

# OPCOM

Annual Report 2010



New Trading Platform  
 2000-2010  
10 years for a more  
transparent market  
2005-2010

*earning every day-ahead your trust*

*At the anniversary of a decade of activity, OPCOM presents the Annual Report for 2010, expressing on this occasion the appreciation and gratitude for the interest, joint efforts and trust showed by the authorities, market participants, consultants, equipment suppliers, mass - media and all entities involved.*

*Bucharest, July 2011*

*Victor Ionescu, CEO*

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## Anniversary message

In August 2010, a decade after OPCOM was founded, in the context of the maturation of the Romanian power market, transactions with delivery for the next day have reached 25.02% of the consumption, this value being an absolute daily record since the launch on the 30th of June 2005 of the new spot trading mechanism.

Meant to be one of the main pillars of the liberalisation process in Romania, OPCOM was set up as a subsidiary of the Romanian Power Grid Company - Transelectrica, with the role of administering the Romanian energy market. Through this decision Romania joined a select group of European countries in their steps to promote and implement European directives regarding the liberalisation of the power market.

It has to be noted at that time centralized and transparent power transactions in Europe were only made in the Northern countries (Nord Pool), Spain (Omel), Netherlands (APX), Germany (the two power exchanges in Germany, in Leipzig and Frankfurt, which merged in 2002) and Poland (Gielda Energie). The role attributed to these trading environments by legislators has materialized through the foundation either of market operators with a broad portfolio of responsibilities regarding the organization of the power market, or of power exchanges which are limited to providing a trading framework with products designed according to market demands. In the next years, other countries will adopt one of the two models in order to reach the same objectives regarding the liberalisation of the power market and the creation of a single European market.

The general responsibilities of the Romanian Power Market Operator, set when it was founded, were completed in time by the provisions of the Road Map in the Romanian energy field, the Energy Law, the Romanian energy Strategy for the time period 2007-2020, the Law for determining the promotion system of the production of energy from renewable energy sources.

Besides primary legislation, the designed regulation framework and defining in secondary legislation specific activities by the Romanian National Regulatory Authority (ANRE) contributed decisively at defining the current role of OPCOM: determining the electricity price and delivering the optimum framework for trading electricity, by assuring transparency, anonymity and equidistance. In time, the trading mechanisms have been modernized, becoming more secure through the launch of new instruments, OPCOM assuming the role of the counterparty and providing facilities for trading environment instruments.

The role of counterparty assumed by OPCOM beginning with the 1st of July 2008 ensured the removal of the counterparty risk for participants and the payment obligations/rights of collection in 2 banking days. The value of the result was underlined by the specific conditions of the last year, in which both the advantages of fast payments and the volume risk which accompanies long-term transactions have reoriented participants to a large extent towards short-term transactions.

We can say that the year 2010 is the year of the anniversaries: 5 years have passed since the launch of two products which contributed decisively to the improvement of competition and transparency in the electricity market, namely the day ahead market, dedicated to short-term transactions and the centralized market of bilateral contracts with term delivery, as well as the launch of the centralized market dedicated to trading green certificates.

After setting up in the summer of 2010 the Trading Platform for greenhouse gases Emission Certificates and the facilities of the new website, OPCOM initiated the public consultation and elaborated the package of documents which defines the necessary framework for the launch of new products or the improvement of the existent ones. The intra-day market is a first objective in this process.

All this progress imposes the responsible implication of OPCOM in integrating power markets in South-East Europe, an important event for consolidating the proactive position of the company being the one from the end of November 2010 when the Memorandum of Understanding regarding the preparation and implementation of the project of joining the power markets by the Ministry of Economy, Trade and the Business Environment in Romania and the Ministry of Economics, Energy and Tourism in Bulgaria was signed; an important benchmark in expanding cooperation with the goal of integrating the markets of the two countries.

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We take pride in all these achievements and look responsibly towards the future, thanking all our partners, and not lastly the personnel of the company, which through its permanent effort has contributed decisively to building OPCOM and its performance, as has been demonstrated in the 10 years of activity!

Victor Ionescu, CEO





## 2000 – 2010 OPCOM in facts and figures

July 2, 1998	According to the Government Decision no. 365/2.07.1998 the National Electricity Company – SA was set up, also having the role of commercial operator for the whole energy sector.
December 28, 1998	The Government Urgency Ordinance no. 63 establishes the framework, principles and main directions for action for the liberalisation of the Romanian power market, in accordance with the provisions of the European Directive 96/92/EC.
<b>2000</b>	
February 18, 2000	Setting the electricity market opening degree at 10%.
August 15, 2000	<p>The Romanian Power Market Operator – OPCOM was set up.</p> <p>According to Government Decision no. 627/2000, The Commercial Operator of the wholesale electricity market is separating from CONEL as a commercial company based on shares, subsidiary of the Romanian Power Grid Company – Transelectrica and remains fully in its ownership.</p> <p>OPCOM is the structure created and authorized to administer, according to primary and secondary legislation, the wholesale electricity market and ancillary services in Romania.</p>
October 19, 2000	Raising the electricity market opening degree to 15%.
<b>2001</b>	
	<p>The first year and a half of the existence of the company was characterized by orienting towards short and medium-term objectives, without losing sight of the need to prepare long-term perspectives.</p> <p>On the short and medium-term OPCOM focused its efforts and resources in such a way that it could respond to all responsibilities for administering the wholesale electricity market, choosing an orientation towards customer demands.</p>
February 21, 2001	OPCOM adheres to the Romanian Member Committee of World Energy Council as a collective member with full rights.
October 1, 2001	OPCOM becomes a member with full rights of the International Power Exchanges Association – APEx.
December 20, 2001	<p>OPCOM is licensed for the activity of the power market operator by the Romanian Energy Regulatory Authority (ANRE).</p> <p>Raising the electricity market opening degree to 25%.</p>
<b>2002</b>	
	<p>Continuing the engagement and the activity of past years, OPCOM reached in 2002 its institutional objective of delivering the operational framework for daily or long-term transactions of the electricity market participants.</p> <p>The basic functioning was consolidated by increasing the representation activity done by OPCOM's personnel through the participation in national and international events.</p>
January 17, 2002	Raising the electricity market opening degree to 33%.



## 2003

This is the moment when the mechanisms initially used to adapt the formation of the price to the involvement of participants according to the limited degree of the market opening had become evidently old-fashioned, when the support and financing offered by the European Commission and the World Bank matched the political decision in Romania. Under these circumstances, it was decided to remodel the market concept, with the objective of aligning it to the provisions of Directive 54/2003/CE, to the best practices of power exchanges in Europe.

It is the period in which the concept of the new trading platform was defined, by elaborating the Road Map for energy sector in Romania, together with the opportunities offered by finances provided by the main donors involved in developing the regional South-Eastern European market, the European Commission and the World Bank. The new trading platform includes rules and regulations which define a new framework for trading electricity which will be applied from the beginning of 2005, as well as the logistics necessary for administering this new regulation framework.

January 1, 2003 OPCOM becomes a member with full rights of the Association of European Power Exchanges – EUROPEX.

July 2, 2003 The quality management system (according to ISO 9001 standard) implemented by the company is certified by Lloyd's Register Quality Assurance (LRQA).

July 8, 2003 Energy Law no. 318 is published, designed due to the necessity of creating an adequate and unitary legal framework for activities regulation such as production, transport, distribution and delivery of power, keeping in mind the satisfaction of public and private interests, according to the principles of a market economy, to the energy market, and to the assumed EU directives.

December 18, 2003 Raising the electricity market opening degree to 40%.

