

Romania Regulatory Process

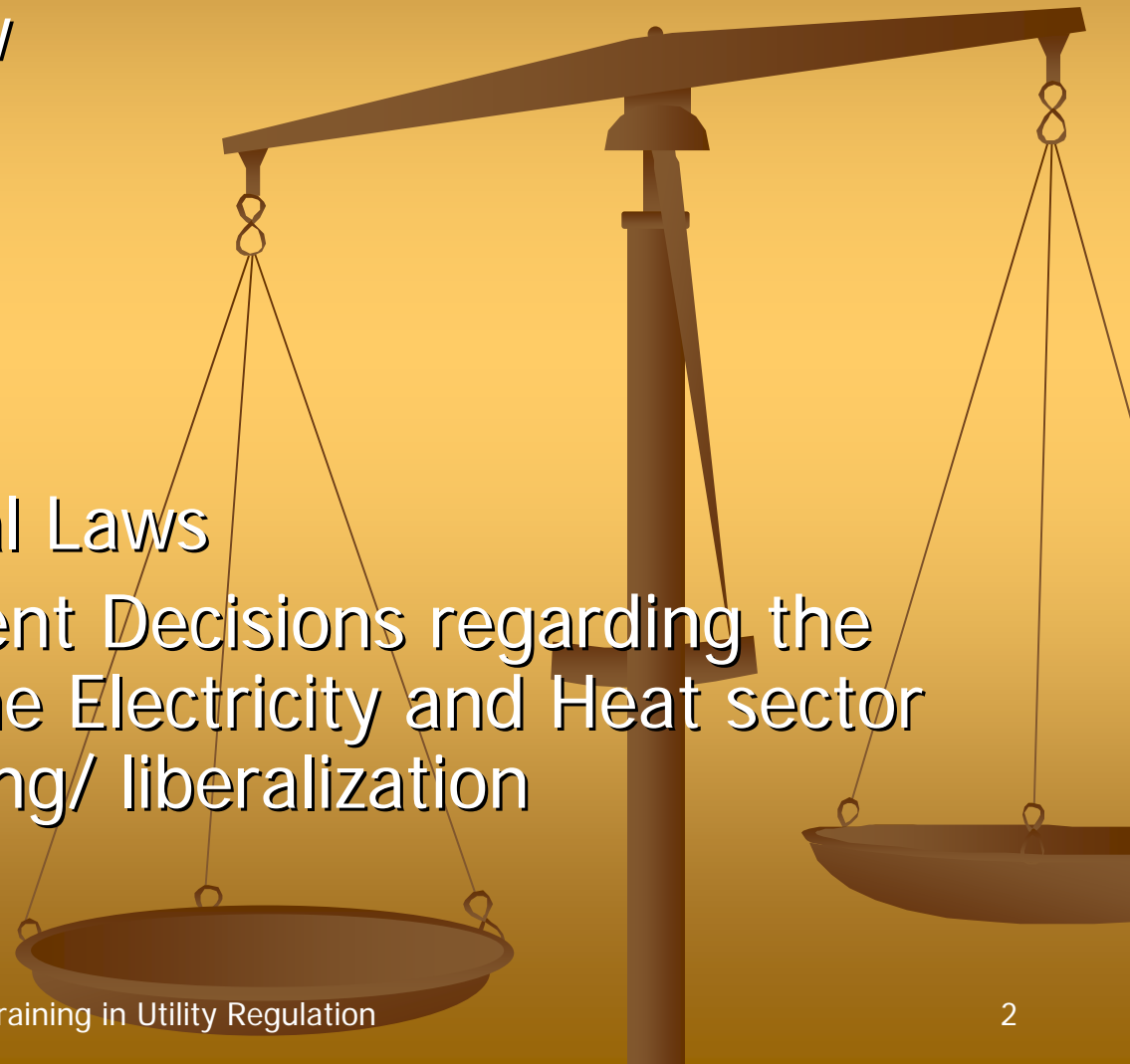


Training in Utility Regulation
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Romania

Legal framework

- Electricity and Heat Law- 318/ 2003
- Public Service Law
- Concession Law
- ┌ Competition Law
- ┌ Corporation Law
- ┌ Property Law
- Accounting& Fiscal Laws
- Various Government Decisions regarding the restructuring of the Electricity and Heat sector and market opening/ liberalization



Key principles of the Romanian energy policy

- Create an electricity market based on fairness, transparency and non-discrimination
- The Government should retain only the function of policy- maker and owner of assets
- Establish a Regulator to regulate monopolies (where they remain), and to foster competition;
- Legal unbundling of sector activities: generation, transmission, distribution and supply;
- Gradual introduction of competition in generation and supply;
- Market participants will be licensed
- Regulated access for third parties to electricity network

Government as a policy maker

- Develop long/ medium term Strategy of Electricity and Heat Sector- approved by Parliament
- Establish Sector's objectives for short/ medium term
- Develop policies and programs to meet the objectives
- Sell/ concession the assets/ services he detain in the Sector
- Approve national technical and health rules
- Establish and implement Social Policies

Functions of ANRE as a regulatory body

- Issue and withdraw authorizations and licenses
- Regulate the access to the T & D grids
- Draw up the pricing methodology and set the tariffs and prices for the activities with monopoly characteristic
- Issue technical and commercial regulations, supervise the functioning of market mechanisms
- Pre-contractual disputes resolution
- Protect the interests of investors and energy end-users

