




Opcom Annual Report 201'



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Message from CEO

During 2013 OPCOM efforts were casted towards strategic directions consolidation for extending the products portfolio offered for market participants and for integrating within European developments with relevance for energy market and for company's activity area.

To remind only some of the important achievements: the approval of the necessary rules to implement an electricity trade mechanism OTC type that is designed to meet the requirements of market participants by facilitating the execution of their intentions derived from traditional relations based on eligibility lists as a result of internal risk policy applied by market players. 2013 has ensured the implementation of necessary changes, both by OPCOM and by Transelectrica, for trading and notification of transactions up to two hours before delivery – process that is expected to start at the beginning of the next year by launching the Intra-Day Market using a similar pattern to those applied by other European power exchanges.

In 2013 OPCOM was licensed for operating the activity of administration of the centralized markets for natural gas, the accumulated experience in the electricity field being for OPCOM both a challenge and an obligation towards its partners – the market participants, by assuming similar challenges that strengthen the fully functioning market aim by complementary developments of natural gas market mechanisms.

The projects we are involved will further increase in order to meet the requirements of all market participants categories and to strengthen the strategic direction assumed, to bring more products and new services on the market and to implement the necessary actions for achieving the aim of Romanian market integration in the internal electricity market.

Together with the Regulatory Authority and Transmission System Operator from Romania, we continued the previous stages of market design that would couple the electricity markets from Romania, Czech Republic, Slovakia and Hungary starting with next year, the process of Day-Ahead Market coupling with the neighbouring markets being considered to be for the benefit of the market bringing the increase of liquidity and price consistency.

For lining to the common principles regarding the integrity and the transparency of wholesale energy market also, OPCOM continued to get involved in the actions with relevance for implementing REMIT provisions at national level, both for the aspect of reporting orders and trades to ACER and for the aspect of monitoring them efficiently both at national level and in collaboration with the Agency according to the common policies adopted in this regard.

I appreciate that we have registered considerable progress in 2013, which leads us to be confident that the OPCOM operational performance will further improve in 2014, promoting to reach the assigned targets for the next year.

On behalf of my fellow Directors Committee Board, I wish to thank our employees for their dedicated efforts and for the professional manner in which they took over the new responsibility for managing trades carried out exclusively on the markets administrated by OPCOM according to 123/2012 law. Also, I wish to thank our participants and other stakeholders for their continued support.

Victor Ionescu, OPCOM

General Shareholders Assembly

Dumitru Barascu	MECMA/ME
Aurelia Stefanescu - Coculeana	MECMA/ME
Simona Mariana Tudor	MECMA/ME

The company Operatorul Pietei de Energie Electrica si de Gaze Naturale "OPCOM" SA 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 as legal entity.

The share capital of OPCOM is amounting 3,547,850 lei and is 100% owned by CNTEE Transelectrica SA as single shareholder.

OPCOM was registered at 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.

The responsibilities derive from its role as organizer and administrator of the centralized electricity markets and settlement operator in the wholesale electricity market, according to in force ANRE regulations and License Conditions no. 407 - revision 2/2013 as well as from its role as organizer and administrator of the centralized natural gas markets according to in force ANRE regulations and License Conditions no. 1798/2013.

Just a few elements of OPCOM's activity are named below:

- spot trading of the electricity in the day-ahead market (DAM) and intraday market (IDM);
- term contracting through the centralized market for electricity bilateral contracts (CMBC and CMBC-CN);
- term contracting through the centralized market for natural gas (CMNG);
- environmental certificates trading on the green certificates market as well as on the trading platform for greenhouse gases emission certificates;
- settlement of the transactions concluded on Day-Ahead Market and Intraday Market;
- setting the collection rights/payment obligations for transactions established on Centralized Green Certificates Market;
- settlement of the electricity transactions concluded on the Balancing Market organized by CNTEE Transelectrica SA and the Imbalances of the Balancing Responsible Parties;
- administrated markets surveillance and results reporting to ANRE;
- providing relevant information to market participants, mass-media and general public.

Board of OPCOM

Anca Ioana Dobrica	MECMA/ME
Cristiana Chiriac	MECMA/ME
Nechita Stefanov	MECMA/ME
Silvia Bianca Nita	MECMA/ME
Victor Ionescu	OPCOM

Executive Management Report

The Romanian Gas and Electricity Market Operator "OPCOM" S.A. was founded with the mission to support the liberalization process of the electricity market, being the main tool for the implementation and consolidation of a competitive electricity market by providing the framework for transparent transactions between licensed participants.

The activity of OPCOM is focused on the organization and administration services for the centralized electricity markets and on the settlement services according to the responsibilities set out by the ANRE through provisions of in force regulations, Licenses Conditions granted by the relevant authority.

OPCOM has the role of the electricity market operator, and since July 2013 also of the centralized market in the natural gas sector, organizer and administrator of the green certificates market, according to primary and secondary legislation in force. OPCOM has the role of organizer and administrator of the trading platform for greenhouse gases emission certificates according to the framework established by the Ministry of Economy in accordance with the enforcement of legislation by the Financial Supervision 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 financial and administrative activities, information technology and telecommunications, development, international cooperation and public relations. The compliance of the centralized 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 the attention area of the quality assurance activity.

LEGAL, REGULATORY, INTERNAL ADMINISTRATIVE AND BUSINESS FRAMEWORK

OPCOM runs its activity in accordance with the provisions of the Electricity and Natural Gas Law no. 123/2012, Law no. 220/2008 on the system for promoting energy production from renewable energy sources (with subsequent amendments), the License no. 407 and the related license conditions - revision 1/2005, respectively 2/2013 for the administration activity of the centralized electricity markets, License no. 1798/2013 and the license conditions related to the administration activity of the centralized gas markets granted by the Regulatory Authority for Energy (ANRE) and with the provisions of the secondary legislation issued and approved by the relevant authority, the regulations approved by MECMA, the Rules governing the functioning and organisation of OPCOM and the internal rules and procedures.

In accordance with legal framework, the activities of OPCOM are fully regulated, OPCOM's revenues being provided under a regulated tariff established for the organization and administration services for the centralized electricity markets and settlement services in the wholesale electricity market, according to the responsibilities set out by in force ANRE regulations and License Conditions granted by the relevant authority.

OPCOM's economic and financial activity for 2013 was deployed based on the indicators established by the Ministry of Public Finance 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 2013 a decrease compared to 2012 considering that in 2013 the electricity consumption was fairly similar to that of 2012, but there was a sharp and unpredictable increase of exports, which led to an amount of electricity higher than expected planned values, being situated around the previous year's level and below the 2011 level.

