

ANRE, Regulatory Authority for Energy
Str. Constantin Nacu nr. 3, Bucuresti, Sector 2,
Cod postal 020995, ROMANIA

Att: Mr. Nicolae Havrilet, President

Cc:
OPCOM
Mr Victor Ionescu, Chief Executive Officer

DG Energy, European Commission
Mr Matti Supponen
Mr Andras Hujber
Mr Augustijn van Haasteren

6 November 2014

Subject: Impact of the Ordinance no. 78 on the Romanian electricity wholesale market

Dear Mr Havrilet

For some years, the European Federation of Energy Traders (EFET¹) has been monitoring developments in the Romanian wholesale electricity market in cooperation with AFEER (Association of Electricity Suppliers in Romania). We regard the limitation of trading possibilities like the twenty-month ban on trading wholesale power outside the market operator OPCOM with increasing concern.

The Ordinance no. 78 issued by the Romanian Electricity and Gas Regulatory Authority (ANRE) and published in the Official Gazette no. 621 on 25th August 2014 will worsen the situation as it stipulates:

- an explicit interdiction to trade any other products than base load, peak load and off-peak load
- an explicit interdiction to add any kind of flexibility to the above-defined products
- an explicit interdiction to trade contracts without a fix price

as of 15 January 2015.

Unfortunately, concerns raised by the majority of market participants in the consultation prior to the adoption of the Ordinance were ignored by ANRE.

As a first consequence of the Ordinance no. 78, small RES producers will lose the possibility to hedge their production on a forward basis, because they will not be able to carve standard products out of their generation curve, which is mainly defined by the prevailing weather conditions and therefore difficult to accurately forecast.

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. EFET currently represents more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org.

The interdiction to trade other contracts than the ones with a fix price will lead to the disappearance of all market-access type of contracts, which usually have an indexed price formula, linked to the OPCOM DAM price. Small market participants, even if they do not intend to trade on the OPCOM DAM spot exchange will now have to become participants to the OPCOM DAM and ID market and will be obliged to invest into the necessary infrastructure and personnel in order to balance their portfolio.

The interdiction to sell/buy products with flexibility in terms of load and volume will lead to a significant decrease in the liquidity of the forward market, since approximately 40% of all transactions performed during the last two years on the OPCOM PCCB platform were such products.

Furthermore, the Ordinance no. 78 limits the contractual possibilities of the participants. It discriminates small RES producers and suppliers, and will lead to less competition and rising prices in the market. The Ordinance prevents the Romanian market from becoming a fully developed market where flexible products are irreplaceable for the efficient functioning of the electricity market. If, for example, a Romanian aluminum producer similarly to some of its foreign competitors decides to purchase electricity indexed to the price of aluminum, he will not be able to do it as he will be blocked by this Ordinance.

Also forward spark or dark spread products cannot be traded anymore.

The resulting market set-up as the consequence of the Ordinance no. 78 does not allow a trading company acting on behalf of several other companies on the Romanian market (either within the company group or providing services to third parties) to trade freely on the market and on the OPCOM platforms, and to have the common portfolio. Each company should place separate bids on the OPCOM platforms (in case of OPCOM DAM, ID and bilateral market also with different access tokens), thus making trading activities increasingly complex. Many of the market participants on the Romanian market are small (renewable) power producers which were so far not trading directly.

The adaption of the Ordinance no. 78 runs counter to the EU goal of a single European market and will interfere with the successful completion of the market coupling project with Hungary, Slovakia and Czech Republic, planned for mid-November 2014.

In light of the above, we herewith request the addressees to establish a dialogue with ANRE and the Romanian authorities as soon as possible in order to discuss the matter and remove discriminatory trading barriers.

We would be happy to answer any questions that you may have.

We are looking forward to your response.

Yours sincerely,

On behalf of the European Federation of Energy Traders



Sandra Milardovic

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