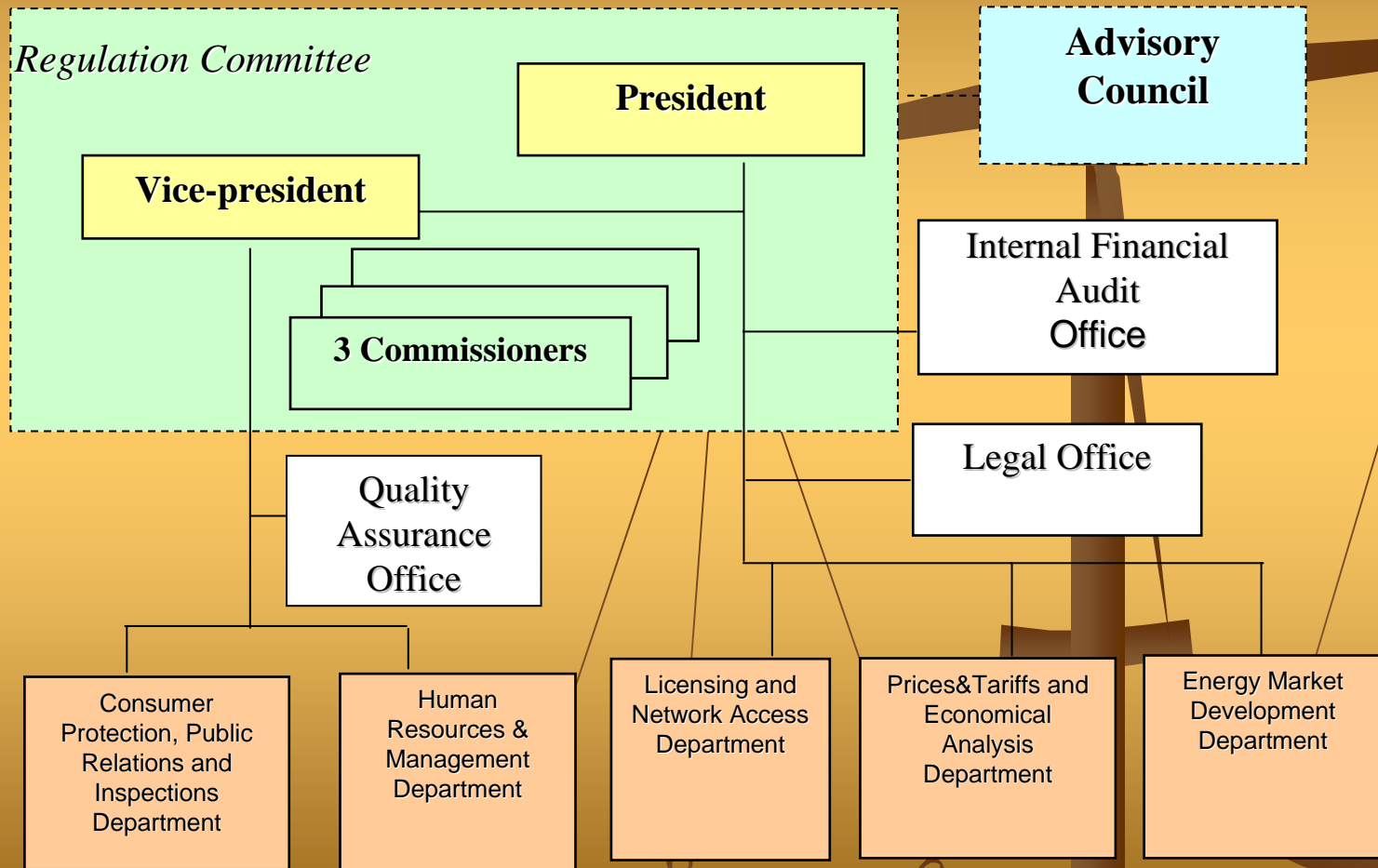
ANRE's Organization and Objectives



ANRE- the Commission

- **ANRE** - public institution under the co-ordination of the Prime Minister
- **Mission** - to create and implement fair and independent regulations to ensure an efficient, transparent and stable functioning of the electricity and heat sector and markets while protecting the interests of consumers
- **Appointment Power** - President and Vice President of ANRE are appointed by the Prime Minister for 5 years, upon proposal of the Minister. The other 3 Commissioners are appointed for 5 years by the Minister.
- **Interdiction to have commercial interests**- Commissioners and ANRE staff cannot have political or economical functions other than teaching.
- **Advisory Council** – 9 members from the electricity industry, trade unions, professional organization, customers
- **Financing** - sources outside the state budget covered from license and authorization fees and contributions paid by sector companies

