the OPCOM experience.

The project will ensure to OPCOM the technical assistance needed to identify the new products, representing market based instruments dedicated GHG emissions, energy efficiency and renewable generation and to build the related market frameworks which implementation will be opportune and feasible.

The project supports the efforts of Romania and joins these by creating the marketplace for the operators in deficit or excess towards achievement of their obligations regarding the reduction of the GHG emissions' volume as well as the electricity required to be produced based on renewable and the energy efficiency promotion.

The set up of these market frameworks offers the traditional benefits of the power exchanges: transparency, anonymity and the equidistance of the organizer thereby establishing also a reference price. This set up is also building on the close relation with market participants.





# Centralized Market for Bilateral Contracts

CMBC is a market for bilateral contracts trading through public auction. In 2008 224 auction sessions were organized which helped to conclude 97 contracts. A volume of 11,483.19 GWh was traded. The volumes traded for 2009 delivery represent an increase of 38 % comparing with the volumes contracted in 2007 for 2008 delivery. The interest for the product is demonstrated by the average of 7 participants / auction.

The attempt started in 12.06.2007 for the approval of the 5<sup>th</sup> review of the CMBC procedure approval was finalized through the advice 32/22.12.2008 of the regulatory authority. The OPCOM proposal included the suggestions of the market participants and the proposals of the product group members.

The main changes address:

- The introduction of provisions regarding the registration as participants to this market of the foreign companies owning supply licenses;
- The level of the guarantees to participate to the auctions is calculated as 1% from the value of the published offers related auctions where the participants want to participate. The guarantees are calculated depending on prices and quantities and are not including VAT. These are mandatory for buyers as well as for sellers;
- The reduction of the period of the financial guarantees validity to 5 working days while until now this period was 7 working days;
- When the participants decide upon the date of the delivery start up, they have to take care that the delivery can not start earlier than 6 working days after the date when the result of the auction is published (not including this date) while in the previous version this period was of 7 days;
- The reduction of the deadline for the presentation of the bilateral contract signed by the parties from 5 days to 3 days from the date when the results are published.



# Centralized Market for Bilateral Contract - Continuous Negotiation

On the CMBC-CN trades based standard offers as quantities offered, the term of delivery and the daily utilization of the power are concluded. 360 contracts of 1 MW were listed. From these, 165 contracts were concluded, meaning a total volume of 36.360 MWh, which represents an increase of 40 % comparing with the volume traded in 2007.

The attempt for approval of the 1<sup>th</sup> review of the CMBC-CN procedure started during 2007 was finalized through the advice 33/22.12.2008 of the regulatory authority.

The OPCOM proposal included the suggestions of the market participants and the proposals of the product group members.

Main changes were the following:

- The introduction of provisions regarding the registration as participants to this market of the foreign companies owning supply licenses issued by ANRE;
- The introduction of the feature to initiate the auction by purchase offer introducing;
- The reduction of the minimal deadline to publish the week offer and the introduction of provisions regarding reduced deadlines to re-publish an offer;
- The level of the guarantees to participate to the auctions is calculated as 1% from the value of the published offers related auctions where the participants want to participate. The guarantees are calculated depending on prices and quantities and are not including VAT. These are mandatory for buyers as well as for sellers;
- The reduction of the period of the financial guarantees validity to 5 working days while until now this period was 7 working days;
- When the participants decide upon the date of the delivery start up, they have to take care that the delivery can not start earlier than 6 working days after the date when the result of the auction is published (not including this date) while in the previous version this period was of 7 days;
- The reduction of the deadline for the presentation of the bilateral contract signed by the parties from 5 days to 3 days from the date when the results are published.

# Performance Radiography

## Day Ahead Market 2008

Trades	
Total volume [MWh]	5,207,616
Avg. volume [MWh/h]	593
Market share [%]	9.56
Value [Euro]	272,844,957

## Market for Bilateral Contracts attributed through public auctions 2008

Traded contracts	
Number	97
Volume [MWh]	11,483,189
Value [Euro]	602,048,866
Deliveries	
Volume [MWh]	8,612,019
Value [Euro]	418,691,095
Market share [%]	15.81

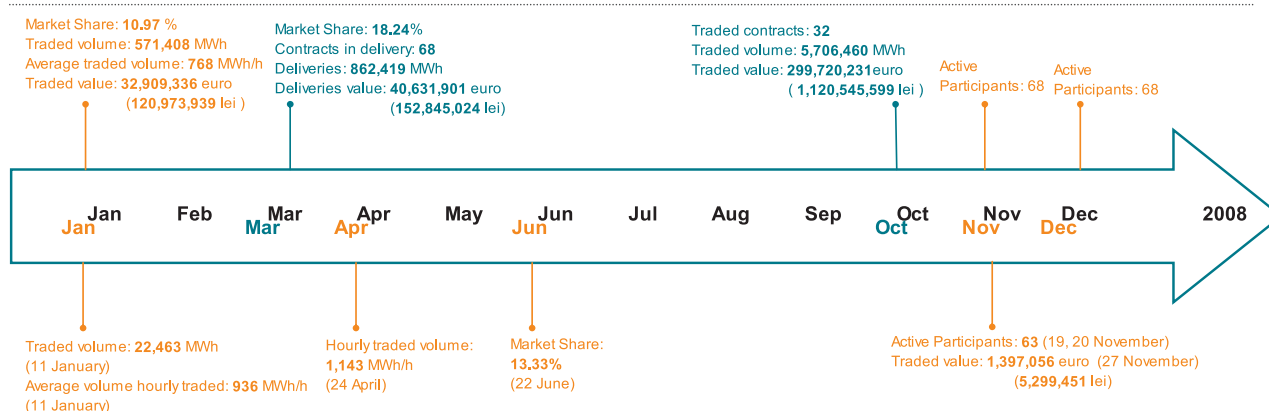
## Centralized Market for Bilateral Contracts with Continuous Negotiation 2008

Traded contracts	
Number	165
Volume [MWh]	36,360
Value [Euro]	2,064,053

## Centralized Market for Green Certificates 2008

Green Certificates Trades	
Number	110,109
Value [Euro]	5,214,574

### Monthly Records



### Daily Records

Day Ahead Market  
Centralized Market for Bilateral Contracts attributed by public auction