The tariffs that apply to the services provided by OPCOM are established by ordinances of Regulatory Authority for Energy. For the period 2010-2012, the tariff approved for the services provided to the participants on the administrated markets was maintained constant, the authority considering the high level of profit should be recalibrated for all regulated activities. In 2013 the approved tariff for services provided to market participants was increased to the value of 0.37 lei /kWh according to ANRE Order no. 52/19.12.2012.

QUALITY MANAGEMENT SYSTEM

OPCOM implemented as early as 2003 a quality management system (QMS), certified by the British company Lloyds Register Quality Assurance (LRQA) according to the ISO 9001 standard. During the 10 years of implementation, OPCOM's QMS has been subjected to three recertification audits, in July 2006, July 2009 and July 2012, the last two recertifications being performed by LRQA according to ISO 9001:2008 standard.

The audits performed in 2013 on OPCOM's QMS, both the external (surveillance audit by LRQA from 03.07 - 05.07.2013 and certification audit concerning the extension of the certification area of SMC OPCOM for the field of activity "operator and administrator of centralized gas markets", performed by LRQA in the range 16.12 - 17.12.2013), as well as internal audits (planned audits from 17.06 - 20.06.2013 and 09.12 - 12.12.2013), once again highlighted the concern and commitment of the management to maintain and improve the Quality Management System of OPCOM SA. After those four audits from 2013 mentioned above, has not been initiated any non-conformity report / remark and has not been requested any solution to solve the problem or any corrective action.

IT SYSTEM ADMINISTRATION

Having as the main tasks the safely administering of 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&C 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 legislation from the energy sector.

The development activity throughout the year 2013 was oriented towards upgrading existing information systems, to allow them to reach a higher degree of performance and flexibility to respond more efficiently to the challenges of the energy market development in Romania, in conditions of increased safety. Providing technical support and maintaining the optimal parameters for the IT infrastructure are the performances reflected this year also by the successful setting of the market closing price on DAM and volumes traded for each hourly interval of the year 2013, completed with sustaining sessions for intraday market and the market for bilateral contracts. We must emphasize that after the issuing of the the Electricity and Natural Gas Law the activity volume of the administered markets increased significantly, but the modernization programs, carefully planned and efficiently carried out, ensured the taking over of this additional volume of activities without disturbing the flow and the quality of the services provided.

ADMINISTERED MARKETS OPERATION SURVEILLANCE

The market surveillance has continued its activity by monitoring the operation of the market, as well as the behaviour of the market participants according to the regulations, 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.

The periodic press releases, as well as the press releases occasioned by the market events were initiated.

OPCOM continued the monitoring activity of the implementation process of the Regulation (EU) No. 1227/2011 of The European Parliament and of The Council of 25 October 2011 on wholesale energy market integrity and transparency, entered into force on December 28, 2011 that establishes rules prohibiting abusive practices affecting the wholesale energy markets, promoting real and fair competition in these markets for end users benefit.

PERFORMANCES OF THE ADMINISTERED MARKETS

The Day Ahead Market

The spot market answered, this year also, to the opportunities and needs for balancing of the participants' obligations one day before delivery, in a context in which the degree of incertitude related to the foreseen evolution of electricity generation and consumption was maintained. An absolute record number of 141 participants were active on DAM platform in the last month of 2013, contributing to establishing of an absolute record related to the monthly average of around 2,526 MWh/h and to consolidating the yearly average of the hourly traded volume, positioned similar as in the previous year over the 1,800 MWh/h threshold.

The yearly analysis indicates an increase of the traded volume, from 388.927 MWh/h in 2005 to 1,865.969 MWh/h in 2013, as percentage from the domestic electricity consumption, the last value representing around 31%.

At the level of overall year, the number of participants that submitted at least one offer was of 171, representing a rate of interest of 69% if compared with the 248 companies registered at the market at the end of December 2013. All 171 participants concluded transactions, the hourly volumes varying in a range between 825 MWh/h and 3,914 MWh/h, this last value being for the first time higher than the threshold of 3,000 MWh/h, an absolute maximum for the 2005-2013 time horizon. Set in all intervals without exception, the hourly trades reached 1,000 MWh/h in 99% of cases, while the trades' volume was lower than 950 MWh/h (equivalent of 16% from the yearly hourly average consumption) in only 45 of the 8,760 hourly intervals.

The yearly weighted average price was of 165.06 Lei/MWh (37.31 EUR/MWh), while the yearly arithmetic average trading price was 156.20 Lei/MWh (35.34 EUR/MWh) in 2013, decreasing compared to the corresponding value of the year 2012, of 217.21 Lei/MWh (48.80 EUR/MWh). In 2013 the average price that corresponds to the spot trades is situated at the lower limit within the field variation of average prices established on the European spot markets (35 EUR/MWh; 63 EUR/MWh), at about 21 percentage below the European average that is evaluated to be 44 EUR/MWh according to the available data.

The Centralized Market for Electricity Bilateral Contracts - Public Auctions Mechanism (CMBC)

From the 284 participants that expressed interest on using the product within their own contracting strategies in 2013, representing 76% of the 376 companies registered on the market at the end of December, a number of 283 traded at least one of the 866 awarded offers, respectively a total volume of 32.8 TWh compared with 14.3 TWh in the previous year, result that indicates an increase of the interest for electricity term trading. Compared with the number of offers initiated for trading in 2013, the awarded offers represent more than 35%, the presence in each auction session being in average of 3 participants. The 2,492 sale/purchasing offers (compared with 609 in 2012) were initiated by 126 participants (compared with 46 in 2012), out of which 110 concluded transactions (compared with 33 in 2012).

The analysis shows that through the concluded trades, 2013 assures already deliveries for the following year of 20.9 TWh, volume representing a share of around 41% from consumption and being a favourable premise for the trading process in 2014. Comparatively, at the end of 2012 an electricity quantity of 10.7 TWh was contracted for delivery in the following year, the difference up to around 21.7 TWh, volume delivered in 2013 on CMBC, representing trades concluded in 2013 for delivery during the same year. The weighted average price for the electricity traded on CMBC in 2013, for delivery in the following years, was 182.94 Lei/MWh (41.26 EUR/MWh).

The deliveries contracted for 2013 represented a share of 41.50% from consumption, the related weighted average price being 209.53 Lei/MWh (47.35 EUR/MWh), result that compared with the spot price, 165.06 Lei/MWh, reflects the mutual support of the two markets.

The Centralized Market for Electricity Bilateral Contracts - Continuous Negotiation Mechanism (CMBC-CN)

The continuous trading mechanism attracted an increasing number of participants, initiators and respondents, a number of 764 standard contracts being awarded for delivery terms of one week, one month and one quarter, profiled for base-load and for off-peak hours, respectively an electricity volume of 625,113 MWh.