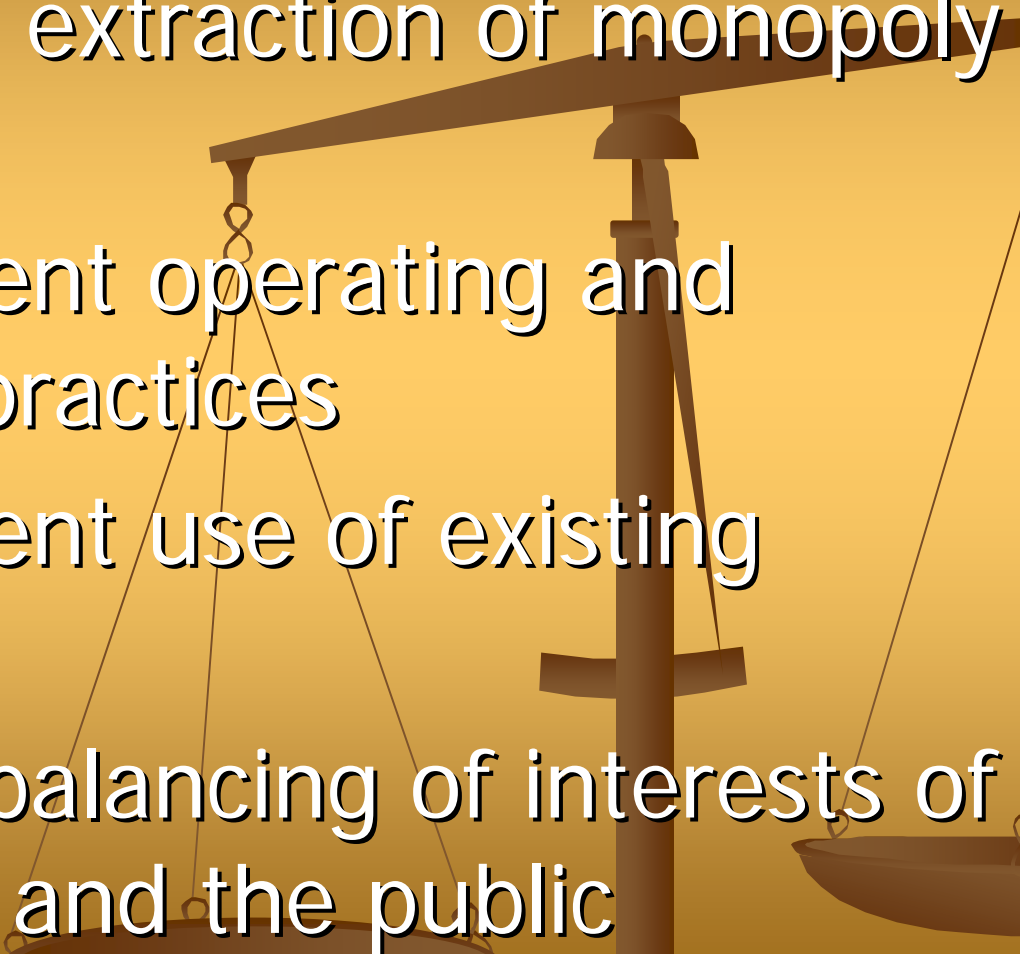
Organizational chart of ANRE



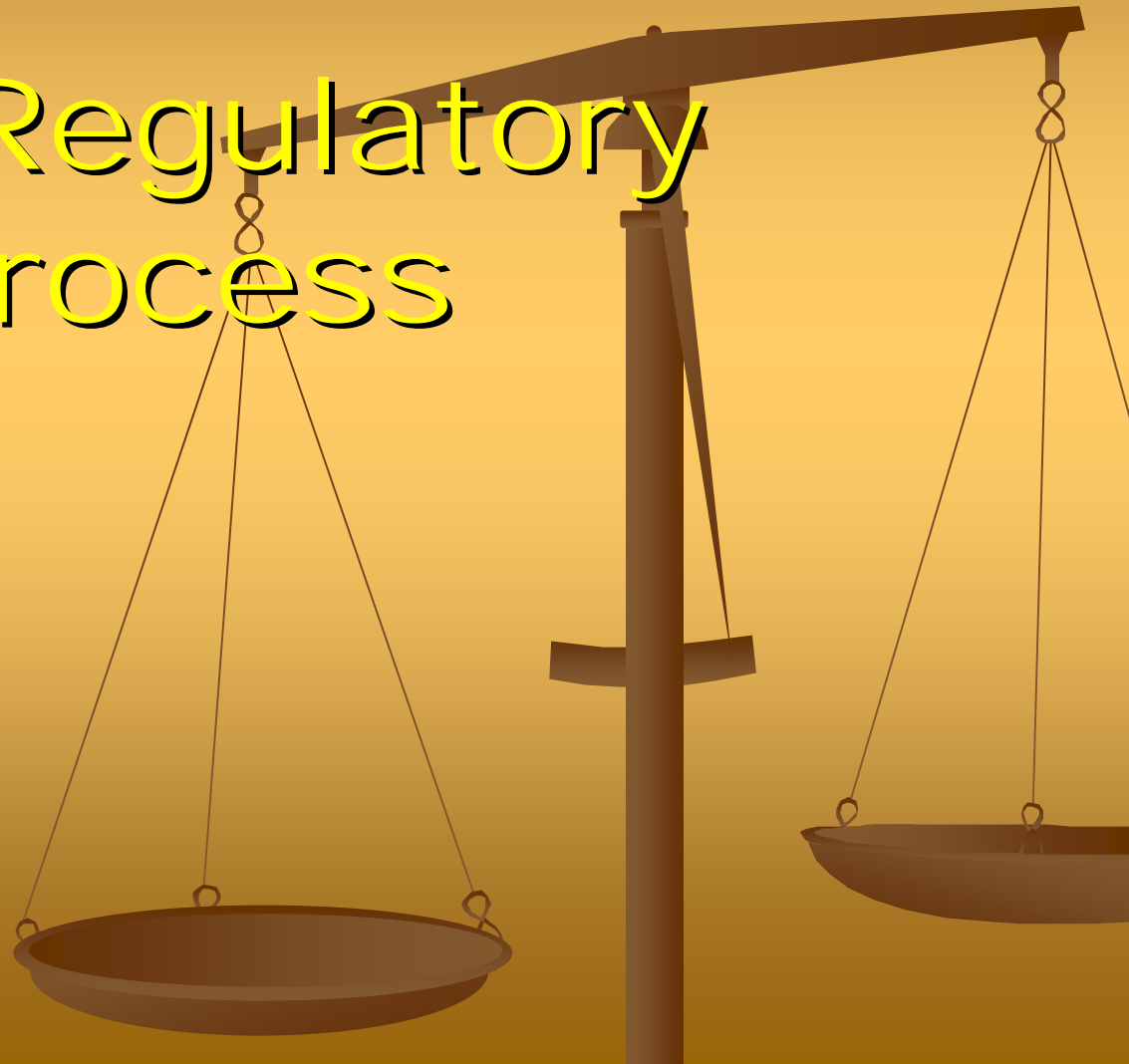
ANRE's Objectives

- to provide efficient use of resources and an equitable allocation of efficiency gains in the sector
- to foster an efficient level of investment within the sector
- to provide a fair and reasonable return on efficient investment

ANRE's Objectives- cont.