2007	2006
5,043,193	4,105,931
576	469
9.40	7.88
251,683,353	192,495,636

2007	2006
158	34
11,859,780	2,959,125
622,711,721	126,177,630

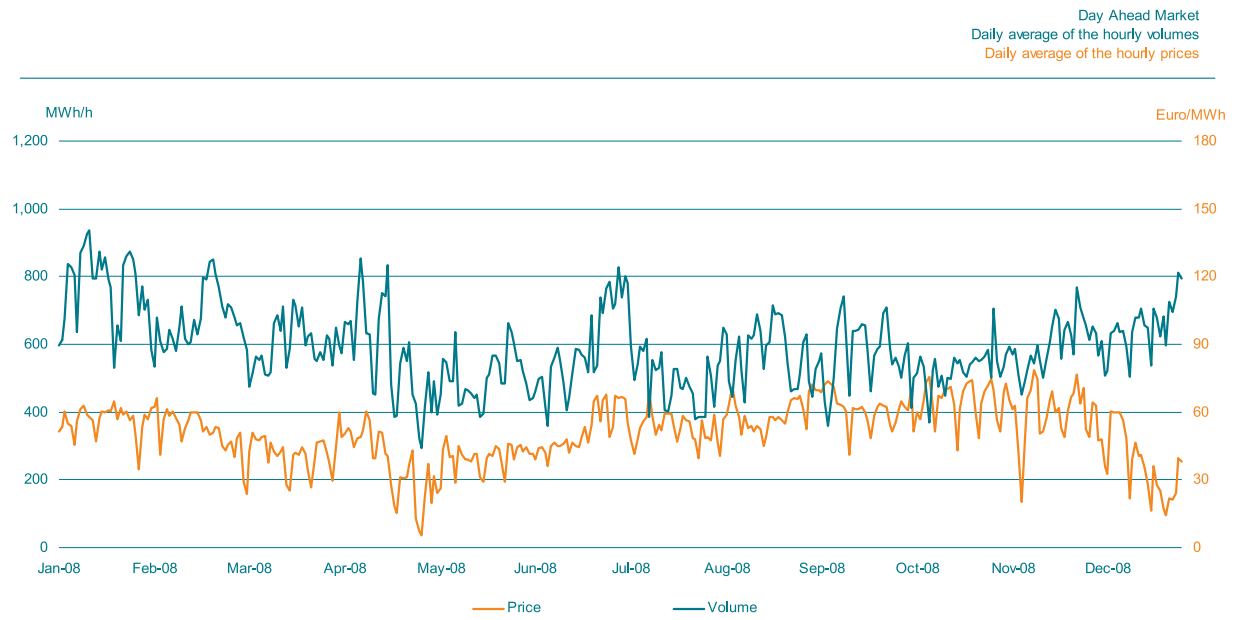
6,507,638	1,254,579
327,648,109	44,973,677
12.13	2.41

2007	2006
82	
22,208	
1,228,489	

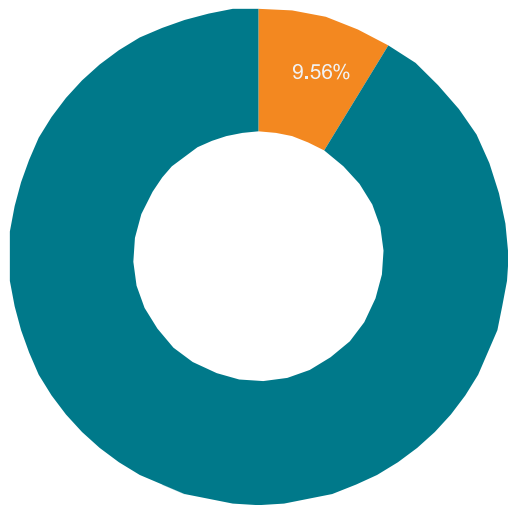
2007	2006
41,364	20,939
1,737,234	879,415



# Performance Radiography

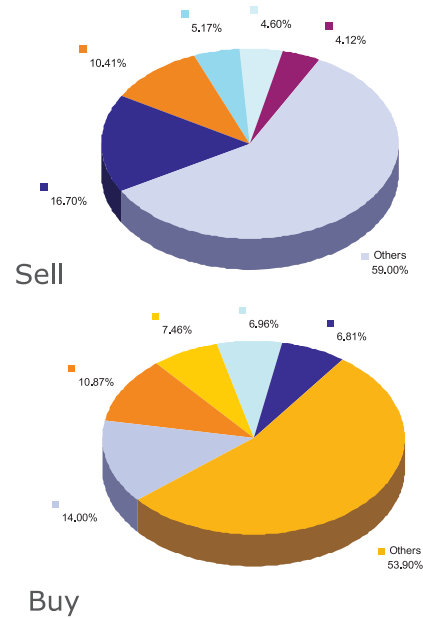


Day Ahead Market  
Yearly market share

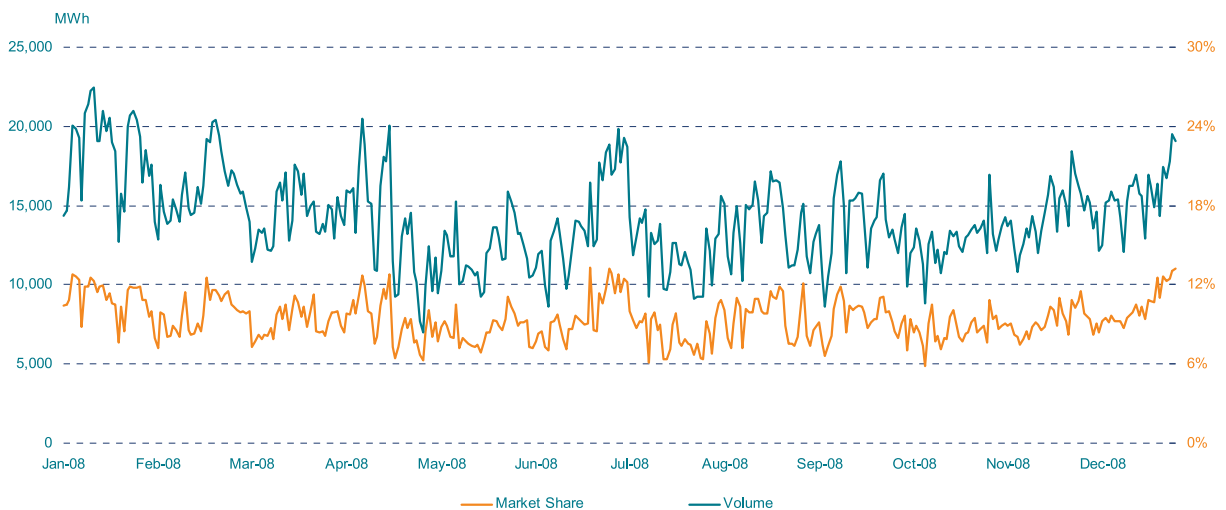


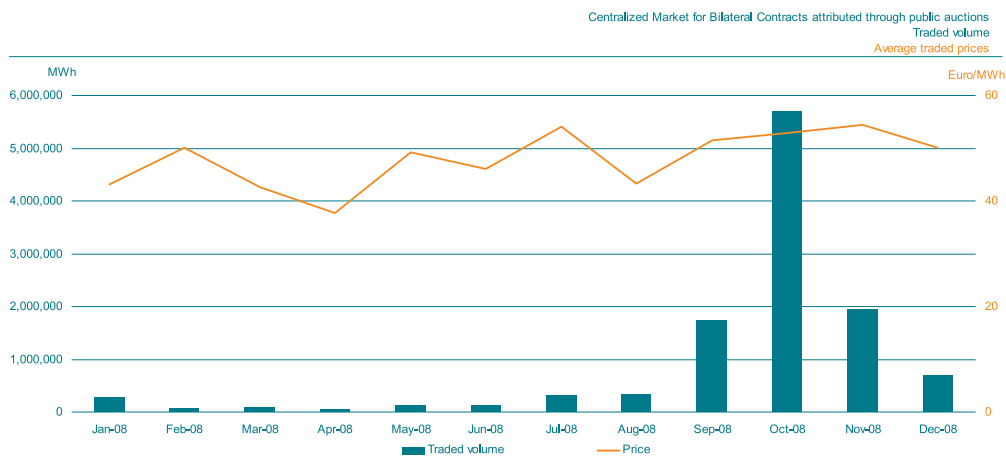
Market Share

Shares in Day Ahead Market: CR(n)