## 2004

March 30, 2004 OPCOM becomes member of the Romanian National Institute for Energy Development Studies (IRE), full member of the Union of the Electricity Industry - EURELECTRIC.

October 2004 OPCOM implements an hourly settlement of trades on the wholesale electricity market.  
  
Raising the electricity market opening degree to 55%.

December 2004 OPCOM and Nord Pool Consulting hold the first training seminar dedicated to users for the participants at the new concept of Day Ahead Market.

## 2005

It was the year when OPCOM launched three new products with a major impact on the evolution of the electricity market, as well as on the promotion of energy from renewable sources: trading through closed bilateral auction in the Day Ahead Market, The Centralized Market for Bilateral Contracts and the Centralized Green Certificate Market.

March 9, 2005 OPCOM becomes member of the Romanian Committee for Eurelectric (CRE) within IRE.

June 29, 2005 Raising the electricity market opening degree to 83.5%.

June 30, 2005 The first trading day on the new OPCOM electronic system for Day Ahead Market (DAM), closed auction based.



November 16, 2005	Launch of the Centralized Market for Green Certificates (CMGC).
December 8, 2005	Launch of the Centralized Market for Bilateral Contracts (CMBC), concluded by public auctioning, offering to the participants the possibility of trading on medium and long-term.

**2006**

It was the year when OPCOM and the Romanian power market in general consolidated the new trading platform launched in the middle of 2005.

June 2006	Brought important decisions for the liquidity and transparency of the market: all industrial and commercial consumers became eligible, and the five largest producers (Nuclearelectrica, Hidroelectrica, Complexul Energetic Craiova, Complexul Energetic Rovinari and Complexul Energetic Turceni) were asked to make their trading intentions more transparent by using the platforms administered by OPCOM when trading the available power.
July 2006	OPCOM's quality management system was recertified, according to the ISO 9001:2000 standard by Lloyd's Register Quality Assurance.
December 2006	Brought the long awaited general consensus (OPCOM, ANRE, market participants, banks) regarding the "Procedure regarding the posting, verification and use of financial guarantees for participating in the Day Ahead Market" and "Procedure regarding payment obligations/rights of collection due to transactions on the Day Ahead Market". The implementation of these procedures will allow OPCOM to assume the role of counterparty on the Day Ahead Market.

**2007**

The Energy Law 13/2007 is published, a new law regarding electricity, bringing the obligation of publishing the prices for all trades concluded in the centralized markets. The same period meant the launch of standard contracts of 1 MW with a time horizon of one year, quarter, month and week, with baseload, peak load and off-peak delivery.

February 13, 2007	The procedure for publishing the closing price and complete transparency of the Centralized Market for Bilateral Contracts is approved.
March 22, 2007	Launch of the Centralized Market for Bilateral Contracts with Continuous Negotiation (CMBC-CN), this allowing the electronic trading of 1 MW contracts with baseload, peak load and off-peak delivery, for intervals of one week, one month, one quarter, one year.
June 7, 2007	Meeting MAVIR-OPCOM in Budapest. The possibility of coupling the spot markets in Romania and Hungary is discussed for the first time.
June 29, 2007	Complete market opening, which allows all consumers to choose their supplier.
August 1, 2007	Official contract signing with Central Account Bank selected by OPCOM following a competition selection process to perform banking services within the framework of central counterparty assumed by OPCOM for electricity trades on the Day Ahead Market.
September 13, 2007	Transelectrica, OPCOM and ESO EAD decided on setting up an implementation group to optimize the allocation of cross-border capacities.

**2008**

April 22, 2008	High-level meeting in Bucharest. The managers of Nord Pool ASA, Nord Pool Consulting, HUPX, OPCOM, Transelectrica and high-level representatives of MAVIR meet to discuss common interests in markets coupling process.
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June 2008	Signing the letter of intent by the transmission system operators and by the power exchanges in Romania and Hungary regarding market coupling.
July 1, 2008	Implementing the role of counterparty and centralized settlement for trades on the Day Ahead Market (DAM), beginning with July 1st, three years after the launch of the new trading platform.
August 2008	Training of OPCOM personnel by Nord Pool Consulting regarding the facilities of a new trading platform for DAM.
September 15, 2008	OPCOM, within the first eight power markets in the DATAMONITOR classification.
September 22, 2008	The MOFFATT report places Romania on the ninth place in the European Union with regards to liquidity and power market efficiency.
<b>2009</b>	
April 2009	Absolute record: as a result of the trades concluded on the centralized market for bilateral contracts (forward trades), a quantity of electricity representing a record percentage of 23.07% of the estimated consumption of April was delivered.  Trades on DAM and CMBC with delivery in April 2009 total a quantity of electricity of 1,443,478 MWh, the weight of the two markets in the estimated consumption for this month surpassing for the first time the threshold of 36%.
July 2009	A new recertification of OPCOM's quality management system has been performed, according to the ISO 9001:2008 standard, carried out by Lloyd's Register Quality Assurance.
<b>2010</b>	
February 1, 2010	Launch of a new experimental trading platform for DAM, including more facilities for participants.
June 1, 2010	Launch of the Trading Platform for greenhouse gases Emission Certificates (TPEC).
June 10, 2010	DATAMONITOR: Romania remains in the first eight power markets in Europe.
June 30, 2010	Marks five years since the launch of the New Trading Platform and two years since OPCOM assumed the role of counterparty and centralized settlement for DAM trades.
July 12, 2010	The first participant registered on the Trading Platform for greenhouse gases Emission Certificates.
August 3, 2010	Launch of a new website, start of a new decade of activity.
August 7, 2010	Absolute record: for the delivery day August 7, 2010, the transactions in the Day Ahead Market represent 25.02% of the forecasted domestic consumption.
August 15, 2010	Ten years after it has been founded, OPCOM outlines through public declarations the fulfillment of its role and mission.
September 28, 2010	BVB – The Bucharest Stock Exchange, CCB – Bucharest Clearing House and OPCOM – Romanian Power Market Operator sign an agreement regarding their cooperation towards the Romanian Electricity Derivatives Market launch. The cooperation of the partners is welcomed by the Ministry of Economy, Commerce and the Business Environment of Romania in its intention that financial market will enhance its dimension and diversity.
November 30, 2010	The website of the Ministry of Economy, Trade and the Business Environment announces the signing of the Memorandum regarding the cooperation between Romania and Bulgaria.



## General Shareholders Assembly

<b>Dumitru Barascu</b>	<b>MECMA</b>
<b>Marius Untescu</b>	<b>MECMA</b>
<b>Aurelia Stefanescu - Coculeana</b>	<b>MECMA</b>

The company „Romanian Power Market Operator” named „OPCOM” was set up according to Government Decision no. 627 / 13.07.2000 – „Decision on the reorganization of the National Electricity Company CONEL”, published in the Official Journal of Romania no. 357 / 31.07.2000, as a subsidiary of CNTEE Transelectrica.

CNTEE Transelectrica SA is the only shareholder of OPCOM.

OPCOM activity is completely regulated and is performed based on the license given by ANRE and the rules associated with it.

OPCOM was registered with the Trade Register under the no. J40/7542/15.08.2000, and owns the tax registration certificate – tax code RO13278352.

The company's headquarter is located in Bucharest, 16-18 Hristo Botev Blvd, 3rd district.

OPCOM's role is the operation of electricity market by ensuring the continuous, orderly, efficient, fair and transparent performing of transactions under the regulated conditions regarding the protection of the participants licensed for production, transport, distribution and/or supply of electricity.