- to prevent the extraction of monopoly rents
 - to foster efficient operating and maintenance practices
 - to foster efficient use of existing infrastructure
 - to permit the balancing of interests of owners, users and the public
- 
- A large, stylized illustration of a balance scale, symbolizing the balancing of interests. The scale is tilted, with the right pan being lower than the left pan. The background is a solid orange color.

The Regulatory Process



Issuing Regulation

- One of the first regulation was “Procedural rules for issuing regulations”
 - Identifies the types of regulations:
 - Licenses, authorizations
 - Tariff methodologies, framework contracts, technical/ market rules
 - Regulated prices/ tariffs
 - Establishes who can initiate each type
 - Establishes each step to be followed by regulator and stakeholders from the initiation to final issuing

Basic steps in issuing a regulation

- Responsible Department prepares a "Discussion Document" commenting the issues, explaining how it propose to resolve and the proposed timeline. Attached it could be a First draft of the regulation
- "Discussion document" sent to all interested parties for consultation and comments. It is put also on the Web. Last date for submissions is established
- Analyze received submissions, bi/ multilateral meetings to reconcile positions, accept or reject proposals (always with justification)
- Issue "Project Document" and "Summary of positions". Circulate and post these documents on Web if the positions expressed by parties were highly divergent with each other or ANRE staff
- Representation to the Commission in an open meeting

Basic steps in issuing a regulation

- Last revision of the regulation based on output from the Commission
- If the document is of “general interest”, it should be presented and discussed in the Consultative Committee
- Present Final Document to ANRE President for seal and issuance
- Communicate to interested parties or send Final Document to Official Gazette to be published

Main regulations issued by ANRE

- Authorizations and licenses
 - Wholesale Electricity Market Commercial Code-Market Rules
 - ┌ Network Codes (Grid Code, Distribution Code)
 - ┌ Metering Codes
 - ┌ Framework contracts
 - Tariffs methodologies
 - Service and quality standards
 - Market monitoring to ensure regulatory compliance
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Orders And Decisions Issued Between 1999-2003

Item	Orders and decisions on:	Year					Total
		1999	2000	2001	2002	2003	
1	Licenses, permits and authorisations for activities developed in the electricity and heat sector	7	156	262	243*	155	823
2	Regulation of commercial relations	19	50	19	28	25	141
3	Resolution of pre-contractual disputes	-	32	83	38	28	181
4	Prices and tariffs for activities developed in the sector, calculation methodologies	4	509	821	567	201	2102
5	Technical regulations	10	11	7	4	7	39
6	Other regulations regarding the electricity and heat sector and the in-house organisation of ANRE	44	121	92	104	114	475
7	Total	84	879	1284	984**	530	3761

* -There were cases when several licenses or authorisations were granted, withdrawn or modified through a decision.

** - The number of orders and decisions diminished due to the take over by ANRSC of a part of ANRE activity.

Authorizations and Licenses

No.	Type of license	1999		2000		2001		2002		2003	
		Electricity	Heat	Electricity	Heat	Electricity	Heat	Electricity	Heat	Electricity	Heat
1	Generation	3	-	10	48	4	95	19	37	7	2
2	Transmission	1	-	1	6	-	1	-	1	-	-
3	Dispatch & Market operation	1	-	1	-	1	-	-	-	-	-
4	Ancillary services	-	-	-	-	1	-	-	-	1	-
5	Distribution	1	-	4	23	1	33	10	14	5	3
6	Supply	1	-	14	49	13	91	30	31	18	1
7	TOTAL	7	-	30	126	20	220	59	83	31	6

Authorisations:

13 establishment authorizations and 4 operation permit
207 operation authorizations