The deliveries contracted for 2013 totaled 271,420 MWh, respectively a share of 0.52% from consumption, the related weighted average price being of 180.49 Lei/MWh (40.86 EUR/MWh).

The Centralized Market for Green Certificates

In 2013 a record number of 4,161,317 of Green Certificates were centralized traded, at a weighted average price of 190.71 Lei/Green Certificate (42.66 EUR/Green Certificate, calculated at the exchange rate used for setting the trading values of the Green Certificates on the Green Certificates Market for 2012 and 2013).

The Trading Platform for greenhouse gases Emission Certificates

No trades with environmental certificates were concluded on this platform.

The Intraday Market

The electricity Intraday Market, in its first stage of implementation as an adjustment session with an auction deployed immediately after the trades confirmations for the Day-Ahead Market are issued, registers at the end of 2013 a number of 86 participants out of which 21 were active, the total traded volume being of 14,152 MWh.

Centralized Market for Natural Gas – Mechanism CMNG

No trades were concluded on this platform newly launched.

The Settlement

On the Day-Ahead Market, the electricity traded value of the trades concluded in 2013 totalled 2,698.0 mill. Lei (610.1 mill. EUR). On the Intraday Market, the the electricity traded value of the trades concluded in 2013 totalled 2.7 mill. Lei (0.6 mill. EUR).

Besides the accomplishment of the responsibilities deriving from the counterparty role assumed by OPCOM in the electricity spot trading process, the settlement activity supposed, in 2013 also, the fulfillment of the responsibilities derived from the process of setting the volumes, respectively the collection rights/payment obligations for:

- The trades on the Centralised Market for Green Certificates, in amount of 793.61 mill. Lei (177.54 mill. EUR), corresponding to the Green Certificates traded in 2013;
- The trades on the Balancing Market administered by CNTEE Transelectrica SA, in amount of 604.6 mill. Lei, corresponding to the upward balancing energy and, respectively 81 mill. Lei for downward balancing energy;
- The imbalances of the Balance Responsible Parties, in amount of 69 mill. Lei corresponding to the positive imbalances and respectively 570.8 mill. Lei corresponding to the negative imbalances, as well as the settlement for notification imbalances of the Dispatchable Units, in amount of 0.2 mill. Lei.

The values of the residual costs/revenues derived from the system balancing were also monthly determined and reallocated, amounts that totalled supplementary costs of 29.8 mill. Lei, respectively supplementary revenues of 11.1 mill. Lei.

ACTIVITIES FOR DEVELOPMENT OF PRODUCTS AND SERVICES OFFERED TOWARDS THE MARKET PARTICIPANTS

The OPCOM activities for developing new products and trading mechanisms in the electricity and natural gas field, as well as of improvement / perfection the existing products in order to meet the requirements of different categories of market participants, were materialized in documents prepared within the Working Groups organized by OPCOM, that are at final version stage and/or in analysis by the Competent Authority in order to be approved, for the following trading areas and that consisted of:

- Carrying out activities necessary for implementing the energy trading in continuous mechanism until 2 hours before delivery. This major changing that is expected to become operational at the beginning of 2014 corresponds to the European implementations given the need to integrate in the power systems the increasing volumes of electricity from renewable sources by maintaining their operational safety;
- On 11th of July 2013, the Memorandum of Understanding on Cooperation Leading to the Accession of Romanian and Polish Parties to the Czech-Slovak-Hungarian Market Coupling was signed by authorized representatives of National Regulatory Authorities (ERÚ, ÚRSO, MEKH, URE and ANRE), of Transmission System Operators (ČEPS, SEPS, MAVIR, PSE and Transelectrica) and of Market Operators/ Power Exchanges (OTE, OKTE, HUPX, TGE and OPCOM) from Czech Republic, Slovakia, Hungary, Poland and Romania;
- Carrying on the collaboration activity with Sibex SA by signing a framework document for futures contracts concerning both their development in partnership and their launch on SIBEX platform having as underlying product the spot market indexes ROPEX_DAM established by OPCOM; collaboration with EEX concerning the right to use ROPEX_DAM index for registering trades that have Romanian Power Base Future derivative financial contracts in order to diminish the volatility risk of DAM price and the risk calculation for compensation on notified positions in EEX;
- Carrying on within the Working Group the activity of implementing the very long terms delivery contract on The Centralized Market for Bilateral Contracts for electricity in order to meet the consumption requirements of large electricity consumers. The regulatory framework was finalized at the end of 2013;
- Carrying on the activity concerning widening the trading framework by developing and implementing specific mechanisms for OTC platform functioning that was materialized by publishing the ANRE Order no. 49/12.02.2013 concerning the organized trading framework on the Centralised Market with Double Continuous Negotiation for Electricity Bilateral Contracts within the Official Monitor no. 467/29.07.2013;
- Preparation and submission the documents concerning organized trading framework of green certificates bilateral contracts to Regulatory Authority for Energy;
- Obtaining the License no. 1798/19.07.2013 for the market administration activity of Centralised Markets for Natural Gas.

Markets: Progress and Results

Designed to administer the wholesale electricity market in accordance to the primary and secondary legislation in force, the market operator continued the pursuing as always efficiently assuming its role in every aspects, starting from facilitating trading on different time horizons through liquid exchange products in order to efficiently adjust portfolios, establishing a solid reference price and price signals for term electricity trading, assuming the role of counterparty and ensuring the integrity and transparency of the administered markets.

The credibility and consistency of the reference price and of the price signals for different horizons of future delivery are even more sustained as the liquidity exceeds the relevant thresholds generally accepted and the number of participants in transactions is higher.

The functional products for year 2013, all of them being trading instruments based on market mechanisms, were:

- centralized market for electricity bilateral contracts with both trading mechanisms, public auctions, respectively continuous negotiation;
- day ahead market;
- intraday market, in its first phase of development which began in July 2011 to respond to the needs for adjusting the positions updated in the time interval defined by the gate closing time for DAM bidding and gate closing time for IDM bidding;
- centralized green certificates market and trading platform for greenhouse gases emission certificates;
- centralised market for natural gas where contracts are concluded using a combined mechanism - auctions and negotiation .