According to the current legislative framework, the main activity is preparing, organizing, administering and developing:

- the Day Ahead Market at national and regional level;
- the Centralized Market of Bilateral Contracts and the Centralized Market of Bilateral Contracts with Continuous Negotiation (forward type);
- the Centralized Market for Green Certificates;
- the Trading Platform for greenhouse gases Emission Certificates;
- operator and settlement activities for the Day Ahead Market and the Centralized Market for Green Certificates;
- operator and settlement activities for the Balancing Market organized by Transmission System Operator Transelectrica and the Imbalances of the Balancing Responsible Parties;
- surveilling the administered markets and providing relevant information to the market.

## Board of OPCOM

<b>Anca Ioana Dobrica</b>	<b>MECMA</b>
<b>Radu Nicolae Chiurtu</b>	<b>MECMA</b>
<b>Monica Maurer- George</b>	<b>MECMA</b>
<b>Denisa Luminita Patirlageanu</b>	<b>MECMA</b>
<b>Silvia Bianca Nita</b>	<b>MECMA</b>
<b>Victor Ionescu</b>	<b>OPCOM</b>



## Executive Management Report

OPCOM is the Romanian Power Market Operator, in accordance with the Government Decision no. 627/2000. Its activity includes services related to the organisation and administration of the electricity markets, as well as settlement services, in conformity with the responsibilities established by the relevant authority. OPCOM offers an organised environment, viable and efficient for performing commercial trades on the wholesale electricity market under conditions of consistency, correctness, objectivity, independence, impartiality, transparency and non-discrimination. In order to provide these services, OPCOM's activity of organizing and operating the markets is based on the following activities: financial and administrative, information technology and telecommunications, development, international cooperation and public relations. The compliance of the market operation with the secondary legislation, the markets' performance and the participants' behaviour are overseen by a specialized department that performs activities related to monitoring and reporting. The compliance of the employees' activity with the provisions of the internal rules and procedures is monitored and is continuously improved through tools provided by the quality management.

### LEGAL, REGULATORY, INTERNAL ADMINISTRATIVE AND BUSINESS FRAMEWORK

The Romanian Power Market Operator "OPCOM" runs its activity in accordance with the provisions of the Energy Law no. 13/2001, the License Conditions no. 407 - revision 1/2005 granted by the Romanian Energy Regulatory Authority (ANRE) for the Power Market Operator activity and with the provisions of the secondary legislation issued and approved by the relevant authority, the Rules governing the functioning and organisation of OPCOM and the internal rules and procedures.

The functioning of the Romanian electricity market, and namely the market activities of the companies from the electricity sector and the ones of the Romanian Power Market Operator "OPCOM", was deployed in 2010 in accordance with the regulations in force issued and approved by the relevant authority.

OPCOM's economic and financial activity for 2010 was deployed based on the indicators established by the Ministry of Public Finance, Ministry of Economy, Trade and the Business Environment and the Ministry of Labour, Family and Social Protection included in the Income and Expenditure Budget approved. The volume of electricity for which OPCOM provides services of organising and administering the electricity market, as well as settlement services, based on a regulated tariff, recorded in 2010 compared to 2009, domestic electricity consumption growth forecasts being confirmed by the achieved values for 2010, which are indicating for 2010 a positive variation of 4.8% compared to the previous year, respectively a significant increase of the electricity export by 22.2%.

The tariffs that apply to the services provided by OPCOM are established by Orders of the Romanian Energy Regulatory Authority. For 2008-2010, the tariff approved for the services provided to the participants on the administered markets was maintained constant. Therefore, in 2010 also, the Executive Board had the responsibility to make the activities more efficient in order to ensure quality services to electricity market participants.

### QUALITY MANAGEMENT SYSTEM

OPCOM implemented as early as 2003 a quality management system (QMS), certified by the British company Lloyd's Register Quality Assurance according to the ISO 9001 standard. During the 7 years of implementation, OPCOM's QMS has been subjected to two rectification audits, in June 2006 and July 2009, the last recertification being performed by LRQA according to ISO 9001:2008 standard.

The audits performed in 2010 on OPCOM's QMS, both the external, surveillance one by LRQA, as well as internal audits, confirmed the management's efforts and engagement for continuously improving of the activity and for the increasing of OPCOM's QMS efficiency.

### IT SYSTEM ADMINISTRATION

Having the main task of safely administering the information technology and telecommunication systems of the company, the implementation of security policies for the information infrastructure and the telecommunication system, as well as the developing of the OPCOM's information and telecommunication network, the IT&Tc Division has permanently pursued, through its activity, ensuring of the operation conformity of the OPCOM's information and telecommunication systems in accordance to primary and secondary specific legislation.





In 2010 also, due to a cautious investment policy in the context of the lasting global financial crisis, the development activity throughout the year was oriented towards modernising internal information systems, to allow them to reach a higher degree of flexibility, as well as to reach a better knowledge of them by the employees, so that viable and economically efficient solutions for the future development of OPCOM to be identified.

Once entered into the second decade of activity, as a result of the internal effort, a new OPCOM website was launched, with enhanced facilities and dedicated to assure the necessary transparency for the market places administered by the company, an important way of informing and promoting, both the image of the company, and that of the Romanian electricity market.

#### **MARKET SURVEILLANCE DEPARTMENT**

The market surveillance has continued its activity by monitoring according to the regulations the operation of the market, as well as the behaviour of the market participants, providing to the regulatory authority the information required in its own activities. The daily, weekly and monthly reports, the administered electricity markets diagnosis documents presented the data regarding the performance and the concentration, the information regarding the behaviour of the participants in these markets and the special situations recorded in the market operation. In 2010, the monitoring activity was extended to the development projects which reached the stage of experimental operation (the new DAM platform and intraday market, the information being extended accordingly with the monthly reports regarding the operation of the new DAM platform and with the involvement of the participants during the experimental period. The periodic press releases, as well as the press releases occasioned by the market events were initiated.

#### **PERFORMANCES OF THE ADMINISTERED MARKETS**

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

The 72 participants active on the DAM platform in the last month of 2010 have contributed not only to trade the time record monthly volume of electricity, an average of 1,181.525 MWh/h, but also to maintain the trend of continuously increasing quantities traded annually since 2005, the start-up year of the New Platform for the Day Ahead Market. The annual averages indicate more than a doubling of the traded volume, from 388.927 MWh/h in 2005 to 992.716 MWh/h in 2010, the most significant variation, 37%, resulting from the comparative analysis of the last two years, when the annual average shows a gain of almost 270 MWh/h. This quantitative leap is also reflected in the spot market share of the domestic consumption, which increased by almost four percentage points in 2010, evolving from 12.67% in 2009 to 16.56% in the last year.

Over the entire year, the number of participants who submitted at least one bid in 2010 was 81, representing about 76% out of the 106 companies registered to the market. The intentions expressed by the active participants materialized in 2010 in hourly transactions that have varied in a range between 266 MWh/h and 1,591 MWh/h, the upper limit representing an absolute maximum of the entire time horizon 2005-2010. Settled in all hourly intervals without exceptions, the hourly transactions amounted at least 600 MWh/h in most intervals (97% of cases), equivalent to about 10% of annual average hourly consumption, while the transactions volume was lower than 500 MWh/h in only 1% out of the 8,760 hourly intervals.

The annual trading price in 2010 was 153.39 lei/MWh (36.44 EUR/MWh), while the weighted average price was 156.31 lei/MWh (37.08 EUR/MWh) almost the same as the value of last year, when the weighted average was 155.35 lei/MWh (36.69 EUR/MWh).

At European level, the annual average prices corresponding to hourly electricity transactions set in spot markets based on similar mechanisms recorded mostly growth, being placed in 2010 in a range between 36 EUR/MWh and 65 EUR/MWh, the average price set by OPCOM, 36.44 EUR/MWh, at the lowest limit of the range this year as well, being at a distance of 22% below the European average, about 47 EUR/MWh.