The objectivity and transparency of the regulatory process ensured by

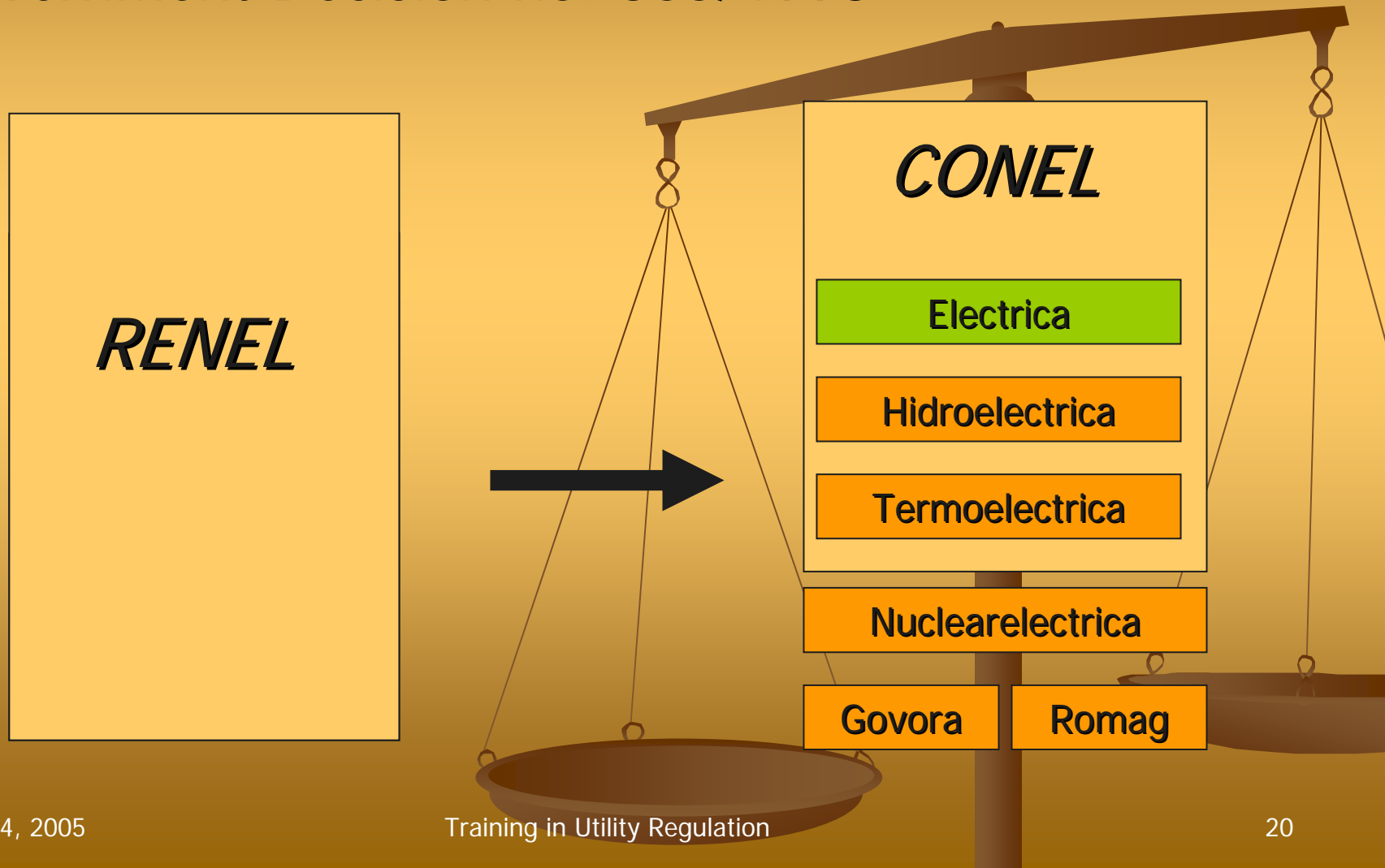
- ANRE independency- being under Prime Minister's control means no more than administrative control
- Permanent consultations with the parties involved by means of surveys, public and bilateral discussions as well as through mediation meetings to accommodate divergent viewpoints,
- ANRE's orders and decisions may be appealed in Court within 30 days from the notification of the parties or, if of general interest, from the date of their publication in the Romanian Official Monitor
- Annual reports regarding ANRE's activity and budget
- Regulator's code of ethics

Evolution



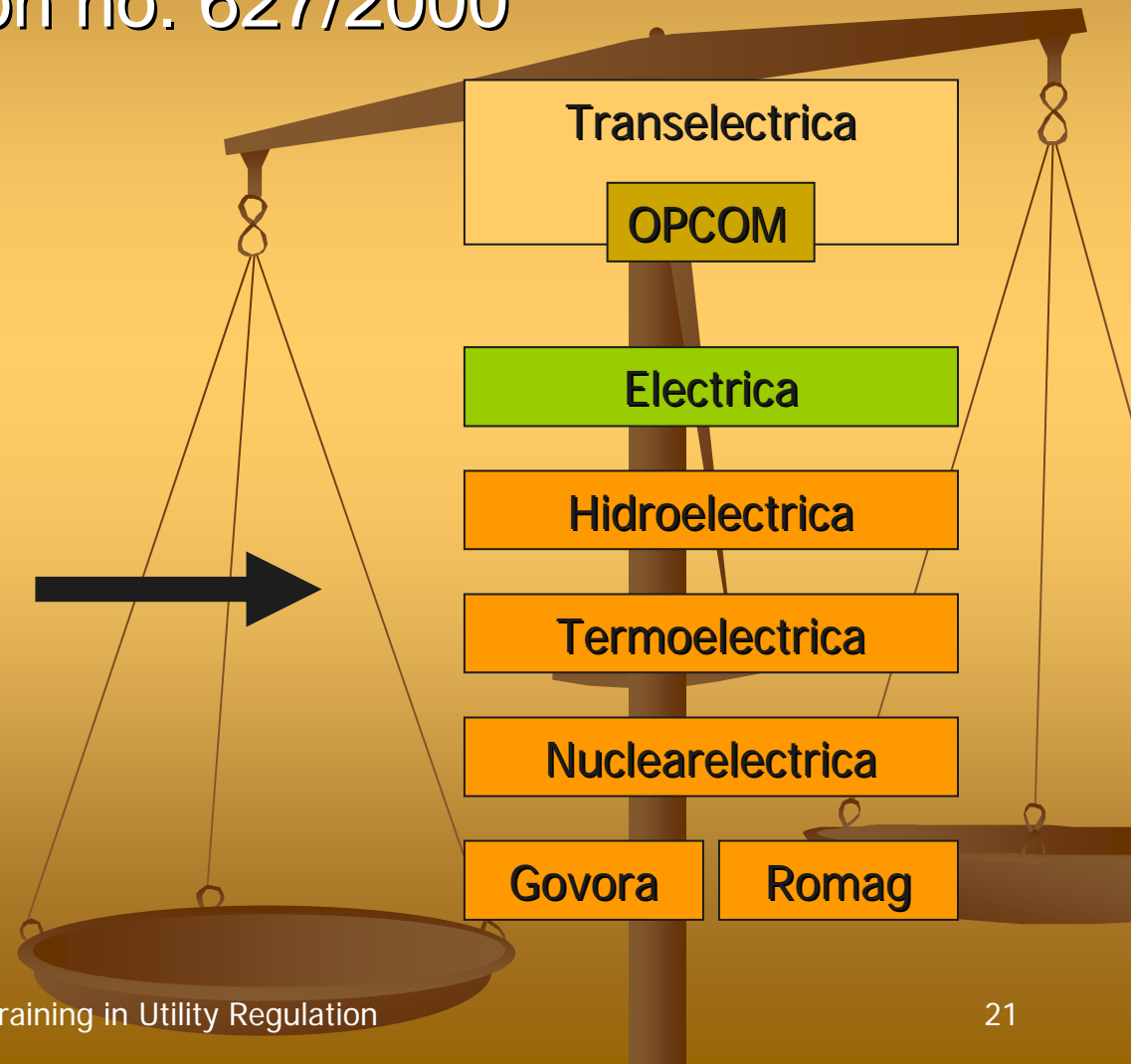
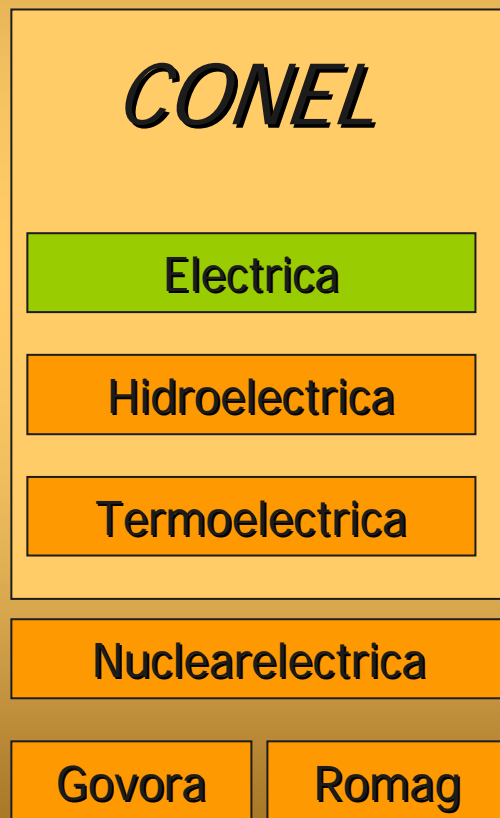
From integrated monopoly to competitive electricity market