Day Ahead Market	2013	2012	2011
Trades			
Total volume [MWh]	16,345,886,633	10,718,236	8,869,600
Avg. volume [MWh/h]	1,866	1,220	1,013
Market share [%]	31.27	19.88	16.37
Value [Euro]	609,930,037	538,421,206	461,873,344
Intraday Market			
Trades			
Total volume [MWh]	14,152	7,425	4,781
Avg. volume [MWh/h]	2	1	1
Market share [%]	0.03	0.01	0.02
Value [Euro]	614,703	524,309	311,661
Market for Bilateral Contracts attributed through public auctions			
Traded contracts			
Number	866	254	80
Volume [MWh]	32,807,210	14,252,684	5,557,220
Value [Euro]	1,353,757,824	729,805,608	271,037,236
Deliveries			
Volume [MWh]	21,688,671	7,872,825	4,659,945
Value [Euro]	1,026,974,497	384,714,527	178,338,505
Market share [%]	41.50	14.60	8.60
Centralized Market for Bilateral Contracts with Continuous Negotiation			
Traded contracts			
Number	764	1,477	2,798
Volume [MWh]	625,113	237,119	625,728
Value [Euro]	24,220,584	11,540,759	30,888,601
Centralized Market for Green Certificates			
Trades			
Number	4,161,317	1,342,801	410,628
Value [Euro]	177,536,238	75,525,051	23,056,762

The volumes contracted for delivery in 2013 on the markets administered by OPCOM, respectively in the Day-Ahead Market, the Intraday market and Centralised Market for Bilateral Contracts for electricity, totalled an electricity quantity of 38.3 TWh, equivalent of around 73% from the electricity consumption in 2013.

Additional to the electricity trades, over 4 million Green Certificates were traded centralised in 2013 on the platform administered by OPCOM.

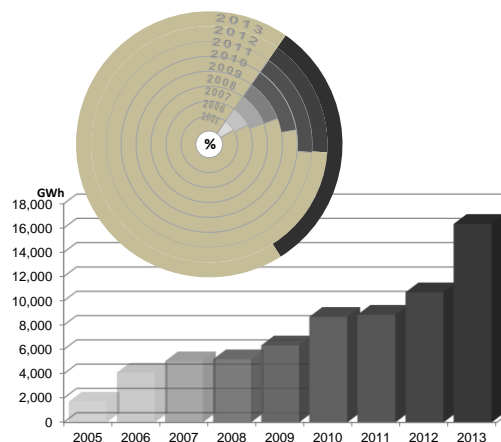
Day Ahead Market

Commercially launched on June 30, 2005, DAM offers to the wholesale electricity market participants the possibility to balance their portfolio (with delivery obligations) with a day before the delivery day as well as exploiting the opportunities appeared on the market close to the time of delivery. Participation to this market is allowed to all license holders registered as market participants on the DAM (electricity generators, suppliers and network operators).

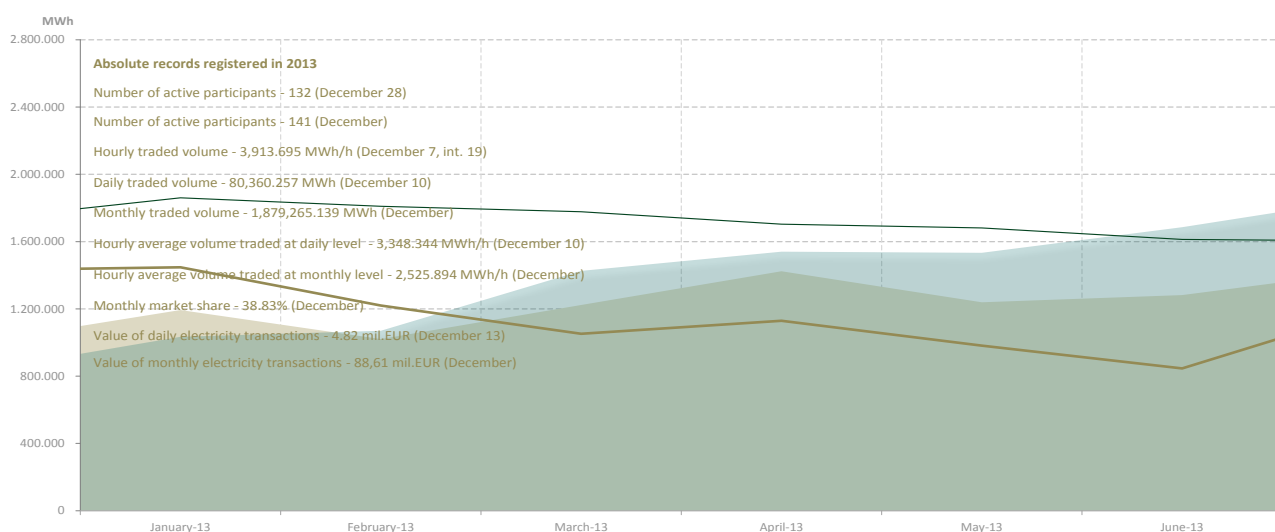
The activity in this market takes place in every calendaristic day and provides the framework required for setting firm transactions for hourly delivery of the electricity on each of the 24 hourly intervals of the following day.

The trading mechanism is based on closed auction, the trading price (market closing price) corresponding to the intersection point of the aggregated curves for sell and buy.

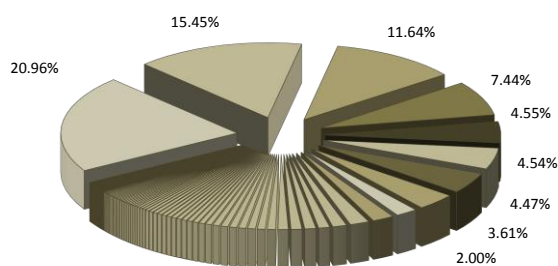
Beginning with the year 2008, OPCOM acts as counterparty on electricity transactions set on DAM, this mechanism being ment to ensure not only liquid trading but also secure trading.



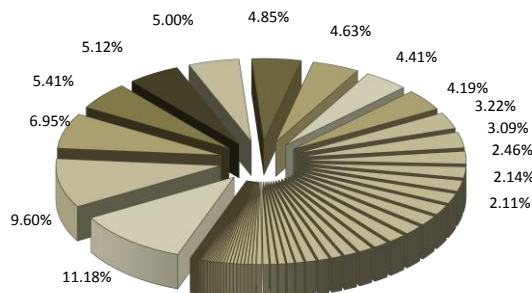
DAM volumes and shares (% from Romanian consumption). 2005-2013.



Evolution of price and volumes for spot (DAM) and forward (CMBC) trades. Significant values 2013.