### ***The Centralized Market for Bilateral Contracts concluded by public auction***

In 2010, the participants have consistently expressed their interest by initiating bids, the number of intentions expressed by the 28 active participants out of the 102 registered being close to the value set last year, respectively 171 bids compared to 180 in 2009.

With a significant traded quantity, 2010 ensures deliveries of 3.6 TWh in 2011, representing a market share of 6.85% out of the consumption, an encouraging start in trading bilateral contracts on CMBC throughout 2011.

The contracted deliveries for 2010 amounted a market share of 7.82% out of the consumption, the corresponding weighted average price, 153.96 lei/MWh (36.52 EUR/MWh), very close to the annual weighted average spot price in 2010, 156.31 lei/MWh (37.08 EUR/MWh), demonstrating again the convergence of the two price signals, the mutual support of the two market segments, as well as the strengthening of the electricity price induced by competitive and transparent market mechanisms.

As in the previous year, the results reflect the economic conditions, including the existence of a high degree of uncertainty regarding the evolution of the consumption, a determining factor for a certain percentage of the market to shift towards short-term commitments undertaken by participating on the spot market.

### ***The Centralized Market for Bilateral Contracts with continuous negotiation***

The 110 standard contracts concluded based on the electricity transactions on the CMBC-CN electronic platform, respectively 90 standard base weekly contracts and 20 standard off-peak weekly contracts, totalize 16,240 MWh, respectively a share of 0.03% out of the electricity consumption for the year 2010.

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

A number of 248,694 green certificates, the equivalent of 44.21% of certificates issued in 2010, were traded centralized during 2010, out of which 66,371 certificates were purchased by suppliers in order to meet the mandatory quota for 2009, the remaining of 182,323 green certificates contributing to meet the mandatory quota for 2010. The average trading price of green certificates traded to meet the mandatory quota for 2010 was 232.36 lei/certificate (55 EUR/certificate at the average exchange rate for December 2009, 4.2248 lei).

On the Bilateral Contracts Market for Green Certificates were traded 358,642 certificates, of which 325,165 certificates were traded between producers and suppliers, the rest of 33,477 being traded through bilateral contracts between suppliers.

### ***The Settlement***

On the Day Ahead Market, the total collection rights and payment obligations related to transactions amounted in 2010, including VAT, 1,655.6 million lei (392.6 million euro), out of which the payments always done in two banking days totalized 1,571.8 million lei (372.8 million euro), the difference representing the amount of compensation between the participants and the central counterparty.

In addition to the successful accomplishment of all responsibilities that have resulted from the role of counterparty on the spot market assumed by OPCOM, the settlement activity also involved, in 2010, fulfilling the responsibilities derived from the process of assigning the quantities, respectively the collection rights/payment obligations for:

- the trades concluded on the Green Certificates Market of 56.7 million lei (13.7 million euro), corresponding to green certificates traded in 2010 to meet the mandatory quota for 2009 and 2010;
- the trades on the balancing market administered by Transelectrica amounting 346.53 million lei for upward regulation and, respectively, 63.74 million lei for downward regulation;
- the imbalances of the balance responsible parties of 68.47 million lei corresponding to positive imbalances and, respectively, 370.32 million lei corresponding to negative imbalances, as well as settlement of information imbalances of the dispatchable units of 180,000 lei.

The residual costs or income resulting from the system balancing have been determined and redistributed.



## Markets: Progress and Results

OPCOM celebrated a decade of activity in August 2010. Created to manage the wholesale electricity market according to the primary and secondary legislation in force, the market operator constantly pursued the development of the mechanisms initially used, remodelling the market concept, launching new products, all in order to best meet the demands of the continuously evolving energy market. The year 2005 was one of the most prolific years since setting up OPCOM - were launched for commercial operation the Day Ahead Market, the Centralized Market for Green Certificates and the Centralized Market for Bilateral Contracts. The continuous upward trend allows us to synthesize the evolutions and the positive results from that time in a few sentences: five years of continuous operation of the Day Ahead Market, hourly transactions which increasing from 400 MWh/h in 2005 to often above 1,000 MWh/h in 2010 covered about 11% of the domestic consumption in the aggregate figures at the level of the analysed time horizon, the level of participation in evolution from 48 active participants in the year of DAM start-up to 81 active participants in 2010; five years of operation of the Centralized Market for Bilateral Contracts, transactions that covered, in accordance to the sum up amounts of electricity contracted for delivery in 2006-2010, about 12% of the real domestic consumption in the same period; five years of operation of the Green Certificates Market in Romania, centralized transactions which provided each year the majority share in fulfilling the annual mandatory quota of green certificates.

Day Ahead Market	2010	2009	2008	2007	2006
<b>Trades</b>					
Total volume [MWh]	8,696,191	6,346,571	5,207,616	5,043,193	4,105,931
Avg, volume [MWh/h]	993	724	593	576	469
Market share [%]	16.56	12.67	9.56	9.4	7.88
Value [Euro]	322,478,398	232,869,539	272,844,957	251,683,353	192,495,636
<b>Market for Bilateral Contracts attributed through public auctions</b>					
<b>Traded contracts</b>					
Number	21	31	97	158	34
Volume [MWh]	3,874,480	4,836,466	11,483,189	11,859,780	2,959,125
Value [Euro]	135,817,241	181,608,409	602,048,866	622,711,721	126,177,630
<b>Deliveries</b>					
Volume [MWh]	4,088,250	11,320,968	8,612,019	6,507,638	1,254,579
Value [Euro]	149,296,442	525,211,483	418,691,095	327,648,109	44,973,677
Market share [%]	7.78	22.6	15.81	12.13	2.41
<b>Centralized Market for Bilateral Contracts with Continuous Negotiation</b>					
<b>Traded contracts</b>					
Number	110	172	165	82	
Volume [MWh]	16,240	56,496	36,360	22,208	
Value [Euro]	566,520	2,135,191	2,064,053	1,228,489	
<b>Centralized Market for Green Certificates</b>					
<b>Trades</b>					
Number	248,694	141,607	95,593	37,703	7,841
Value [Euro]	13,678,170	7,788,385	4,108,673	1,583,484	299,744