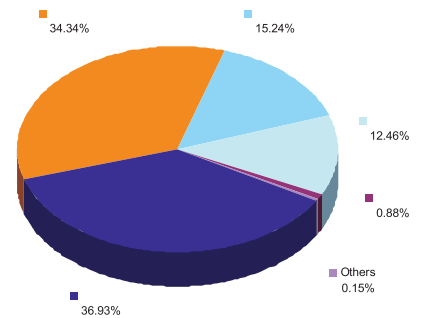


Day Ahead Market  
Daily volumes  
Market shares

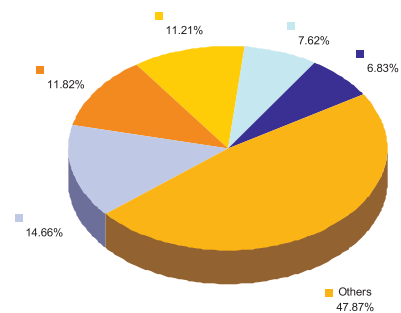
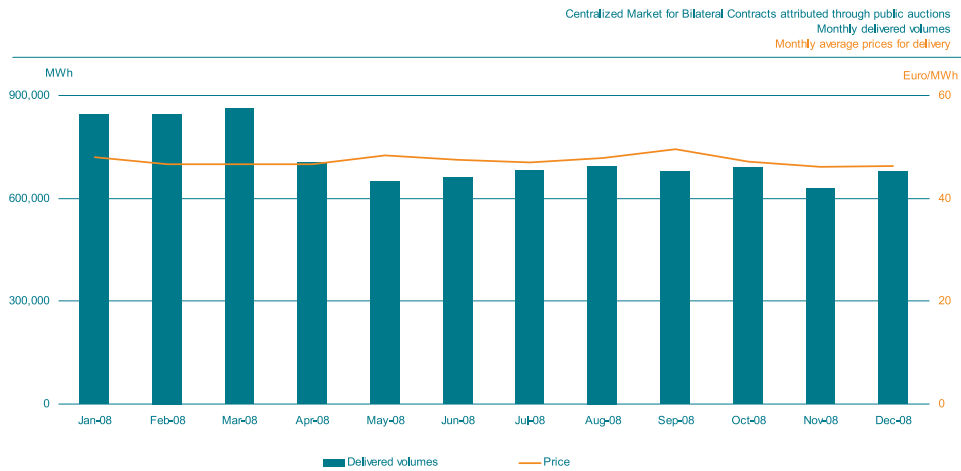




### Shares in Forward Markets: CR(n)

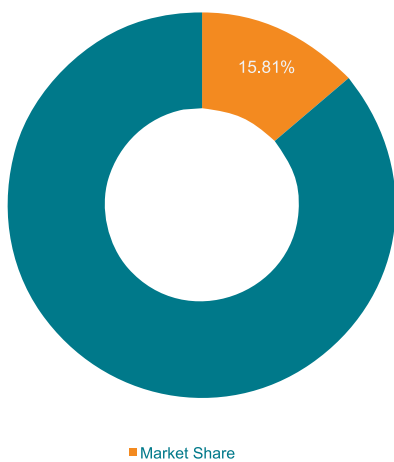


### Sell

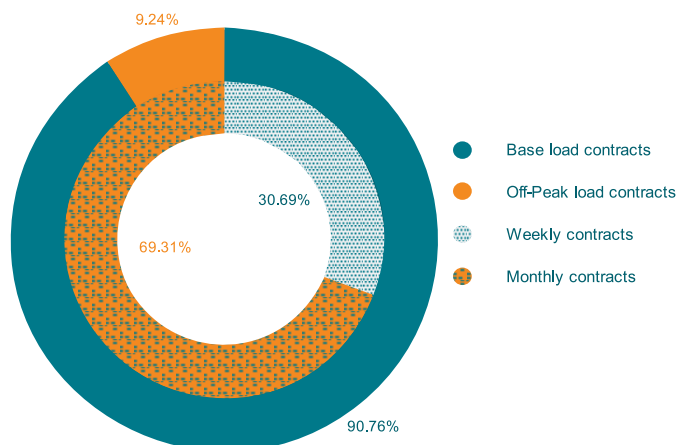


### Buy

Centralized Market for Bilateral Contracts attributed through public auctions



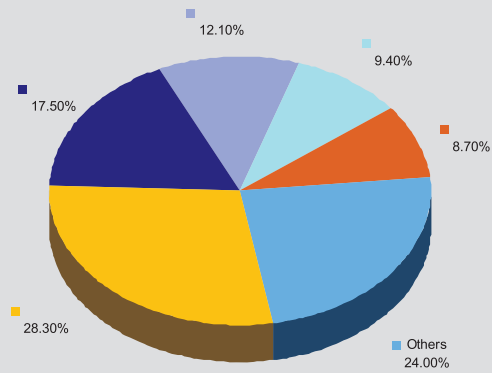
Centralized Market for Bilateral Contracts with Continuous Negotiation



# Performance Radiography

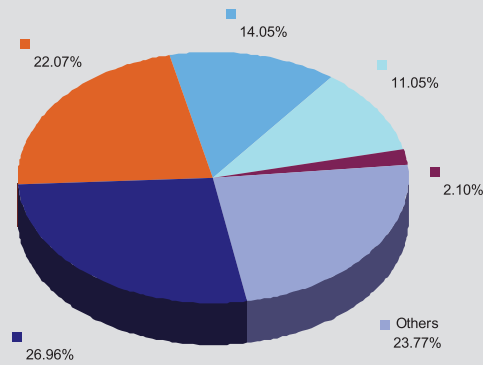
## Electricity Market Shares & Concentration Indexes

Network Deliveries: CR(n)

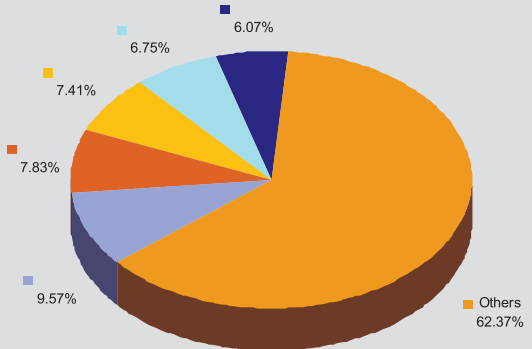


Relevant market	CR1	HHI
Network deliveries	28.3	1,521
DAM+CMBC+forward sell	26.96	1,559
DAM+CMBC+forward buy	9.57	458
DAM sell	16.7	573
DAM buy	14	592
CMBC sell	36.93	2,931
CMBC buy	14.66	746

Shares in OPCOM Markets: CR(n)



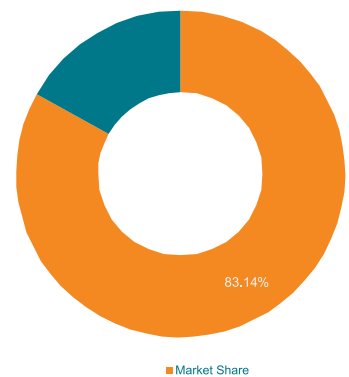
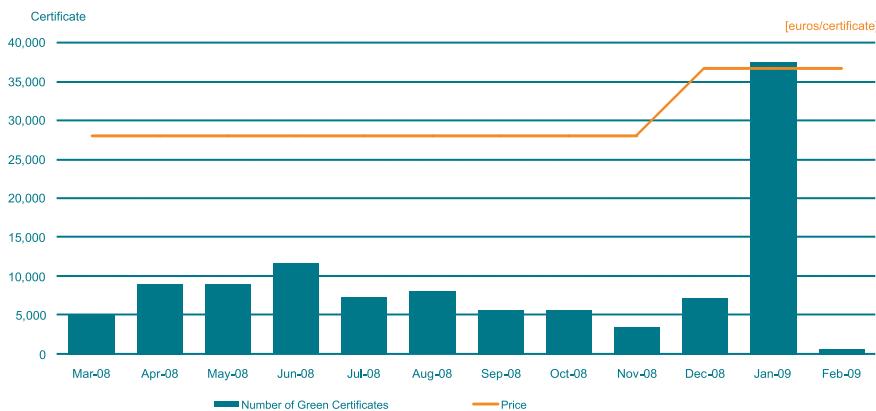
Sell



Buy

Centralized Market for Green Certificates  
Monthly traded price of green certificates  
Number of monthly traded green certificates

Centralized Market for Green Certificates  
Number of traded certificates related to the number of issued certificates



# IT Technology. Operation & Development



Due to the safe administration of the IT & T systems of the company, the implementation of the security policies regarding the IT & T infrastructure as well as the IT & T networks, the operational and the development activities within OPCOM SA towards the defined targets were fulfilled safely and in the limit of standard parameters.