Sell DAM market shares. 2013
HHI= 966



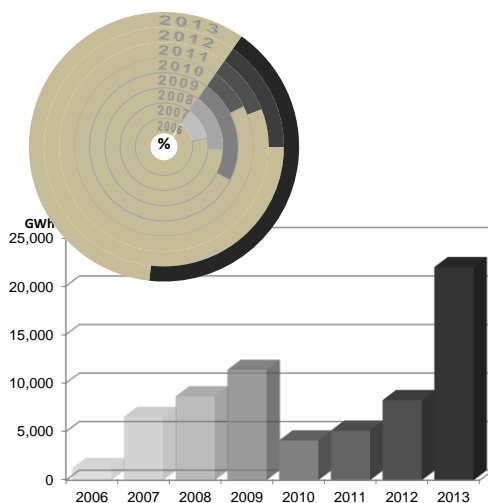
Buy DAM market shares. 2013
HHI= 493

Bilateral Contracts Markets

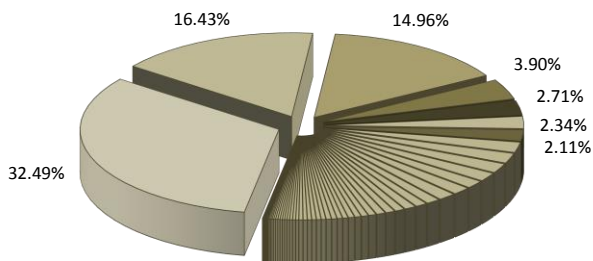
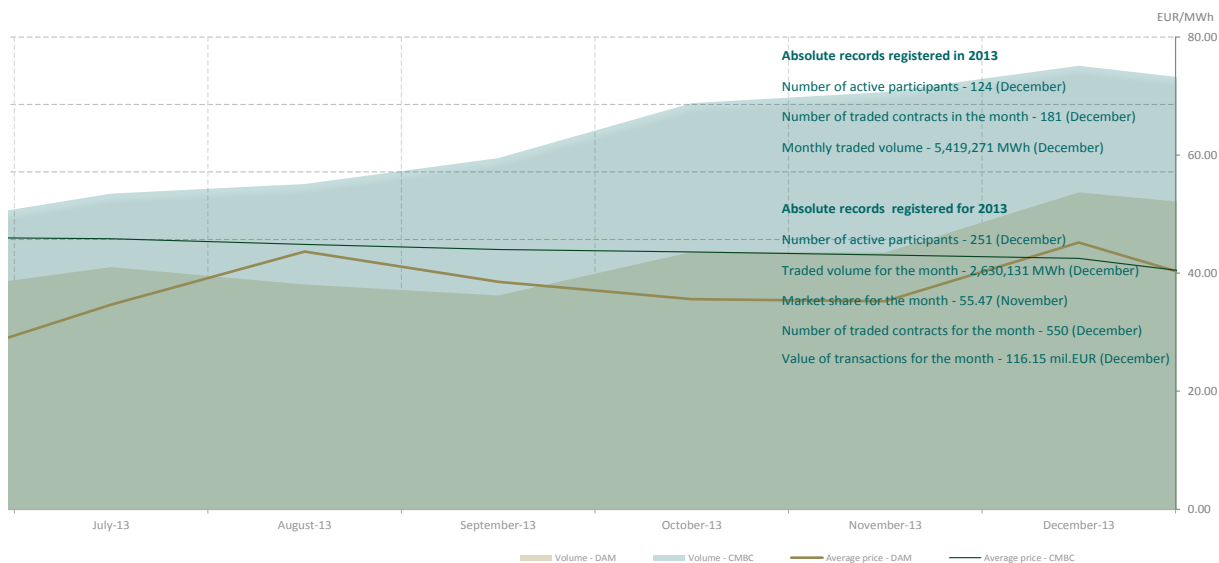
Commercially launched on December 1, 2005, CMBC offers to the market participants the possibility to trade electricity through public auctions, based on non-standardized offers, defined by market participants for delivery times longer than a month and unlimited as maximum delivery period. Trading through CMBC-CN mechanism ensures for the participants the possibility to trade electricity through electronic auctions organized on the OPCOM trading platform, based on simple quantity-price bids for standard instruments listed for standard delivery time longer than one week (week, month, quarter, year and multiples of these periods). Permanently are made available to the market participants 12 types of standard instruments for 29 different delivery periods.

All working days from a year are trading days.

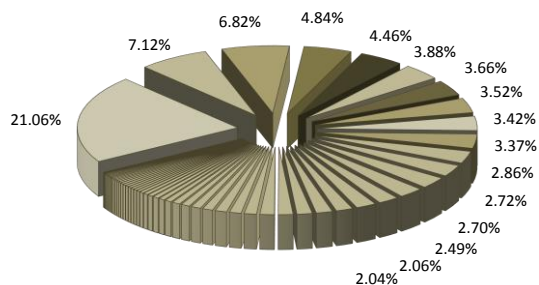
The trading mechanism is based on public auction for CMBC, respectively on the electronic trading through a public auction mechanism and continuous correlation for CMBC-CN.



CMBC volumes and shares (% form Romanian consumption). 2006-2013



Sell CMBC market shares. 2013
HHI = 1,609



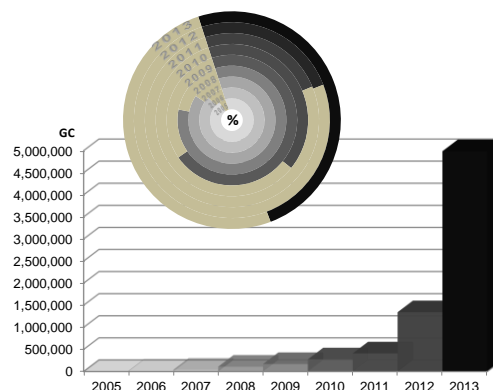
Buy CMBC market shares. 2013
HHI = 709

Green Certificates Market

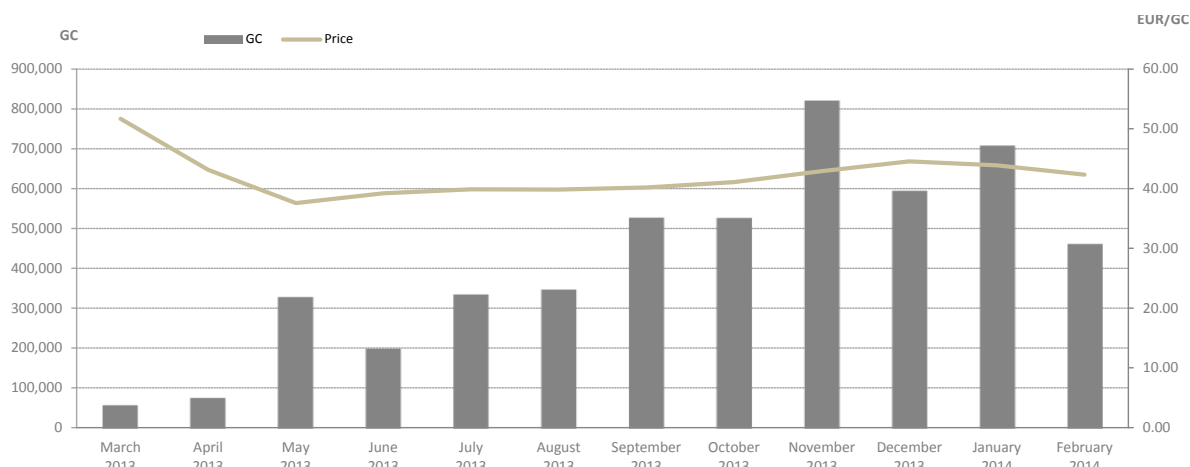
In Romania, as mechanism for promoting the electricity generation based on renewable energy sources the mandatory quotas system for acquisition of Green Certificates by the suppliers of electricity end consumers is operational.