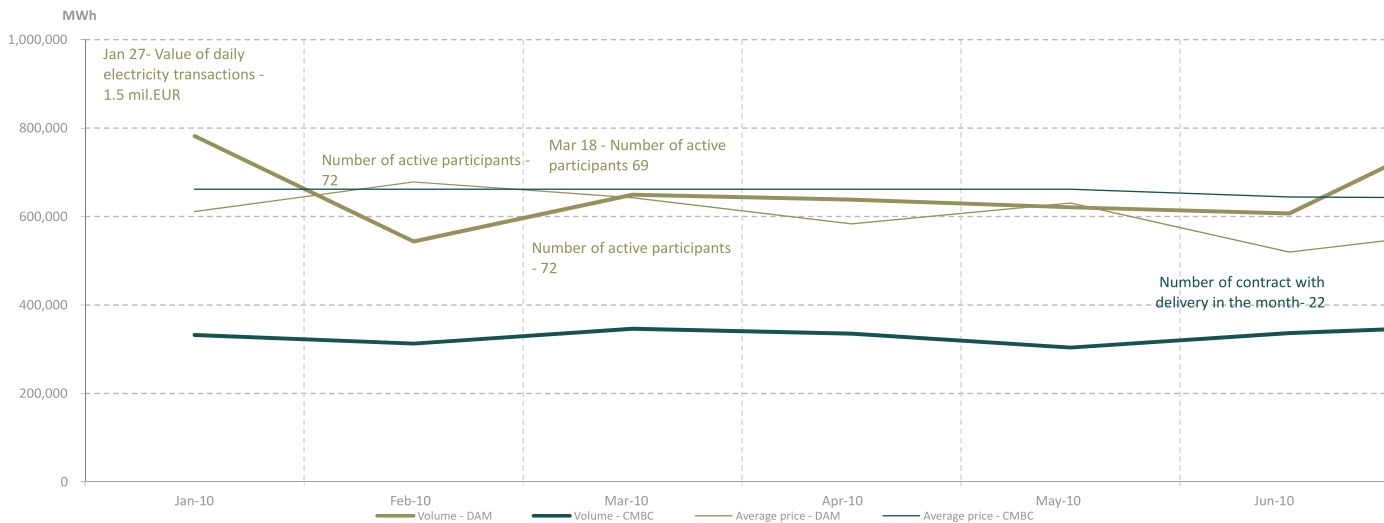
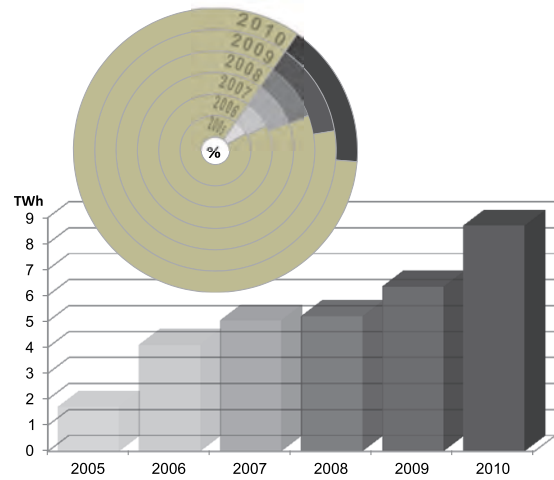
Summarizing, the quantities contracted for delivery in 2010 on OPCOM markets, respectively on the spot market and centralized markets for bilateral contracts, totaled an amount of electricity of 12,800,681 MWh, the equivalent to about 25% of the estimated consumption for this year.

In addition to the electricity transactions, a number of 248,694 green certificates were traded centralized within 12 monthly auctions held in 2010.

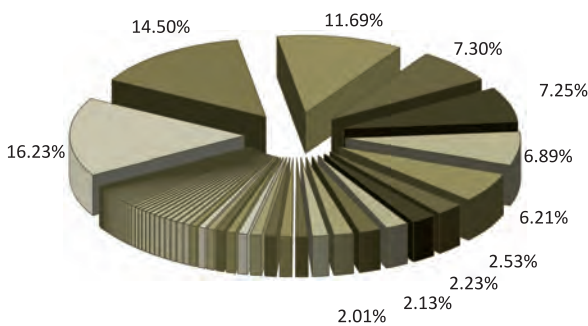


## Day Ahead Market

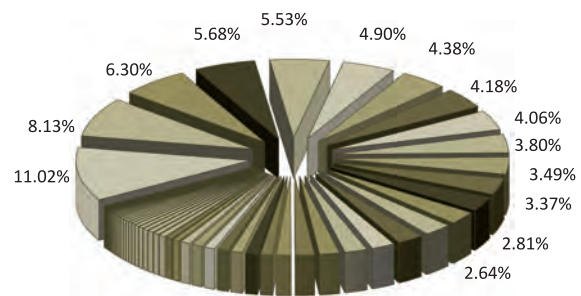
The Day Ahead Market by its spot product nature has a well defined double role: to supply the market reference price used to create medium and long term intentions and to meet the needs of portfolio adjustment in order to prevent imbalances and to create opportunities for its short-term optimization. The year 2010 was the year of absolute records on DAM, recorded at hourly, daily and monthly level: the number of active participants, the traded volume, the market share out of the domestic consumption, the volume of transactions value. These are the favourable pre-requisites in which OPCOM will further evaluate the development of the spot market opportunities, in order to harmonize it with the best practices used in EU Member States and achieve the common goal, the integration of the markets within the European single market.



Evolution of prices and volumes for spot (DAM) and forward (CMBC) trades. Significant values.2010



Sell DAM market shares. 2010  
 HHI=838

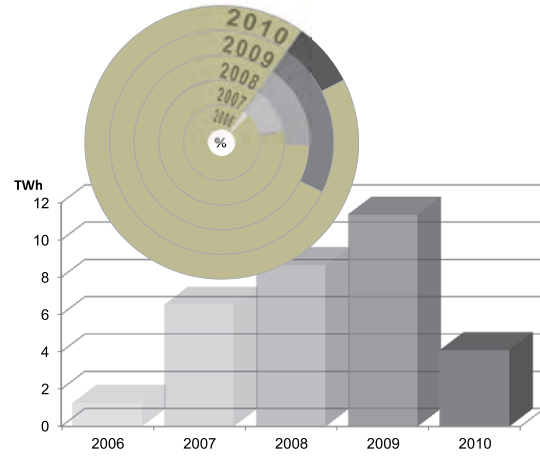


Buy DAM market shares. 2010  
 HHI=461

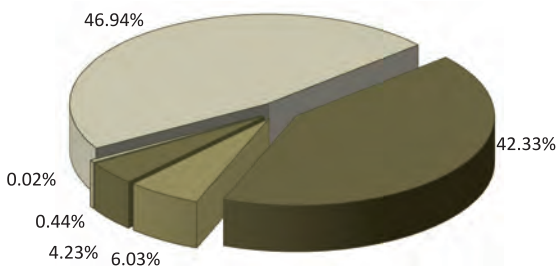
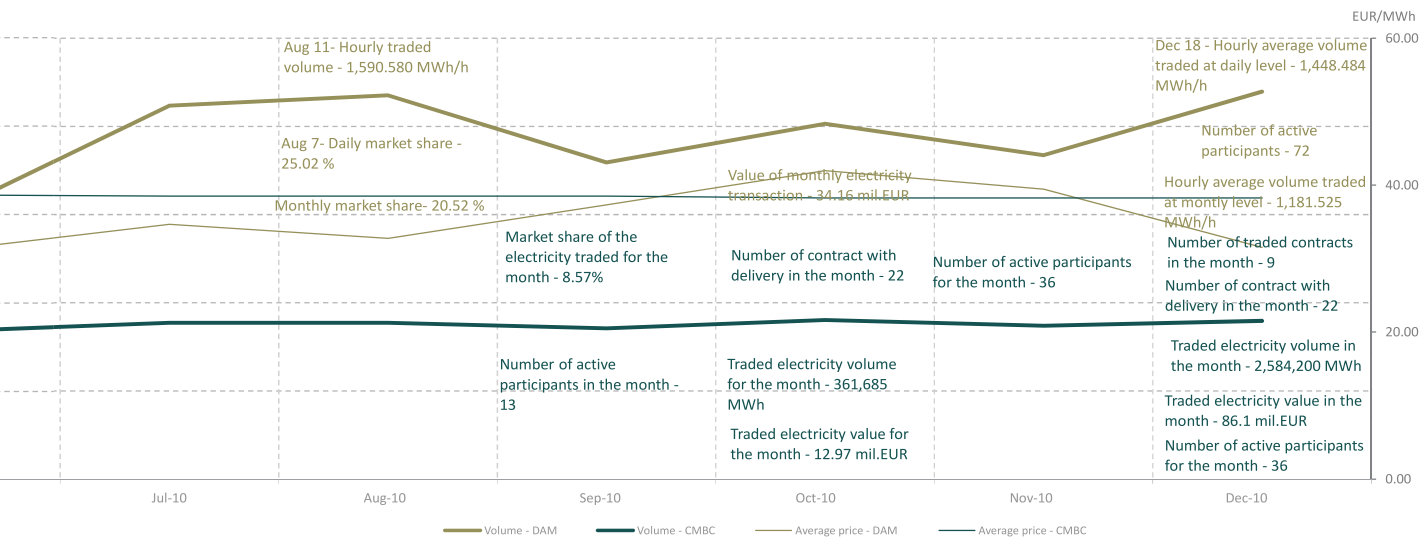