Administration of the systems has presumed the regular activities of predictive maintenance and repair as well as keeping a permanent interface with the IT systems and related after sale services suppliers.

During 2008, beyond the administration activity, the coordinates of IT activities were:

- Contracting of the after sales services for the systems in operation,
- Implementation of the counterpart role for trades in DAM regarding the platform,
- Implementation of the regional trading platform,
- The start up of the consultancy works towards information security management system implementation

The OPCOM market framework credibility boosted on one hand the markets liquidity, on another hand the international success: winning in the MAVIR/HUPX tender.

Both successes were having as underline the reliability of the IT services offered by dedicated departments. The security and the speed of the payments, as well as the anonymity of trades, outcomes of the markets due to implementation of the counterpart role should have not been possible without the development of additional activities and needed logistic.


As leverage of its development, OPCOM bets further on the IT technology AREVA – NASDAQOMX and the cooperation set up in the last 5 years with these brands.

The concepts of the power markets' integration: a domestic, regional and European debate.



66  
IMPERATRICE

Brussels, 66 Imperatrice, where EUROPEX and EURELECTRIC debate on these.



Budapest, place of the newest European PX





Brussels, capital of the united Europe and of the electricity market debates



It was an amazing year 2008 surprising us by unprecedented determination of European decision makers not only to deal in parallel with negotiation of the two packages (the third one as well as the climate change one), but this time to achieve in due time final agreements. The agreement on the climate change package did not raise problems in principle, the poisoned issue remaining mainly quantitative, as the allocation of allowances. On the other hand, the lack of effectiveness in transposition of the efficiency directive and the lack of foreseeable measures in long term as national plans' provisions left out of infringement less than third part of the European Union.

This time, the third package debate was the battlefield of disputes between the Parliament and the Council. There was the unbundling issue playing the role of the bitter apple of the discord. More or less the end of disputes being predictable, the preparation of a European vision regarding the markets' integration was not losing the momentum defined as the task appointed by the 2007 meeting of the Florence Forum to ETSO and EUROPEX to prepare a report dealing mainly with governance and legal issues. After the intermediary step of the interim report in April, the final report was presented in November during the Florence Forum meeting.

The main idea of the report is remaining that royal way does not exist, the focus being not on choosing a unique solution but to envisage and ensure the convergence of the alternative ways towards a coherent final stage. The convergence is having as background the three political goals of the energy policy, meaning competitive end-user prices, the sustainability and the security of supply and as coordinates the increasing geographic scope (i.e. bilateral, regional, interregional) and the increasing degree of integration from explicit allocation to price coupling passing through/over different degree of looseness in volume coupling approaches.

OPCOM SA representatives were part of the process due to either EUROPEX membership or as Romanian representatives near EURELECTRIC frameworks. Regarding the ETSO-EUROPEX report we have to observe the merit of EUROPEX in developing a consensus culture by avoiding inside the potential disputes regarding different means in organizing the trades on various term horizons and outside the controversial issues of flow-based vs. NTC approaches as well as dome coupling institution vs. decentralized concurrent market coupling.

Now, the episode of EUROPEX-ETSO cooperation is sent to back and the works within Project Coordination Group is brought in front. Despite of fact that the report did not gathered in detail the consensus of all stakeholders, the document remains the bible of the group, even its understanding differs from one stakeholder to another. New challenges now are the old menaces of the so called hybrid solutions by mixing the roles (PXs-TSOs) and allocation ways (implicit-explicit). The PCG is aiming the modeling of the future Europe but the real world is not waiting. 2008 is the year when CASC in Luxemburg, CAO in Freising and EMCC in Hamburg were set up, as well as EPEX, the merge of Powernext and EEX spot markets, the year when the merge of OMEL and OMIP was already announced and ENDEX markets were powering the crown of the APX Group with new jewels. No less than 14 integration initiatives were notified by the ETSO-EUROPEX report in EU and the coupling Romania-Hungary is part of this.



Athens, the venue of the SEE Forum





**Budapest, the key of the regional cooperation**



## A new power exchange in Europe, a market coupling in East

On June 3<sup>rd</sup> 2008 the OPCOM SA offer has been chosen as winner by the new established PX in Hungary, HUPX Zrt. MAVIR Zrt., the Hungarian Transmission and System Operator was appointed to set up a power exchange by Magyar Energia Hivatal (Hungarian Energy Office) according to the in force legislation. To provide consultancy and trading platform services, OPCOM SA will come in partnership with its long time partner NordPool Consulting, now a consultancy arm of the international leader NASDAQ OMX.

The initial step of cooperation will be the launch of the spot trading by using the SAPRI system owned by OPCOM SA as NASDAQ OMX delivery. Same system has been used for long time in Nord Pool Spot and Powernext and will be basis for the set up of N2EX, the new UK power market platform. Its long time European carrier is supplemented by implementation in India and South of Africa.

The HUPX and Mavir decision is accompanied by agreement of both TSOs and PXs to deploy needed efforts for market coupling delivery. Regional facilities of the platform and similar rulebook with the Nord Pool Spot one will be key issues for the compliance with the European best practices. The launch will need the required consent of the regulators.

The Hungarian stakeholders decision is providing a pattern to enhance the platform utilization by other countries in the region towards spot markets' launch. The choice between splitting and coupling will be key issue for neighboring countries. For the already existing partners HUPX, OPCOM and Nord Pool Consulting, the pace of the process is the most important, organizational aspects remaining in background.

## January

Year is starting with DAM records  
EUROPEX begins cooperation with ETSO.  
Meeting OPCOM SA –MAVIR Zrt. /HUPX Zrt.

## March

CMBC is registering records.  
OPCOM SA and OMX AB sign after sale services contract

## April

Meeting Nord Pool Group – MAVIR Zrt./HUPX Zrt. – Transelectrica SA /OPCOM SA in Bucharest

## June

OPCOM SA winner in HUPX tender  
Green lights for counterpart role in DAM

## July

OPCOM SA counterpart in DAM

## August

Internal training on SAPRI

## September

Meeting OPCOM SA – MAVIR Zrt./HUPX Zrt.

## October

Record volumes in CMBC

## November

Record active participation in DAM  
Meeting OPCOM SA - Teias

## December

Meeting OPCOM SA - NERC

## ■ January

### DAM: Record volumes and market shares

The year is starting with encouraging traded volumes: 768 MWh/h as the hourly average of the month and 936 MWh/h as record on January 11<sup>th</sup>. The overall traded volume of 571,408 MWh ensured a market share of 10,97%.

### EUROPEX

In EUROPEX the workstreams for cooperation with ETSO according the task given by Florence Forum start the work.

### MAVIR/HUPX - OPCOM

First meeting of clarification regarding the offer of OPCOM towards delivery of the services for MAVIR/HUPX.