The value of the Green Certificates represents an additional income for the generators for the «clean energy» they are delivering into the networks, the price of the Green Certificate being determined through market mechanisms, respectively through the Centralized Green Certificates Market (CGCM) organized and administered by OPCOM and the Bilateral Contracts Market for Green Certificates.

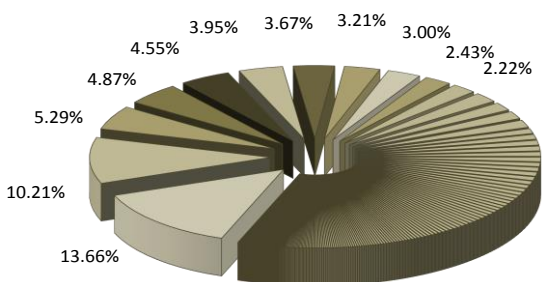
Commercially launched on November 16, 2005, CGCM is based on closed auction, the trading price corresponding to the intersection point of the aggregated curves for sell and buy of Green Certificates. For each participant in CGCM, based on the concluded trades, OPCOM sets the related trading confirmations, as well as the settlement notes including the values of the payment obligations/collection rights for each participant in CGCM.



CGCM – number and share (% from issued GC) 2005-2013

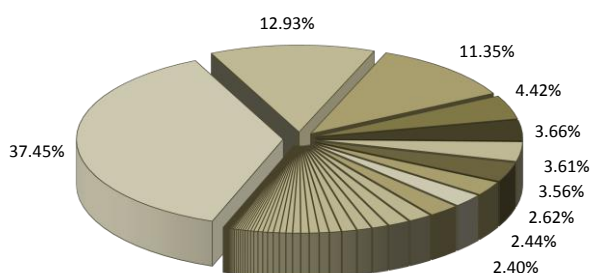


CGCM – Prices and traded green certificates. 2013



Sell CGCM market shares. 2013

HHI= 453



Buy CGCM market shares. 2013

HHI= 1,790

Market participants

Similar to other European exchanges, OPCOM's mission is to assure an organized framework for the transparent electricity trading, providing, at the same time, through the diversity of the products offered towards the market, the reference price (spot trading) and price signals (term trading) whose consistency and credibility were confirmed in 2013 by an increasing liquidity in terms of traded volumes and number of active participants.

The companies interest for becoming participants on the centralised markets administered by OPCOM increased, at the end of 2013 being registered a number of over 540 participants compared to around 270 one year before, each one of them having a contribution to the market development and positioning OPCOM also in 2013, among the European power exchanges with the highest market liquidity – spot market and medium and long term trading – which confirms the benefits of centralized and transparent trading of electricity, gas and environmental instruments.

Website and mass-media, main communication channels used by OPCOM

OPCOM's website, designed to contribute to the increase of the transparency degree, for public information related to the results of the markets competitive trades and for promoting the market and the company image, is also an access gate to the information of the energy markets developed in the European countries.

The information provided for each of the administered trading environments, that are facilitating for the market participants trading in conditions of increased security, as well as the possibility to accomplish the own activities of monitoring, the legislative elements that are governing the markets operation, are few of the important reference points of the website content.

The market participants, and not least the general public, are the target group of the regular press releases, summarizing the markets evolution and the information occasioned by the market events, while the market reports are presenting results, evolution trends and concentration indexes with daily, weekly and annual periodicity. The information, being processed without exception at a level not disclosing the market position of a certain participant, unless the regulations otherwise provide, is submitted toward the press or can be undertaken from OPCOM's website.

The interested stakeholders/the mass-media benefited permanently on information related to the company's activity through the announcements – news as operational messages for each of the markets administered by OPCOM published on company's website, including for the markets being under implementation.

The press grants attention to the daily results from the trading platforms of OPCOM, as well as to the press releases and interviews with OPCOM's management. In 2013, the relationship with the press materialized in the organization of numerous meetings. The interviews were granted to specialized journalists in the country and abroad, from: Bursa, Ziarul Financiar, Business Magazin, Piata Financiara, Companii Energetice, Power Romania, Expert Forum, Green Report, Energy Report, Enegnomics, respectively ICIS – Heren, Thomson Reuters, SunGard, Prospex Research, EnergyQuote JHA. Thus, 30 news and commentaries related to OPCOM's activity were published in the daily reports of ICIS Heren during 2013.

Information technology and telecommunication infrastructure

Maintaining, continuously and at permanent high level of performance, of the operation of OPCOM and the markets it is administering, as well as assuring solid premises for the development represented, also in 2013, the key principles that governed the activity in the information technology and telecommunication domain, thus confirming the traditional standard of excellence specific us from technical point of view as well as related to the professionalism of the human resource. The longstanding experience acquired by OPCOM in this domain confirmed, also this year, the fact that a correct, constant, coherent and think ahead approach of the efficient administering and development of the information technology and telecommunication infrastructure represents a vital element in order to assure a secure, continuous and reliable operation of the administered markets and at the same time for the development of the products portfolio and for increasing the efficiency of the internal activities.

The activity deployed during 2013 was focussed on assuring the infrastructure component needed for reaching the company's goals, superior parameters of operation of the information technology and telecommunication infrastructure being reached through a safe administering of the systems as well as their development in order to accommodate the evolution of the corporate and product portfolio development processes and the preparations for the implementation of the regional integration process.

The appropriate administering of the information systems was assured on daily basis, the information technology and telecommunication infrastructure having a continuous operation and with high parameters, needed so in order to fulfil integrally and correctly the responsibilities set for the company by the primary and secondary legislation.

This daily approach was accompanied by the performance, simultaneously and without affecting the operation parameters of the infrastructure used in the current market and internal operations, of several modernizing and development programmes. By these programmes an appropriate support was assured corresponding to the intensification of activities, as well as for the development and implementation of new trading products, of new requirements derived from the legislation having relevance for the company.