## Bilateral Contracts Markets

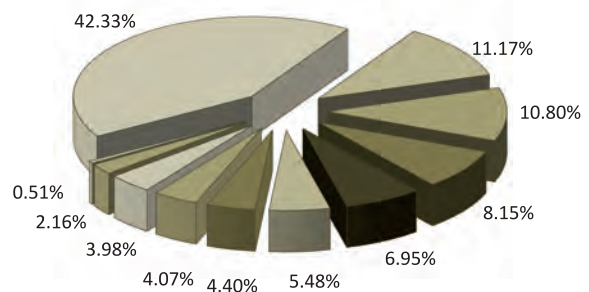
CMBC is a market for open auction trading of the offers self-defined by market participants according to their needs and technical and technological constraints, launched on the basis of ANRE order number 42/09.11.2005, which sets out the role of OPCOM to organize and to administrate the centralized markets for bilateral contracts. On the CMBC-CN, specific trades are closed using the electronic platform, trades based on standardized offers in terms of the amount offered by a contract, the delivery date and the daily use of power, the activity being carried on the bases of ANRE approval number 5/05.03.2007 for the operation procedure of this market.



CMBC volumes and shares (% from Romanian consumption). 2006-2010



Sell CMBC market shares. 2010  
HHI=4049



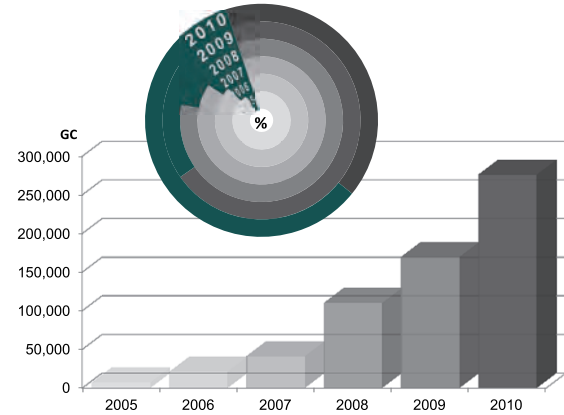
Buy CMBC market shares. 2010  
HHI=2249



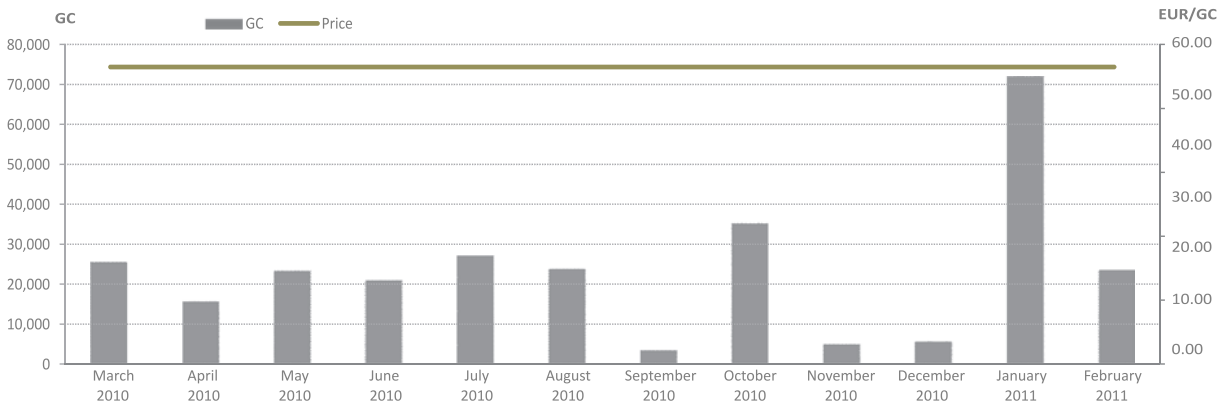


## Green Certificates Market

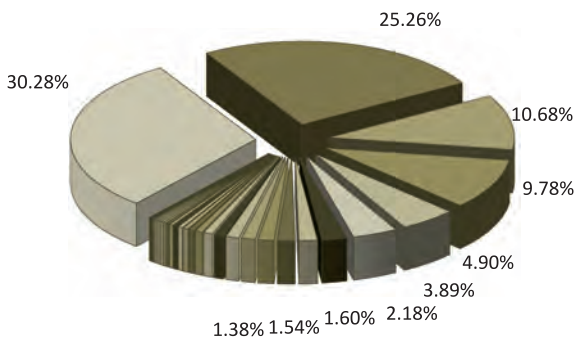
In 2010 also continues the progressive increase of the number of the certificates traded on the centralized market for green certificates, correlated with the new production capacities, first the wind capacities started up during the year. It is expected that the regulatory framework stability, gained by adopting primary and secondary legislation which promotes the renewable energy and encourages the investment to increase the market confidence, to increase the participants' interest, the liquidity and the establishing conditions of a reference price. Along with the implementation of the new legislation, more predictable horizons are opened for the development of the products portfolio made available to the participants by OPCOM.



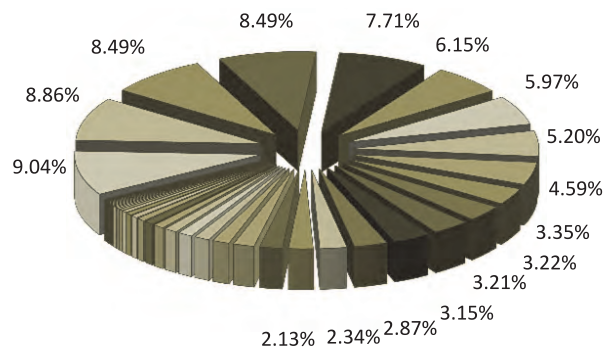
CMGC – number and share (% from issued GC). 2005-2010



CMGC - Prices and traded green certificates. 2010



Sell CMGC market shares. 2010  
 HHI=1821



Buy CMGC market shares. 2010  
 HHI=563





## Market participants

Marked on the Europe's map as one of the top national power market operators, OPCOM has always linked its success to the licensed participants activity, generators, transport operator, distributors and electricity suppliers, to provide a well-balanced product portfolio, adapted to the needs of the electricity market, to improve guarantee mechanisms, collections and payments made available to the participants. The voice of the electricity market participants was also heard in the technical groups, organized in order to investigate possibilities and identify opportunities to improve the products and the instruments from the centralized markets operated by OPCOM.

At the end of 2010, 106 participants were registered on the Day Ahead Market, while forward markets, respectively the Centralized Market for Bilateral Contracts awarded through public auction (CMBC) and Centralized Market for Bilateral Contracts with Continuous Negotiation, had at the same moment 102 and 65 participants. The Green Certificates Market had 120 registered companies at the end of 2010. Two companies were registered in the last month of 2010 to the Trading Platform for Emission Certificates (TPEC), raising to six the number of participants on this platform.



## The website and mass-media

In August 2010, at the beginning of the second activity decade, OPCOM launched a new portal with more features, designed to contribute to raise the degree of transparency, to inform the public regarding the results of the competitive transactions from the markets and to promote the image of the market and the image of the company.

The OPCOM website is a gateway to the information from the electricity markets developed in the European countries, as well as to the latest news from the Europe's Energy Community.