## ■ March

### CMBC

The highest market share (18.24%) and the highest number of contracts in delivery (68) in CMBC. Highest volume (862,419 MWh) as well as the highest amount: 40,631,901 euro (152,845,024 RON).

### OMX Platform

OPCOM SA is signing the after sale services contract with OMX AB to ensure safe operation and development of the CONDICO continuous trading platform.

## ■ April

### Regional market integration

High level meeting in Bucharest. The heads of Nord Pool ASA, Nord Pool Consulting, HUPX, OPCOM, Transelectrica and high level representatives of MAVIR meet to discuss about common interest in market integration promotion in April 22<sup>nd</sup>. Next day, the presidents of the regulatory authorities from Romania and Hungary meet in Budapest.

## ■ May

Green light from National Bank of Romania for the counterpart role of OPCOM SA in DAM

NBR is advising the procedures of OPCOM SA for the counterpart role.

# 2008. What happened in OPCOM

## ■ June

### MAVIR Zrt. – OPCOM SA meeting in Budapest

Repeating the last year meeting in almost same period and identical venue, the OPCOM SA team is notifying the biggest success in regional market promoting: MAVIR Zrt./HUPX Zrt. declare OPCOM SA offer as winner of the last year started tender for trading platform services and consultancy services. The success is emphasized by the letter of intent signed by TSOs and PXs in Romania and Hungary towards market coupling building.

### Mew DAM record

The record daily market share of the year is registered in the DAM of OPCOM SA: 13.33% on June 22<sup>nd</sup>.

### FOREN 2008 Conference in Neptun

Consistent participation of OPCOM SA representatives in the conference meetings

### AREVA Platform

OPCOM SA SA is signing the after sale services contract with AREVA T&D to ensure safe operation of the platform for DAM trading and settlement and for the balancing market financial settlement.

## ■ July

### The mechanism of counterpart, applied from July 1<sup>st</sup>, 2008

On June 3<sup>rd</sup>, 2008, the Romanian Energy Regulatory Authority (ANRE) sent to the Romanian Power Market Operator (OPCOM SA), the revised documents approved on 22<sup>nd</sup> of May this year – DAM Accession Agreement and revised procedures regarding the implementation of the central counterpart mechanism in the settlement and payment of trades from Day Ahead Market - DAM. The new rules regarding the settlement and the taking over of the counterparty role by OPCOM SA stipulate that since the 1<sup>st</sup> of July 2008 (delivery day), the performance of the payment obligations/receiving rights for DAM trades will be made by applying the central counterparty mechanism.

In order to implement this mechanism, OPCOM SA organised last year an open auction process, where six of the most important banks from Romania submitted offers. The auction was won by the Commercial Bank of Romania (BCRŞ).

For a successful implementation of these new rules, OPCOM SA organised, together with BCRŞ – central bank account – a series of ten training sessions for DAM participants.

## ■ August

### Training of OPCOM team on SAPRI features

Nord Pool Consulting presents the SAPRI platform features to OPCOM SA staff.

## ■ September

### Meeting OPCOM SA – MAVIR Zrt./HUPX Zrt.

Structure, content and clauses of the service level agreement HUPX Zrt.-OPCOM SA are discussed in Bucharest in early September.

## ■ October

### Record Volume traded in CMBC

As well as the last year, October is coming with record volumes traded on CMBC market: 32 contracts gathering 5,706,460 MWh.

## ■ November

### Record active participation in DAM

The highest active participation since the launch of the counterpart role is recorded: 63 daily active participants on 19<sup>th</sup> and 20<sup>th</sup> of November and 68 for overall month.

### Two days discussions OPCOM - Teias

## ■ December

### DAM

Again 68 active participants in DAM.

### Training with participants in DAM on SAPRI features

Two days meeting of DAM participants with Nord Pool consulting and OPCOM SA representatives. New DAM platform is presented.

### Meeting OPCOM – NERC

The representatives of the regulatory authority from Ukraine and the representatives of OPCOM SA have a two days meeting to discuss the Romanian electricity market features.

### A standard contract

The product group discuss the possibilities to standardize the clauses of the bilateral contracts.



Geneve



Budapest



Budapest

Bucharest



## 2008. International contacts.

- 25.02 BUDAPEST. Workshop organized by NARUC, USAID, Potomac Economics and REKK (Regional Center for Energy Policy Research) for SEE regional energy market monitoring
- 27.02 BRUSSELS. Conference EC-EREGE "Regional Initiatives – the key towards European electricity market integration"
- 04.03 BRUSSELS. The 25<sup>th</sup> meeting of the EURELECTRIC market committee
- 26.03 VIENNA. The meeting „Information regarding the current development of the energy sector in SEE si the market consulting“, organized by Verbund APG and SETSO NACMPF SG
- 07.04 DUSSELDORF. Meeting of the working group of WEC for energy trading rules and investment
- 15-16.05 ATHENS. The 12<sup>th</sup> meeting of the Athens Forum and the 13<sup>th</sup> meeting of the ad-hoc group EURELECTRIC "The energy community in south east Europe"
- 20.05 BRUSSELS. The 26<sup>th</sup> meeting of the EURELECTRIC market committee.
- 05.06 BUCHAREST. The 9<sup>th</sup> edition of the conference Energy Trading Central & Eastern Europe organized by Synergy and EFET.
- 16-19.06 NEPTUN. FOREN 2008 OPCOM organizes two roundtables within the section dedicated electricity market and the WEC group meeting.
- 24.09 BRUSSELS, "Executive exchange on coordinated cross border transmission of electricity – an examination of the European Union" organized by USEA/USAID.
- 10.10 BRUSSELS. The 27<sup>th</sup> meeting of the EURELECTRIC market committee.
- 13-14.10 LONDON. Conference "Energy Derivatives".
- 13-14.10 SYDNEY. The 13<sup>th</sup> annual meeting of APEX.
- 16-17.10 ROME. Conference FOCUS ENERGETIC "Energy and the influences in economy".
- 23-24.10 BUCHAREST. Meeting World Bank – Teias – OPCOM.
- 28-29.10 GENEVE. The 10<sup>th</sup> edition of the Conference EMART Energy organized by Synergy and EFET.
- 06.11 BUDAPEST. The Conference "Romania – Hungary bilateral cooperation in developing energy projects with regional impact" organized by Mediauno within the series Success Romania.
- 26-27.11 PRAGUE. Conference Energyforum: "The cross border energy trading for the CEE and SEE markets".
- 02-03.12 ATHENS. The 13<sup>th</sup> meeting of the Athens Forum and the 15<sup>th</sup> meeting of the ad-hoc group EURELECTRIC "The energy community in south east Europe".
- 10-11.12 BUCHAREST. Meeting NERC, the regulatory authority in Ucraina – OPCOM SA.

Prague





The activity of the technical group dedicated to the bilateral contracts market and the financial market development analysed during the meetings in 2008 the possibilities to improve the framework of bilateral contracts trading and the group framework itself.

Thus, the group activities were ending with proposals regarding the current trading framework:

- Proposals to change the operational procedures of CMBC;
- Proposals to change the operational procedures of CMBC-CN;
- The framework contract to be applicable for the bilateral contracts traded in OPCOM;
- Proposals to change the current regulation of the group.