Government Decision no. 365/1998

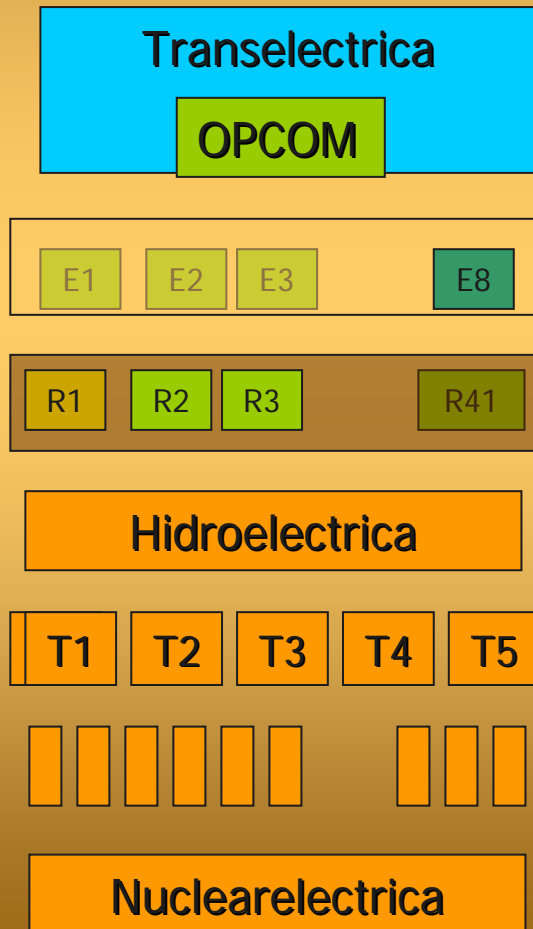


From integrated monopoly to competitive electricity market – cont.