The ex-ante and ex-post information provided for each of the administered trading environments and which facilitates trading in safer conditions for the participants, as well as the opportunity to make their own monitoring activity, legislative items which govern the operation of the markets, these are some of the important marks in a brief radiography of the website content.

The market and not least the general public represent the target group of the periodic press releases, summarizing the markets development, as well as of the and briefings for the events arising from the market, while the market reports presents with daily, weekly, monthly and yearly periodicity results, development trends and concentration indices. The information, without exception processed to a level that does not reveal the market position of a specific participant, is sent to the media, or may be downloaded from OPCOM's website. The media pays attention to the daily results obtained from the trading platforms of OPCOM, as well as to press releases and interviews with the management of OPCOM.

The Ministry of Economy, Trade and the Business Environment takes on its website OPCOM's press releases considered of interest in terms of OPCOM's statute of institution under the authority of the ministry.

In 2010, the relationship with the press was materialized by multiple organized meetings. The interviews were given to profile journalists in the country and abroad: The Diplomat Bucharest, Platts, ICIS Heren, respective Bursa, Adevarul, Saptamana Financiara, Focus Energetic, The Money Channel.



## Information technology and telecommunication facilities

Assuring the continuous and stable functioning at high technical parameters of the information technology and telecommunication facilities was and will continue to be OPCOM's focus, in order to ensure the safe functioning of the administered markets, the efficiency of internal activities and the information technology support necessary to diversify the product portfolio available to market participants. From a technical point of view, the performance is based on the professionalism of the human resources available, on the efficient mobilisation of internal resources and on the support of information platforms supplied.

The year 2010 marked 5 years of continuous operation of the platforms and applications assuring the functioning of the Day Ahead Market and the Centralized Market for Bilateral Contracts for electricity, as well as the Centralized Market for Green Certificates, administered by OPCOM. The first two years of secure operation of the information technology and telecommunication facilities relevant to OPCOM's role as a counterpart for the Day Ahead Market have been registered, as well as three years since the launch of the Centralized Market for Bilateral Contracts with Continuous Negotiation for electricity.

In the context of developing the product portfolio, the information support necessary for the launch on the 1.06.2010 of the platform for trading greenhouse gas emission certificates, as well as the trial functioning of a new trading platform for the day ahead market starting on 1.02.2010 was provided. At the same time, preparation activities for the information technology and telecommunication facilities necessary for the launch of the trial Intra-Day trading platform on 1.07.2010 were undertaken.

## International cooperation

We have entered the second decade of existence with a rich and consistent portfolio of knowledge, technology and operational experience which will provide a solid base for future sustainable development.

We have successfully completed a sequence of development steps in these first ten years of activity, in which internal efforts have benefitted from the financial support of the European Commission and the World Bank, of information technology consultants and suppliers, whom we thank for the contribution brought to the development of the human resource and corporate training, as well as technological development.

International cooperation has permanently been dedicated to promoting OPCOM's image, products and results efficiently, to developing bilateral relations and monitoring European and regional development.

Year after year, the organization and representation activities performed within the framework of work groups of organisms and associations affiliated with OPCOM - EUROPEX, APEx, EURELECTRIC, World Energy Council – have noted a progressive evolution, a development with a coherent integration in the European process dedicated to creating an internal power market and to regional evolution, as well as a correct reflexion of the national evolution on an international level being targeted.

Completely supporting European objectives, OPCOM gave special attention to participants at work and decision-making processes within working groups and within the steering committee of EUROPEX, at the united efforts of European power exchanges dedicated to the active and constructive participation for the European process of determining a target model for the internal power market, agreeing on mechanisms and preparing the framework for implementing them, as well as at the development of the cooperation with the European Commission, ERGEG and at the moment ACER, as well as with the other entities involved in this process (ENTSO-E, CEER, EFET, IFIEC, EURELECTRIC).

Special attention was permanently given to the regional evolution developed within the framework provided by Treaty establishing the Energy Community, by participating at activities within the Athens Process and by continuing to monitor them, in full agreement with the Romanian entities involved, showing the support of the objectives of the Treaty and the participation at efforts to reach them.

Moreover, OPCOM actively supported the steps taken by the Ministry of Economy, Trade and the Business Environment which lead to the signing of the Memorandum of Understanding between Romania and Bulgaria on 30.11.2010, as a preparation for coupling the power markets of the two countries.



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030922

## INDEPENDENT AUDITOR'S REPORT

to the shareholders of the Power Market Operator „OPCOM”

1 We have audited the attached Financial Statements of the Power Market Operator „OPCOM” (henceforth called “the Company”) comprising the Balance Sheet at 31 December 2010, the Profit and Loss Account, the Statement of Changes in Equity and the Cash Flow Analysis for the financial year ended on the same date, as well as a summary of the relevant accounting policies and other explanatory notes. The mentioned financial statements refer to:

Net Assets/Net shareholders' equity:	13,006,810 lei
Net Result of the financial year:	1,893,397 lei, profit

### The responsibility of the Company's board towards 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 of Romania no. 3055/2009 and for that internal control which is considered by the management necessary to allow the elaboration of the financial statements set, which are free of significant alterations, whether caused by fraud or error.

### Auditor's Responsibility

3 Our responsibility is that, based on the conducted audit, to express an opinion on these Financial Statements. We have conducted the audit according to the International Auditing Standards. These standards impose complying with the ethics requirements, 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 included in the Financial Statements. The selected procedures depend on the auditor's professional judgement, including the assessment of the risk related to the existence of the errors or fraud. In performing this risk assessment, the auditor takes into consideration the relevant internal control for the accurate elaboration and presentation of the Company's Financial Statements in order to determine the auditing procedures that are relevant in the given circumstances, but not with the purpose of expressing an opinion on the efficiency of the Company's internal control system. An audit also implies evaluating the degree of adequacy of the accounting policies used and the reasonability of the Board's accounting forecasts, as well as assessing their overall presentation.

We consider that the probative audit data that we have obtained are sufficient and adequate for expressing our audit opinion.

### Our opinion

4 In our opinion The Financial Statements provide an accurate image, on all important aspects, of the company's financial position as at 31 December 2010, as well as of the financial performance and of the cash flows corresponding to the financial year ended on this date, according to the Order of the Public Finance Ministry of Romania no. 3055/2009.

### Report on the conformity of the Administrator's Report with the Financial Statements

In accordance with the Order of the Public Finance Ministry of Romania no. 3055/2009, article no. 318, second point, we have read the Administrator's Report attached to the Financial Statements. The Administrator's Report is not part of the Financial Statements. We have not identified in the Administrator's Report financial information that is significantly non-compliant with the information presented in the attached Financial Statements.