The group activity in 2008 was finalized with:

- The 5<sup>th</sup> review of the operational procedure regarding CMBC operation;
- The 1<sup>th</sup> review of the operational procedure regarding CMBC-NC operation;



# Relation with participants towards products' building, the main key of liquidity



To ensure the efficient operation of the market by the most appropriated products promoting, as well as taking into consideration the opportunity given by the introduction of the new trading system and its future operation, OPCOM SA has initiated the "Product group dedicated DAM development" set up, in order to maintain a permanent contact with the representatives of DAM members. A product group regulation was adopted, the group accounting 15 members in 2008. Within the group, the Association of the electricity suppliers AFEER is having an observer status, as well as the regulatory authority ANRE and the TSO Transelectrica, they being invited to participate at all the group meetings. During the meetings in 2008 the principles of the offers with interpolation as well as of the block bids were introduced. The needed parameters for the new products inside the new trading system were calibrated. As an AFEER valuable suggestion, but also considering the precedent created by the ERGEG guideline and position papers of EFET, EURELECTRIC, ETSO and EUROPEX as well as the transparency reports in Nordic and Central West Europe regions, the group approached the market information transparency, based on a questionnaire. The works were finalized at the beginning of 2009 and will be sent to the regulator for analysis.



In the prosperous periods or during the crisis, in normal time or in gloomy years, the press may remain *"the best exchanges' friend"*. Regular presentation of data and facts, the notification of trends and turning points warning by the press help the formation of a public opinion and role of exchanges understanding. The power exchanges are not an exception as well as the press in Romania is not an exception in this respect.

If 2007 had represented a crucial year of OPCOM SA relation with Romanian press, OPCOM SA dedicating then extensive time to the press conferences, bilateral discussions as well as to the re-design of the information published on the web-site [www.opcom.ro](http://www.opcom.ro), the year 2008 represented a response "in the mirror" from the press side. A real electricity press was now shaped, dedicated pages becoming permanent, by regularly using the information published by OPCOM SA.

The OPCOM SA practice was to publish press releases by synthesizing the monthly information as average values, market shares and indexes, respectively releases notifying the record figures. The links to the European Commission web-site intermediated by OPCOM SA site helped to speed the access not only to the studies financed by Commission (Moffat and Associates) but to the daily evolution of the power exchanges' prices in monthly basis published by EUROPEX/OMEL web-sites too.

The strengthening of the traditional relation with HEREN, Platts and Argus was permitting to OPCOM SA the authorized reproduction on its web-site of the news and commentaries addressing both electricity market in Romania and the OPCOM SA performance, thereby to the large public including the press being allowed to have access to the perspective in which these are seen from outside of the country. Not only the representatives of OPCOM SA are regularly contacted by the press during the international conferences but two decisions are demonstrating the increased interest from outside: in 2008 Platts appointed a permanent representative in Romania and Argus introduced at the beginning of 2009 a daily assessment of the electricity market in Romania. On its turn, the Romanian press took the practice to attend the specific events in Romania (FOREN, Focus Energetic) but also outside (Focus Energetic, Rome).



The press is forever



## **INDEPENDENT AUDITOR'S REPORT to the shareholders of SC the Power Market Operator "OPCOM" SA**

### **Report on the financial statements**

1. We have audited the attached financial statements of **SC OPCOM SA** ("the Company") which include the balance sheet at 31 December 2008, the profit and loss account, the statement on equity changes and the cash flow statement for the financial year ended on that date as well as a summary of the relevant accounting policies and other explanatory notes. The mentioned statements refer to:

- Net asset/Total equity: 11,494 thousands RON
- Net result of the financial exercise: 1,831 thousands RON, profit

### **The responsibility of the Company's board regarding the financial statements**

(2) The Company's board is responsible for the accurate elaboration and presentation of these financial statements, according to the Order of the Public Finance Ministry no. 1752/2005 with further modifications. This responsibility includes: designing, implementing and maintaining relevant internal control for the accurate elaboration and presentation of these financial statements without any significant alterations due to errors or fraud; selection and application of the appropriate accounting policies; elaboration of a reasonable accounting assessment under the existing circumstances.

### **The auditor's responsibility**

(3) Our responsibility is that we, based on the conducted audit, express an opinion on these statements. We have conducted the audit according to the Auditing Standards issued by the Chamber of Financial Auditors of Romania, which are based on the International Auditing Standards. These standards impose complying with the professional ethics requirements of the Chamber, planning and performing the audit in such a way that a reasonable level of assurance regarding the lack of significant alterations in the financial statements is attained.

An audit consists in performing procedures in order to obtain probative data to justify the amounts and the information contained in the financial statements. The selection of procedures depends on the auditor's professional judgement, including the assessment of the risk related to the existence of errors or fraud. In performing this risk assessment, the auditor takes into consideration the relevant internal control for the accurate elaboration and presentation of these financial statements in order to determine the relevant auditing procedures, given the conditions, but not for the purpose of expressing an opinion on the efficiency of the Company's internal control system. An audit also includes evaluating the degree of adequacy of the accounting policies used and the reasonability of the Board's accounting estimations, as well as examining their overall presentation.

We consider that the conducted audit provides a reasonable basis for expressing our opinion.

### **The auditor's opinion**

4. In our opinion, the financial statements offer a trusty proof in all relevant aspects, of the Company's financial position at 31 December 2008 as well as the cash flows for the financial year ended at the same date, according to OPFM no. 1752/2005 with further modifications.

### **Report upon the compliancy of the administrators' report with the financial statements**

According to the Order of the Public Finance Ministry no. 1752/2005, article 263, point 2, we have analysed the administrators' report attached to the financial statements from the page 1 to the page 38. The administrators' report is not part of the financial statements. Within the administrators' report we did not identify financial information which is significantly not compliant with the information presented in the attached financial statements at 31 December 2008.

On behalf of:

### **BDO Conti Audit SRL**

Registered at the Romanian Financial Auditors' Chamber:  
With no.: 18/02.08.2001

Name of the signatory:

Mircea Tudor

Registered at the Romanian Financial Auditors' Chamber:  
With no.: 2566/25.06.2008