The infrastructure modernizing and development activities included ensuring the needed premises from this point of view for an implementation with maximum efficiency of the requirements derived from the implementation of the Reverse Charge Mechanism, respectively for the new tariffs system, as well as for the modernization of the settlement platform for the Day Ahead Market and the Balancing Market, with increase on performance and automation degree. The activity also included internal projects for software development.

It was successfully ensured the development and implementation of the IT infrastructure elements needed in the context of trading products portfolio development, including the modernization of the system for the electricity Intraday Market based on continuous trading (24 hours, every calendar day), respectively in the context of implementation of the Centralized Market with double continuous negotiation for electricity bilateral contracts (OTC type), the Electricity market for large consumers, the Centralized Market for bilateral contracts for Green Certificates, the Centralized Market for Natural Gas.

An important component of the activity performed this year consisted in an intense participation in the 4M MC Project dedicated to the coupling of the electricity Day Ahead Markets from the Czech Republic, Slovakia, Hungary and Romania, project having a significant impact from the point of view of the needed upgrading and adaptation of the information technology and telecommunication infrastructure of the company.

An important contribution to all these achievements, with performance and accomplishment of planning, was due to the high professional level and the dedication of the involved teams, including OPCOM's staff as well as the experts of the platforms suppliers, whom we thank for by this means.

National and international cooperation

One of the key pillars that are ensuring the stable and consistent evolution of OPCOM is permanently acting for its sustainable and coherent development.

Our development activities followed these principles also in 2013, the basis of the company's results and performance being ensured by the activity and the dedication of company's entire team.

At the same time, the important support provided by the European Commission and the World Bank through the financed development programmes deployed during the previous years must be outlined, as well as by the consultants and IT technology suppliers, previous and current partners of the company, that will continue to contribute to the development of the human resource, from corporate and as well technological point of view, fact that is entitling us thank them all.

The development of the cooperation activity, national and international, continued to be an important goal in 2013.

At national level, according to our area of competency, it was assured the cooperation with the involved national authorities, the correct fulfillment of the responsibilities granted us by the primary and secondary legislation and by the national energy strategy being guaranteed. At the same time, special attention was assured for the client relation development, for increasing the level of satisfaction of the participants in the administered markets and for consolidating their trust, as well as for developing the products portfolio entirely complying with the applicable legislation.

During 2013, continued the tradition of dynamic participation in the activity of the national associations where the company is affiliated. The participation in activities deployed by the Romanian National Institute for Energy Development Studies (IRE), the Romanian National Committee of World Energy Council (RNC-WEC), Romanian Energy Centre - CRE, the Society of Power Engineers in Romania (SIER) and the Employers' Association ENERGIA (APEN) facilitated an appropriate promotion of the company's objectives, products and image.

The approach of the international cooperation relations continued to be governed by the principles of correctness, pragmatism and efficiency, being aware on the role that a careful and balanced development of the cooperation relations, based on continuity, it can play within the overall framework of factors that are contributing to a successful evolution. The activity deployed during 2013 outlined the viability of such an approach, considering, also, the context of the European, regional and national evolutions, as well as the strategic goals of the company.

The international cooperation followed a correct and careful representation and promotion on bilateral direction, towards companies potentially interested on accessing the trading environments administered by the company respectively that expressed interest for their better understanding, with the European counterparts, as well as within the context of fulfilling the responsibilities deriving as affiliate to several international associations - the Association of European Energy Exchanges (EUROPEX), the International Association of Energy Exchanges (APEX), the European Electricity Industry Union (EURELECTRIC), the World Energy Council (WEC).

An enhanced attention was granted to the appropriate active positioning and the effective and correct regional and European integration, in a context marked by the intensification of the European energy markets integration and of the efforts deployed by all European stakeholders involved in the establishment of the implementation framework for the Target Model of the of the European Internal Energy Market and the related mechanisms. Within this framework, it was approached a pragmatic and constructive participation in the working and decisional processes deployed under the EUROPEX environment, an efficient participation of the association to the European joint efforts aiming the achievement of this major strategic goal being supported, together with the European Commission, ACER and the other involved European organizations.

European integration

In 2013, the actions deployed by OPCOM, along with all Romanian involved stakeholders, intensified aiming the effective cooperation within the context of agreeing on the framework and starting the development activities dedicated to the implementation of the coupling mechanism for coupling the Romanian Day-Ahead Market on Central-Eastern European direction. These activities are outlining in a concrete manner the determination of Romania to fulfil the directives, regulations and decisions set by the European bodies, assuming, as Member State of European Union, an effective contribution to the process dedicated to the achievement of the strategic goal of the European Union of establishing the European Internal Energy Market and its completion by 2014. Being aware on the importance that assuring the premises for the success of this approach is having as strategic impact not only at national level, but also at the European one, considering, at the same time, the opportunities that it can open at the level of the South-Eastern European region, OPCOM mobilized its resources and made all its efforts for an active, coherent, sustainable and efficient contribution to this complex process.

A special attention continued, also, to be granted to the European and regional evolutions dedicated to the development of the framework and the mechanism of the Target Model of the European Internal Energy Market, considering the importance of their appropriate monitoring by integration perspective. The support for the efforts committed by the Romanian involved stakeholders in these processes included a pro-active participation in the activities deployed together with the Department of Energy, the Regulatory Authority for Energy (ANRE) and the Romanian Transmission and System Operator - CNTEE Transelectrica SA, aiming to ensure an efficient integration of the national market in the regional and European specific mechanisms. Equally, OPCOM continued to carefully monitor and analyse the evolutions registered at the level of the Project of developing the Price Coupling of Regions (PCR) mechanism developed by seven European exchanges.

The intensive activities within the cooperation framework dedicated to extending the electricity Day-Ahead markets coupling from the Czech Republic, Slovakia and Hungary towards Romania and Poland and the launch of the activities under the 4M MC Project (the project of coupling the markets of the Czech Republic, Slovakia, Hungary and Romania including the implementation of the price coupling based on the Price Coupling of Regions solution) had a key role within the integration process. Specific cooperation and development stages were followed, preceding the start of the implementation of the market coupling mechanism, of the contractual and procedural framework, the multilateral cooperation activities deployed together with the partners under the 4M MC Project being complemented with internal development activities that, from OPCOM's point of view, covered all relevant areas for this development, on corporate level as well as technological, technical, operational and commercial level. The efficient and effective mobilization of the resources, including human, ensured the fulfillment of all responsibilities derived for OPCOM within the Project, according to the planning agreed from 2013, thus being assured an active participation to the common activities in the Project as well as at local level. By these means the solid grounds were assured as needed for the successful accomplishment of the further development specific stages of design and implementation of the 4M MC markets coupling.

OPCOM continued its European integration efforts related to complying with requirements regarding energy market integrity and transparency. Through its concerns, OPCOM confirmed its determination to support the implementation by Romania, as a Member State, of the measures to ensure the integrity of the internal energy market as provided in REMIT.