On behalf of:  
**BDO AUDIT Ltd.**  
Registered to the Chamber of Financial Auditor's of Romania:  
By the no. 18/02.08.2001

**Name of the signatory:**  
Mircea Tudor  
Registered to the Chamber of Financial Auditor's of Romania:  
By the no. 2566/25.06.2008



Bucharest, Romania  
March 11, 2011

*This report is a translation of the original report in Romanian, which is solely valid.*



## BALANCE SHEET

EUR

	December 31, 2009	December 31, 2010
<b>ASSETS</b>		
Intangible assets	338,997	198,470
Investment in process	15,827	0
<b>Total intangible assets</b>	<b>354,824</b>	<b>198,470</b>
Property, Plant, Equipment	943,422	872,926
Investment in process	0	0
Other Fixed Assets	100,340	64,747
<b>Total fixed assets</b>	<b>1,043,762</b>	<b>937,672</b>
<b>Financial Investments</b>	<b>3,823</b>	<b>3,772</b>
Inventories	49,279	46,800
Accounts receivable	3,023,418	3,536,291
Cash	1,234,735	1,987,734
<b>Current Assets</b>	<b>4,307,432</b>	<b>5,570,825</b>
<b>Other current</b>	<b>15,788</b>	<b>32,399</b>
<b>Total Assets</b>	<b>5,725,628</b>	<b>6,743,138</b>
<b>LIABILITIES &amp; STOCKHOLDERS EQUITY</b>		
Financial Debt	0	0
Accounts Payable, others	2,680,775	3,563,208
<b>Total Liabilities</b>	<b>2,680,775</b>	<b>3,563,208</b>
Stockholders Equity	839,092	828,008
Reserves, others	1,895,299	2,207,562
Undistributed profit/losses	0	0
<b>Stockholders' Equity</b>	<b>2,734,391</b>	<b>3,035,570</b>
<b>Other Debt</b>	<b>310,462</b>	<b>144,360</b>
<b>Total Liabilities &amp; Equity</b>	<b>5,725,628</b>	<b>6,743,138</b>

Exchange rate (at the end of the period): Lei/EUR

4.2282

4.2848



## PROFIT AND LOSS ACCOUNT

EUR

	December 31, 2009	December 31, 2010
<b>Turnover</b>	<b>3.707.319</b>	<b>3.867.735</b>
Own Work Capitalized		
Total output	0	0
<b>Operating revenues</b>	<b>3,707,319</b>	<b>3,867,735</b>
Other Revenues	992,686	536,963
<b>Total operating revenues</b>	<b>4,700,005</b>	<b>4,404,698</b>
Materials	59,752	60,855
Energy	41,858	41,389
Other materials	0	0
<b>Total material costs</b>	<b>101,609</b>	<b>102,244</b>
Services	1,354,648	1,600,919
Taxes	13,532	43,268
Wages	1,700,083	1,629,612
Other operational costs	15,292	137,290
<b>Depreciation cost</b>	<b>1,344,159</b>	<b>406,739</b>
<b>Total Operating Costs</b>	<b>4,529,323</b>	<b>3,920,072</b>
<b>Profit before tax and interests</b>	<b>170,681</b>	<b>484,626</b>
<b>Operational profit</b>	<b>170,681</b>	<b>484,626</b>
Financial Income	94,807	61,177
Financial Costs	10,680	8,114
Interests	0	0
<b>Net Financial Income</b>	<b>84,127</b>	<b>53,063</b>
Extraordinary Income		
Extraordinary Costs		
<b>Net Extraordinary Income</b>	<b>0</b>	<b>0</b>
<b>TOTAL REVENUES</b>	<b>4,794,812</b>	<b>4,465,875</b>
<b>TOTAL COSTS</b>	<b>4,540,004</b>	<b>3,928,186</b>
<b>Profit before Tax</b>	<b>254,808</b>	<b>537,690</b>
Corporate Tax	52,481	95,803
<b>Profit after Tax</b>	<b>202,327</b>	<b>441,887</b>

Exchange rate (at the end of the period): Lei/EUR

4.2282

4.2848



## CASH FLOW STATEMENT

EUR

Cash flows from operating activities	2009	2010
<b>Net earnings before taxes and other extraordinary items</b>	<b>254,808</b>	<b>537,690</b>
Adjustments for:	-	-
Amortization and provisions for of intangible assets' depreciation	1,344,159	406,739
Provisions for risks and charges - net value	(23,841)	(20,918)
Receipts from sales of intangible assets		23,852
Receipts from interests	(92,176)	(58,704)
Interest payments	-	-
Earnings from investment subsidies	(988,220)	(519,211)
Unrealized exchange rate differences (providers)		350
<b>Operating profit before changes in working capital</b>	<b>494,731</b>	<b>369,798</b>
Decrease /(Increase) in accounts receivable and of other nature	(647,100)	1,829
Decrease /(Increase) in inventories	9,414	(569,630)
Increase /(Decrease) in accounts payable and of other nature	737,783	934,153
<b>Cash generated from operating activities</b>	<b>594,828</b>	<b>736,150</b>
Income tax paid	(46,235)	(95,803)
Profit-shares distributed to employees	(35,749)	(16,658)
<b>Cash flows before extraordinary items</b>	<b>512,845</b>	<b>623,689</b>
<b>Net cash flow from operating activities</b>	<b>619,273</b>	<b>623,689</b>
<b>Cash flows from investment activities</b>		
Purchase of intangible assets	(166,484)	(162,770)
Subsidies received		378,127
Interest received		(23,852)
Proceeds from disposal of intangible assets	-	58,704
<b>Net cash flow from investment activities</b>	<b>(166,484)</b>	<b>250,209</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(225,194)	(104,588)
<b>Net cash flow from financing activities</b>	<b>(225,194)</b>	<b>(104,588)</b>
<b>Increase /(Decrease) in cash and cash equivalent</b>	<b>121,167</b>	<b>769,309</b>
<b>Cash and cash equivalent at the beginning of the year</b>	<b>1,113,568</b>	<b>1,218,424</b>
<b>Cash and cash equivalent at the end of the year</b>	<b>1,234,735</b>	<b>1,987,734</b>

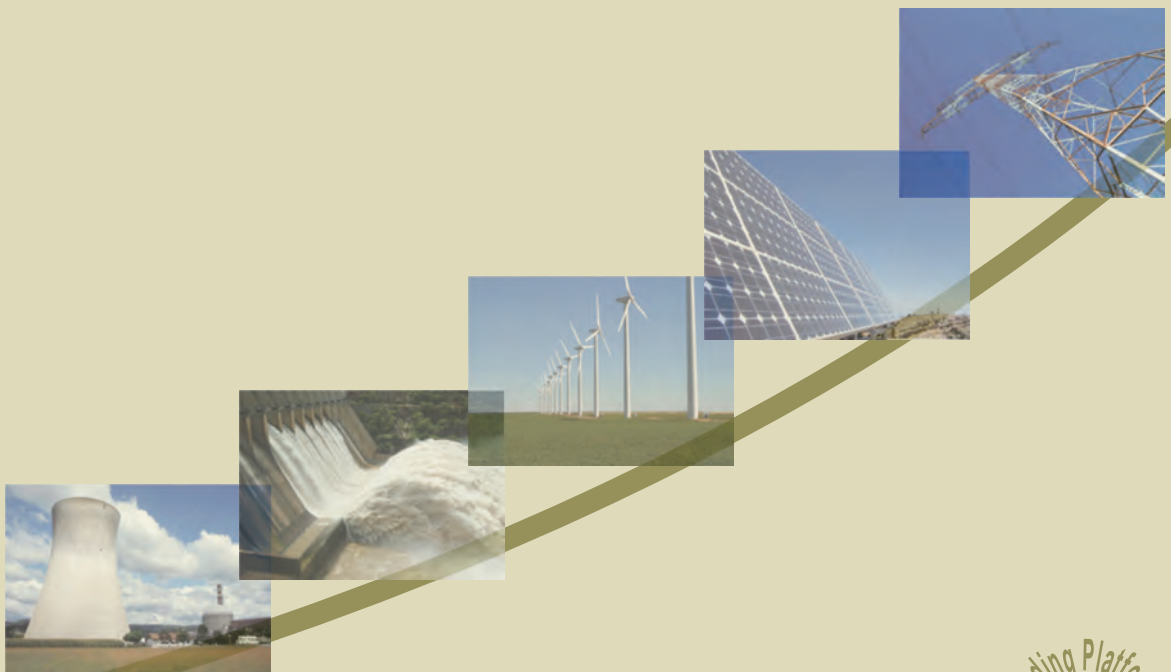
Exchange rate (at the end of the period): Lei/EUR

4.2282

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