Bucharest, 2 April 2009

**(English translation for the annual report purposes only)**

EUR

BALANCE SHEET 12/31/2008 12/31/2007

**ASSETS**

**Intangible assets** 1,134,834 2,885,555

Property, Plant, Equipment 1,406,588 1,972,848

Investment in process 0 0

Other Fixed Assets 150,819 190,084

**Total fixed assets** 1,557,407 2,162,933

**Financial Investments** 4,056 4,477

Inventories 62,273 165,385

Accounts receivable 2,523,938 774,522

Cash 1,181,468 483,197

**Current Assets** 3,767,679 1,423,104

**Other current assets** 14,027 16,989

**Total Assets** 6,478,003 6,493,058

**LIABILITIES & STOCKHOLDERS EQUITY**

Financial Debt 0 0

Accounts Payable, others 2,190,565 307,960

**Total Liabilities** 2,190,565 307,960

Stockholders Equity 890,256 982,729

Reserves, others 1,994,018 1,814,423

Undistributed profit/losses 0 0

**Stockholders' Equity** 2,884,274 2,797,153

**Other Debt** 1,403,164 3,387,945

**Total Liabilities & Equity** 6,478,003 6,493,058

Average annual exchange rate lei/EUR 3.9852 3.6102

EUR

PROFIT & LOSS ACCOUNT 12/31/2008 12/31/2007

**Turnover** 4,228,147 3,177,482

Own Work Capitalized

Total output 0 3,177,482

Operating revenues 4,228,147 6,354,964

Other Revenues 3,308,089 1,861,722

**Total operating revenues** 7,536,236 5,039,204

Materials 105,991 80,602

Energy 39,807 38,363

Other materials 0 0

**Total material costs** 145,798 118,964

Services 2,728,764 528,557

Taxes 15,220 13,529

Wages 1,815,614 1,626,100

Other operational costs 63,276 31,419

Depreciation cost 2,250,875 2,434,483

**Total Operating Costs** 7,019,548 4,753,053

**Profit before tax and interests** 516,689 289,977

**Operational profit** 516,689 286,151

Financial Income 53,748 3,826

Financial Costs 10,154 9,871

Interests 0 0

**Net Financial Income** 43,594 -6,045

Extraordinary Income 0 0

Extraordinary Costs 0 0

**Net Extr. Income** 0 0

**Total Revenues** 7,589,985 5,043,030

**Total Costs** 7,029,702 4,762,924

Profit before Tax 560,283 280,106

Corporate Tax 100,910 48,820

**Profit after Tax** 459,372 231,286

Average annual exchange rate LEI/EUR 3.9852 3.6102

## CASH FLOW ANALYSIS

EUR  
12/31/2008 12/31/2007

Cash flow from operating activities

Net profit before taxes and extraordinary items	560,283	280,106
Depreciation cost and provisions for depreciation of fixed assets	2,250,875	2,434,483
Provisions for liabilities and charges	25,867	-9,348
Net income from sale of fixed assets	-3,626	-3,287
Income from interest	-49,015	-3,094
Interest expenses	0	8,281
Income from investment subsidies	-3,295,228	-1,854,746
Unrealized exchange differences loans	0	0
Unrealized exchange differences suppliers	-3,398	0
Unrealized exchange differences receivables	0	0

Operating profit before working capital changes -514,242 852,394

Decrease/(Increase) trade receivables and other nature receivables	-1,820,934	-130,331
Decrease/(Increase) stocks	87,550	-16,880
Increase/(Decrease) liabilities due to suppliers and other nature liabilities	1,984,397	34,353

Cash from operating activities -263,229 739,535

Interest paid	0	-8,281
Tax paid	-103,557	-55,876
Profit distributed to employees	-17,211	-26,344

Cash flow before extraordinary items -383,997 649,034

Proceeds from extraordinary transactions	0	0
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Net cash from operating activities -383,997 649,034Cash flow from investment activities

Purchases of fixed assets	-369,682	-324,317
Subsidies received	1,603,379	0
Proceeds from sale of fixed assets	3,626	3,913
Interest received		
Dividends received		

Net cash flow from investment activities 1,237,324 -320,404Cash flow from financing activities

Cash from issuance of share capital	0	290,012
Changes in loans	0	-290,012
Dividends paid	-109,588	-261,230

Net cash flow from financing activities -109,588 -261,401Net increase/(decrease) of cash and cash equivalent 743,739 67,229Cash and cash equivalent at beginning of period 437,729 415,968Cash and cash equivalent at end of period 1,181,468 483,197

Average annual exchange rate LEI/EUR	3.9852	3.6102
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**PROVISIONS FOR RISKS AND CHARGES**

On 31 December 2008 the provisions for the employees' participation fund in the 2008 profit were established – representing 10% of the net profit to be distributed minus the legal reserve, RON 190,433 respectively, which shall be paid after the approval of the annual financial statements and, consequently, after OPCOM's General Shareholders Assembly approval of the distribution of the profit achieved on 31 December 2008

**PROFIT DISTRIBUTION**

The distribution of the profit achieved in the financial year 2008 has been performed subsequently:

- Legal reserve: RON 116,796;
- Employees' participation fund in the profit: RON 190,433;
- Dividends for the sole shareholder (CNTEE Transelectrica SA) : RON 952,164
- Internal financing sources : RON 761,731

**OPERATING PROFIT ANALYSIS*****The net turnover***

The net turnover of **RON 16,850,011** consists of revenues due to the electricity market operation based a tariff regulated by ANRE;

The other revenues from the operating activity, representing RON 13,183,398, from which:

- RON 13,132,143 - revenues from investment subsidies (amortization of intangible assets purchased through PHARE funds, considered as amortization expense and reversed in the revenues);

The operating activity was performed according to the operation license no. 407 issued by ANRE, revision 1/2005.

In 2008, the revenues were calculated by using average tariffs for the settlement on the wholesale electricity market approved by ANRE Orders no. 64/20.12.2007 and 35/14.02.2008.

The operating expenses incurred in 2008, valued at RON 27,974,301, depended on the Company's objectives, correlated with the level of achieved revenues, with the annual programs of investment, supply, professional training and with the other programs approved at the Company's level for the safe and economically efficient functioning of the Company.

On 31 December 2008 the Company recorded a gross profit from the operating activity of RON 2,059,108 and a final gross profit of RON 2,232,839.

## **APPLIED PRINCIPLES, POLICIES AND ACCOUNTING METHODS**

These financial statements were prepared according to the accounting regulations compliant with the European directives, approved by the Order of the Public Finance Ministry no. 1752/2005 with further modifications.

### **APPLIED FUNDAMENTALS**

#### ***Commitment accounting***

Financial statements are set up according to the commitment accounting. Thus, the effects of trades and of the other events are recognized at the moment when the trades and events occur (and not while the cash or the cash equivalent is received or paid) and are registered in the accountings and reported in the financial statements of the related periods.

#### ***Principle of business continuity***

Financial statements are normally set up based on the presumption that the company shall continue its activity in the foreseeable future. The Company does not intend or need to cease or to significantly reduce its activity; if this intention or necessity exists, it could be needed that the financial statements to be set up on a different evaluation basis and, if this is the case, the information related to this basis shall to be presented.

### **APPLIED ACCOUNTING PRINCIPLES**

#### ***Principle of the permanence of methods***

This implies the continuity in the application of the same rules and regulations regarding the evaluation, the accounting registration and the presentation of the patrimonial items and of the results by ensuring the comparability of the accounting information over time.

#### ***Principle of prudence***

Valoarea elementelor patrimoniale a fost determinată pe baza principiului prudenței. Au fost avute în vedere următoarele aspecte:

- a) there were taken into consideration the earnings recognized until the end of the financial year;
- b) all the foreseeable obligations and potential losses incurred during the closed financial year or during a previous financial year were considered, even if those obligations and losses incurred between the end of the financial year and the date when the balance sheet is established.
- c) all the value adjustments due to depreciations were considered.

#### ***Principle of the exercise independency***

There were taken into consideration all the revenues and expenses related to the financial year which is the object of the report, regardless of the date when the amounts were received or when the payments were performed.

#### ***Separate valuation of asset and liability items***

In order to determine the total value of a certain position in the balance sheet, each individual asset and liability item value was determined separately.

#### ***Principle of non-compensation***

The values of the items which mean assets were not compensated with the liability items values, or the revenues with the expenses, respectively, except the compensations between assets and liabilities which are accepted by the International Accounting Standards.

#### ***Principle of substance over form***

The information provided in the financial statements reflects the economic reality of events and transactions, not only their legal form.

#### ***Principle of materiality***

Items having a significant value were presented separately in the financial statements. Items having non-significant values and the same nature or similar functions were aggregated, their separate presentation not being necessary.

#### ***Using estimations***

For those elements that have an uncertain value and that have to be included in the financial statements, the best accounting estimations have to be made. Thus, patrimonial items values were revised, in order to reflect the events following the end of the financial year, changes in circumstances or acquiring new information, each time those values were significant. Where appropriate, the effect of these changes was included in the same position in the balance sheet, the reported result, respectively, by applying for the first time the International Accounting Standards, where the first accounting estimation was also reflected.

Events occurring after the balance sheet date and that provided additional information regarding the estimations made by the management at the balance sheet date led to the adjustment of the patrimonial items in order to reflect also these additional items.