Government Decision no. 627/2000



Romanian electricity sector structure- 2005



Transmission and system operator

Market operator

8 Distribution and supply companies
(to be privatized)

48 Independent Electricity Retailers

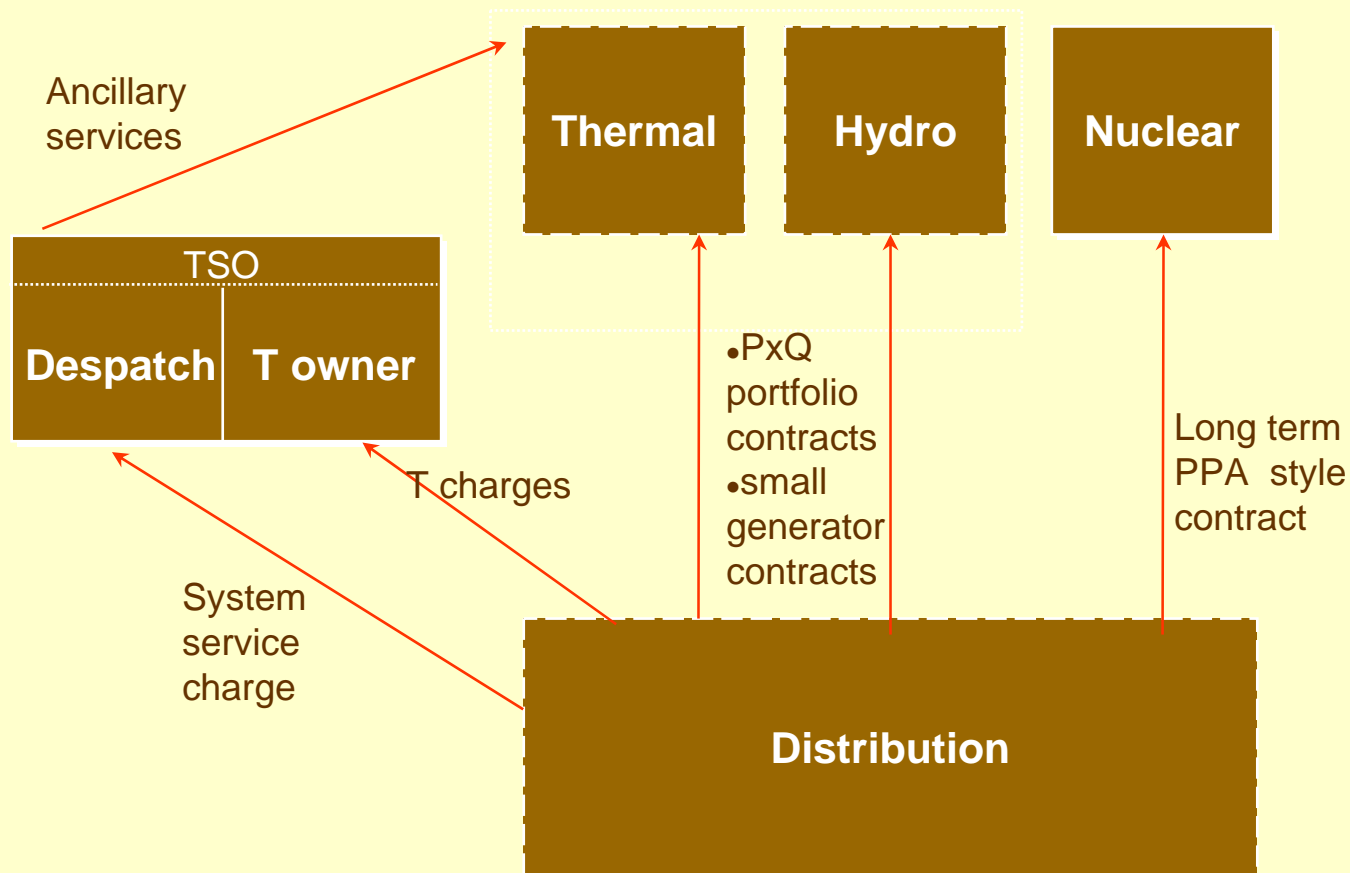
Hydro Producer (to be privatized)

5 Thermal producers (to be privatized
beginning 2004/5)

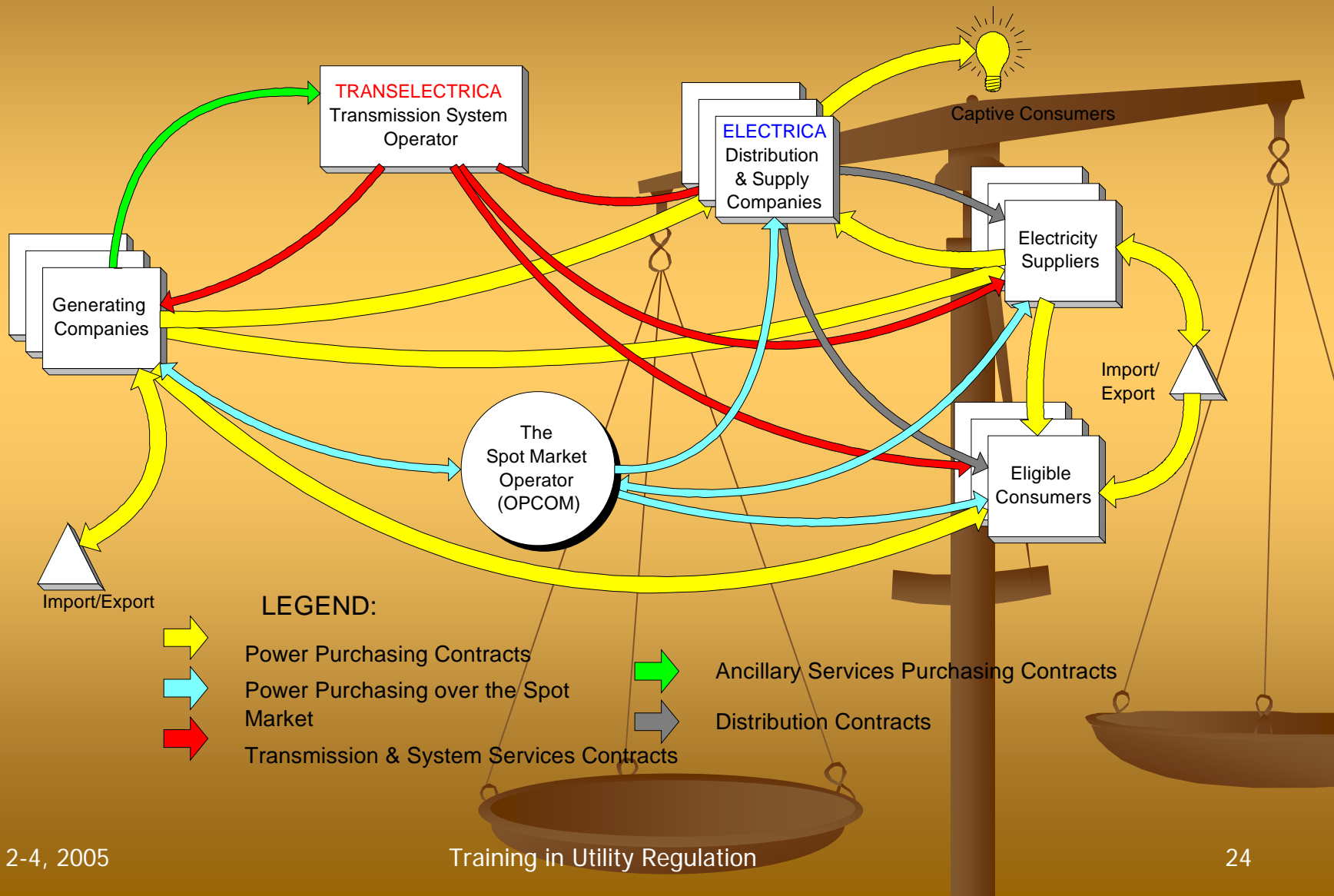
Almost 20 municipal CoGen producers and
IPP's (to be privatized and/or closed)