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INDEPENDENT AUDITOR'S REPORT

to the shareholders of the Power Market Operator „OPCOM”

1. We have audited the attached Financial Statements of the Operatorul Pietei de Energie Electrica si de Gaze Naturale „OPCOM” SA (henceforth called “the Company”) comprising the Balance Sheet at 31 December 2013, 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: 13,095,837 lei
- Net Result of the financial year: 544,201 lei, profit

The Responsibility of the Company's Management towards the Financial Statements

2. The Company's management 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 us 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.

4. An audit consists in performing procedures in order to obtain probative data related to 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 risks of significant alterations of the Financial Statements due to fraud or errors. In performing the assessment of these risks, 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 includes evaluating the degree of adequacy of the accounting policies used and the reasonability of accounting estimates elaborated by the management, as well as assessing the presentation of overall Financial Statements.

5. We consider that the probative audit data that we have obtained are sufficient and adequate for forming the basis of our audit opinion with reserves.

Basis for Opinion with Reserves

6. As mentioned in Note 2 – Provisions for Risks and Expenses, the Company registered in the Financial Statements the amount of 850,000 Lei (representing 189,500 EUR), related to the fine communicated by the European Commission on 05.03.2014. The manner of allocation by the Company and the majority shareholder of the difference up to the total amount of the fine, in amount of 1,031,000 EUR, will be established in the period following the date of the present Report.

Opinion with Reserves

7. In our opinion, excepting possible effects of the aspects described in paragraph [6], the Financial Statements provide an accurate image, on all significant aspects, of the Company's financial position as at 31 December 2013, as well as of the financial performance and of the cash flow corresponding to the ended financial year, according to the Order of the Minister of Public Finance No. 3055/2009.

Making Evident Several Aspects

8. According to the aspects mentioned in Note 4 – Analysis of Operation Result, the Company was not subject of a fiscal control for a period larger than 5 years. Considering the often changes of the fiscal legislation in this period, an eventual control could lead to differences between the amounts presented in the Financial Statements and the conclusions of the fiscal authorities.

Other Aspects

9. This Report of the independent auditor is addressed exclusively to the Company's shareholders. Our audit was performed in order to be possible to report towards the Company's shareholders on those aspects that we must report in a financial audit report and not for other purposes. By the measure allowed by the law, we are not accepting and are not assuming the responsibility otherwise than towards the Company and its shareholders for our audit, for the report on the Financial Statements and the report on the conformity or on the formed opinion.

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

10. 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 31, 2014



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



BALANCE SHEET

EUR

	December 31, 2012	December 31, 2013
ASSETS		
Intangible Assets	467,873	596,957
Investment in process		
Total Intangible assets	467,873	596,957
Property, Plant, Equipment	1,363,576	1,171,624
Investment in process		
Other fixed assets	92,281	94,237
Total Fixed Assets	1,455,857	1,265,862
Financial Investments	100,807	3,889
Inventories	46,560	44,267
Accounts receivable	8,022,165	8,765,478
Cash	825,968	2,675,069
Current assets	8,894,693	11,484,813
Other current assets	45,993	17,701
Total Assets	10,965,223	13,369,223
LIABILITIES & STOCKHOLDERS EQUITY		
Financial Debt		
Accounts Payable, others	7,960,806	10,209,736
Total Liabilities	7,960,806	10,209,736
Other debt	51,404	239,372
Stockholders' Equity	801,104	791,101
Reserves, others	2,152,259	2,131,314
Undistributed profit/losses	-350	-2,300
Total Liabilities & Equity	2,953,013	2,920,114
Total Pasive	10,965,223	13,369,223

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

4,4287

4,4847



PROFIT AND LOSS ACCOUNT

EUR

	December 31, 2012	December 31, 2013
Turnover	3,653,121	4,420,667
Own Work Capitalized		
Total output		
Operating revenues	3,653,121	4,420,667
Other Revenues	99,445	123,768
Total operating revenues	3,752,565	4,544,436
Materials	53,655	73,952
Energy	98,078	108,395
Other materials		
Total material costs	151,733	182,347
Services	1,367,470	1,541,292
Taxes	16,242	18,246
Wages	1,712,564	1,894,828
Other operational costs	26,410	224,143
Depreciation cost	332,913	494,472
Total Operating Costs	3,607,331	4,355,327
Profit before tax and interests	145,234	189,109
Operational profit	145,234	189,109
Financial Income	37,626	21,882
Financial Costs	12,261	12,952
Interests		
Net Financial Income	25,365	8,930
Extraordinary Income		
Extraordinary Costs		
Net Extraordinary Income		
TOTAL REVENUES	3,790,191	4,566,318
TOTAL COSTS	3,619,593	4,368,279
Profit before Tax	170,599	198,039
Corporate Tax	33,160	76,693
Profit after Tax	137,439	121,346

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

4.4287

4.4847



CASH FLOW STATEMENT

EUR

	December 31, 2012	December 31, 2013
Cash flows from operating activities		
Net earnings before taxes and other extraordinary items	170,599	198,039
Adjustments for:		
Amortization and provisions for intangible assets' depreciation	332,913	494,472
Provisions for risks and charges - net value	-7,371	188,383
Receipts from sales of intangible assets	-685	-4,209
Cost of assets disposed	334	
Receipts from interests	-33,173	-18,845
Interest payments		
Earnings from investment subsidies		
Operating profit before changes in working capital	462,615	857,841
Decrease /(Increase) in accounts receivable and of other nature	4,326,681	6,371,639
Decrease /(Increase) in inventories	-2,592	1,712
Increase /(Decrease) in accounts payable and of other nature	-4,174,595	-4,688,092
Cash generated from operating activities	612,109	2,543,099
Income tax paid	-29,393	-95,939
Net cash flow from operating activities	582,716	2,447,160
Cash flows from investment activities:		
Purchase of intangible assets	-686,630	-495,729
Interest received	685	4,209
Proceeds from disposal of intangible assets	33,173	18,845
Net cash flow from investment activities	-652,772	-472,675
Cash flows from financing activities:		
Dividends paid	-382,358	-115,070
Net cash flow from financing activities	-382,358	-115,070
Increase /(Decrease) in cash and cash equivalent	-452,415	1,859,415
Cash and cash equivalent at the beginning of the year	1,278,383	815,654
Cash and cash equivalent at the end of the year	825,968	2,675,069

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

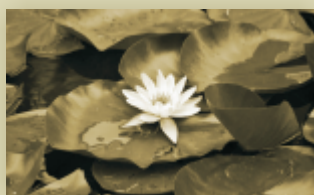
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