### **APPLIED ACCOUNTING POLICIES AND METHODS**

#### ***Intangible assets***

Intangible assets are recorded in the balance sheet at their historical (acquisition) cost, less the accumulated amortization.

The acquisition cost is equal to the purchase price, the non-recoverable taxes, the transportation and supply expenses, as well as other accessory expenses necessary so that the asset is being put into service or entered into accounting.

In order to perform the amortization calculation we use the method of linear amortization, the useful life considered being the following:

Constructions	50 years
Means of transport	4 years
IT systems	3 years
Furniture and office equipments	9 years
Software	3 years

Maintenance and repair expenses are registered in the operating expenses at the moment when they incur, and improvements which lead to an increase in the useful life or value of the assets are capitalised.

## **Inventories**

Inventories are registered at the acquisition cost.

The acquisition cost includes, as in the case of fixed assets, the purchase price, the non-recoverable taxes, the transportation and supply expenses, as well as other auxiliary expenses necessary so that the inventory item is being put into service or entered into accounting.

If the net realizable value of the inventories is lower than the acquisition or the production cost, then that net realizable value of the asset is the one presented in the financial statements, the value of the asset minus the established provision, respectively.

## **Receivables**

Receivables are expressed in the balance sheet at their historical cost minus the provisions established for the assets depreciation in cases where it has been concluded that the net realizable value is lower than the historical one.

## **Foreign currency receivables and liabilities valuation**

At the date of the balance sheet, all non-monetary fixed assets, inventories and shareholders' equity must be reported using the exchange rate at the date of the transaction, while non-monetary items recorded at their fair value must be reported using the exchange rate at the date when the respective values were determined.

Monetary elements expressed in foreign currency are reported using the closing exchange rate communicated by the National Bank of Romania (NBR). Foreign exchange losses or gains are recorded as income or expenses, as appropriate. The exchange rates communicated by the NBR for the end of the financial year were as follows: USD = RON 2.8342, EUR = RON 3.9852

## **Income tax**

Deferred income tax is calculated using the balance sheet liability method, for all temporary differences between the tax basis of the assets and liabilities and their nominal value, for the purpose of financial reporting. In order to determine the deferred tax, the income tax used was the current one, 16% respectively.

## **Profit distribution**

Proposed and declared profit distributions towards shareholders or employees subsequent to the balance sheet date are recognised as liabilities at the end of the financial year.

## **EXPLANATORY NOTES**

### **SHARES AND BONDS**

On 31 December 2008, the share capital is RON 3,547,850, divided in 354,785 registered shares, each having a nominal value of RON 10.

The shareholders' structure as at 31 December 2008 was the following:

### **Shareholder**

CNTEE Transelectrica SA	100%
<b>Total</b>	<b>100%</b>

No credits were granted to the executive officers and administrators

### **INFORMATION ON EMPLOYEES, ADMINISTRATORS AND EXECUTIVE OFFICERS**

The average number of employees in 2008 was 74.

The total employee-related expenses (including employee luncheon vouchers) for 2008 amounted to RON 7,235,584 as following:

- salaries (including collaborators' salaries): RON 5,607,959;
- employee luncheon vouchers: RON 122,978;
- social security contributions: RON 1,504,647.

### **OTHER INFORMATION**

The Company the Power Market Operator "OPCOM" SA was established through the Government Decision no. 627/13.07.2000 - "Decision on the reorganization of the National Electricity Company SA" - published in the Official Journal of Romania no. 357/31.07.2007, as a subsidiary of the Transmission System Operator CNTEE Transelectrica SA.

CNTEE Transelectrica SA participates in OPCOM's share capital as the sole shareholder.

OPCOM's activity is performed under a license granted by the Romanian Energy Regulatory Authority.

SC OPCOM SA was registered with the Trade Register under the no. J40/7542/15.08.2000 and owning the tax registration certificate - tax code RO13278352.

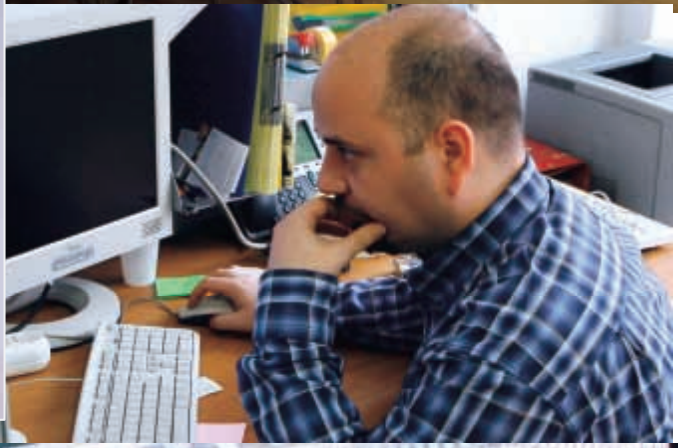
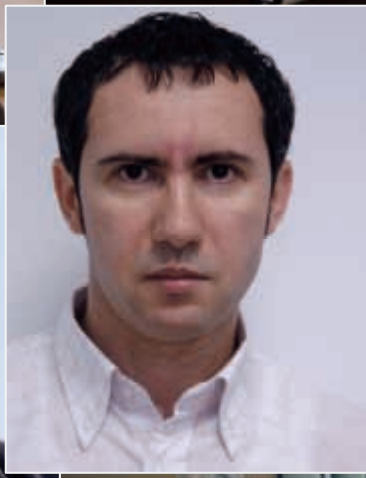
The Company's headquarter is located in Bucharest, 16-18 Hristo Botev Street, 3<sup>rd</sup> district.

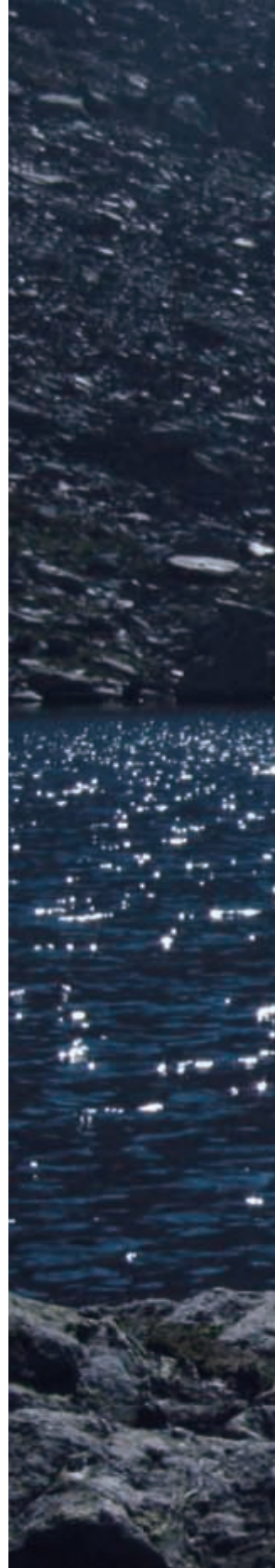
OPCOM's role is the operation of the electricity market by ensuring a continuous, orderly, efficient, fair and transparent performing of transactions and commercial trades under regulatory conditions regarding the protection of the participants licensed as producers or suppliers and of the eligible consumers.

The main activity consists in the set up, organization, administration and development of the:

- Day Ahead market, at a national and regional level;
- cross-border capacity allocation mechanisms for the coupling of national markets in the regional electricity market;
- centralized markets for bilateral contracts;
- financial market for electricity, at a national and regional level;
- centralized market for green certificates;
- CO2 allowances market;
- market for instruments aimed to sustain the energy efficiency;
- certificates of origin market.







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[www.opcom.ro](http://www.opcom.ro)

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