Nuclear producer

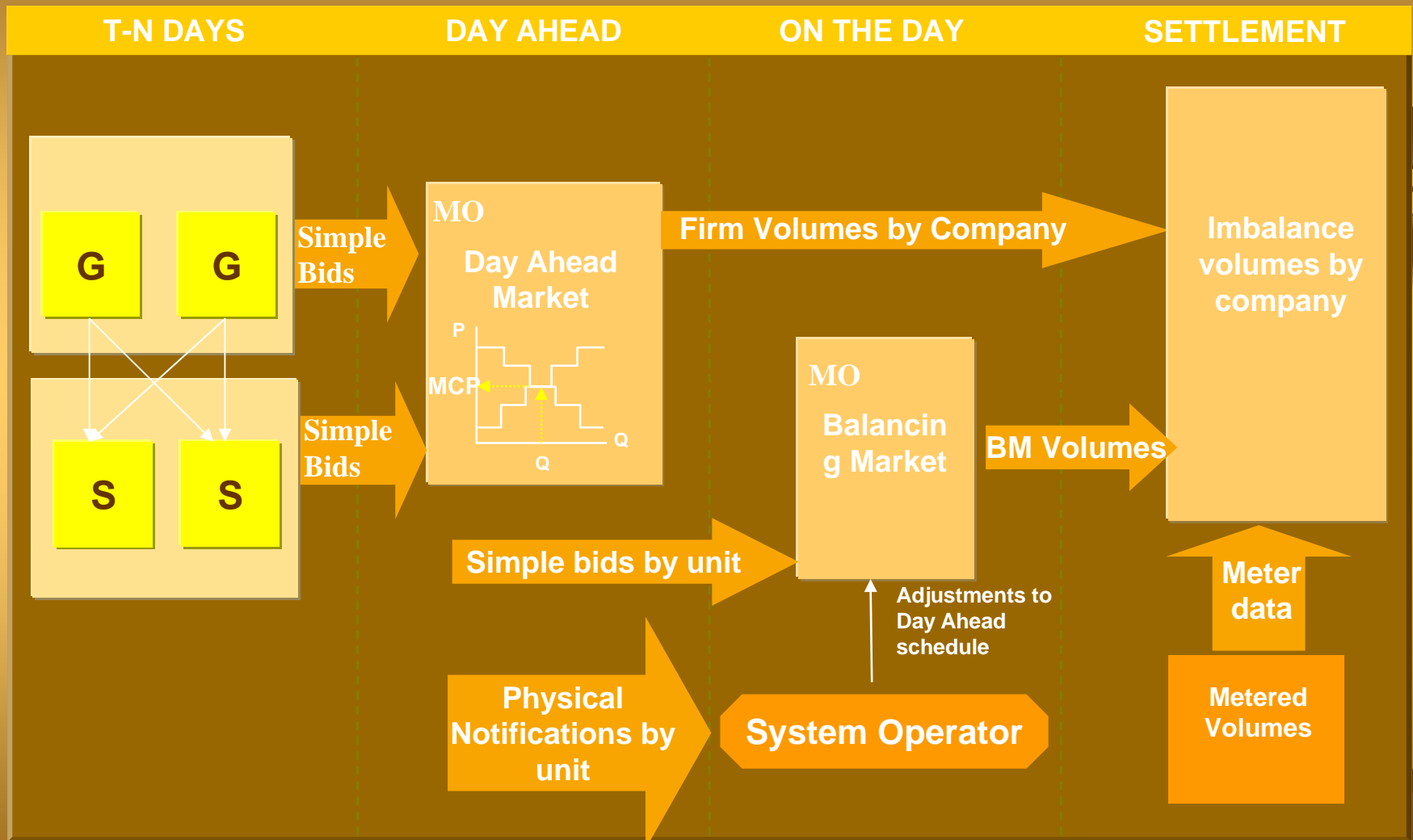
Arrangements/ contract map for RENEL successor companies



Wholesale trading arrangements



2005- Self scheduling with voluntary DA market



Principle of Balancing Market (BM)

- TSO contracts reserves before day ahead (on a company basis)
- BM starts on the day ahead, following the acceptance of physical notifications by the TSO
- BM operates on a unit basis, producers have to offer all remaining capacities (price, quantity)
- all accepted offers establish an obligation for the unit to deliver the corresponding type and amount of balancing energy



Questions?

