



EUROPEAN BARRIERS IN RETAIL ENERGY MARKETS



ROMANIA Country Handbook

Prepared by

vaasa **ETT**

 **REKK**

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EUROPEAN BARRIERS IN RETAIL ENERGY MARKETS PROJECT: Romania Country Handbook

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Please note that this and the other country handbooks form just part of the deliverables of the “European Barriers in Retail Energy Markets” project. For more detail on methodology, Europe-wide results and the Barriers Index, please refer to the following associated reports: “Final Report of the European Barriers in Retail Energy Markets Project”; “Report on the European Retail Energy Market Barriers Index”

SUMMARY

Project Outline

The following project outline describes the overall European Barriers in Retail Energy Markets Project. It relates to all the countries and markets which are the focus of the project.

The Context

European retail energy market liberalization is now well into its third decade in the most mature markets. Customers of electricity and gas are now free to choose their electricity and gas suppliers in nearly all markets across the EU and in a number of other European markets. At the same time, the European Commission and national European regulators have created a basis for non-discriminatory market access for energy suppliers through a series of regulations and directives. In theory at least, the European retail energy market is a place where new suppliers and providers of retail services can enter the market and compete relatively freely and on equal terms for customers in the market; a place where formerly incumbent electricity suppliers can compete for gas customers and where gas suppliers can compete for electricity customers; a place where a supplier from one region or jurisdiction can compete in another, without facing unreasonable or excessive barriers; a place where a capacity aggregator or other innovative business model can compete to provide its services to retail energy customers.

Objective

The European Barriers in Retail Energy Markets project was established to research the extent to which the theory is the case in practice; the extent to which energy suppliers across Europe face a variety of barriers to enter and compete in the market; to identify which barriers exist and to provide some suggested solutions to those barriers. The project thereby aims to support the European Commission and Member States in developing policy and implementing actions to reduce barriers.

This project has also designed and calculated a performance index that ranks different countries according to how easy it is to do business in the retail energy segment by combining a selection of measurements into a single score. The project is on the other hand, not intended as a measure or indicator of the 'competitiveness' of any given market, and it does not in this respect judge the effectiveness of regulatory authorities or governments, many of which have put great effort into developing their markets.

It is also important to note that all the markets included in this research are continuously evolving. Changes are being planned and improvements (and in some cases additional barriers) are possible as a result. While this project highlights and considers known future changes, it cannot make assumptions as to the effectiveness and outcomes of those changes. This project is therefore weighted in the present, based on the actual context in the market, whilst accepting that the present context may change, in some cases imminently.

Competitor Perspective

What sets this project apart from previous Europe-wide projects looking at the issue of barriers is above-all that it primarily takes the perspective of the competitor rather than any objective view of regulators, economists or academics. This is an important distinction since it requires an acceptance that even if the existence of specific barriers may not seem logical or rational, and even if they are not permitted or legal, even if they were supposed to have been eradicated, those barriers are significant at least in the experience or expectations of competitors in the market.

Notwithstanding this however, the project does not simply accept whatever competitors claim. On the contrary, the researchers have gone to great lengths to ensure that claims are challenged and justified. Cooperation with regulatory authorities to understand the regulatory context of claims, along with survey and interview feedback from competitors (including incumbent suppliers) with alternative perspectives or points of view, have also been considered to ascertain a balanced evaluation of the barriers in any given market. This approach may therefore be of value to policy makers, and complementary to other studies addressing market outcomes.

In some cases, claims by respondents have been made which cannot be corroborated. For instance, there have been claims by many respondents across Europe about integrated utility behaviours that represent barriers to independent suppliers in the markets. Barriers apparently resulting from a lack full ownership unbundling. Such behaviours may well be regulated against, may even be considered illegal, and authorities may have powers to investigate them - and maybe do so. They are impossible to prove given the mandate and resources of the researchers of this project, yet they are widely reported by respondents and broadly documented in other researches. Such barriers may be considered allegations by the respondents, but where they appear to merit further consideration they have been raised since their potential impact on competition is substantial.

Scope & Scale of Research

The project focuses on electricity and (in most cases) gas markets in 30 European countries, namely the EU27 states plus Great Britain, Norway and Switzerland. It was conducted over the course of more than a year with the cooperation and assistance of nearly all of the relevant national regulatory authorities (the report does not however represent their views and has not been ratified by them), around 150 suppliers and many other stakeholder organizations, across all focus markets. Great Britain was included in the project and cooperation was received from numerous suppliers, the regulator (OFGEM) and other stakeholders. Switzerland and Malta were included to a lesser extent since they are not yet open markets for household customers.

Focus Markets



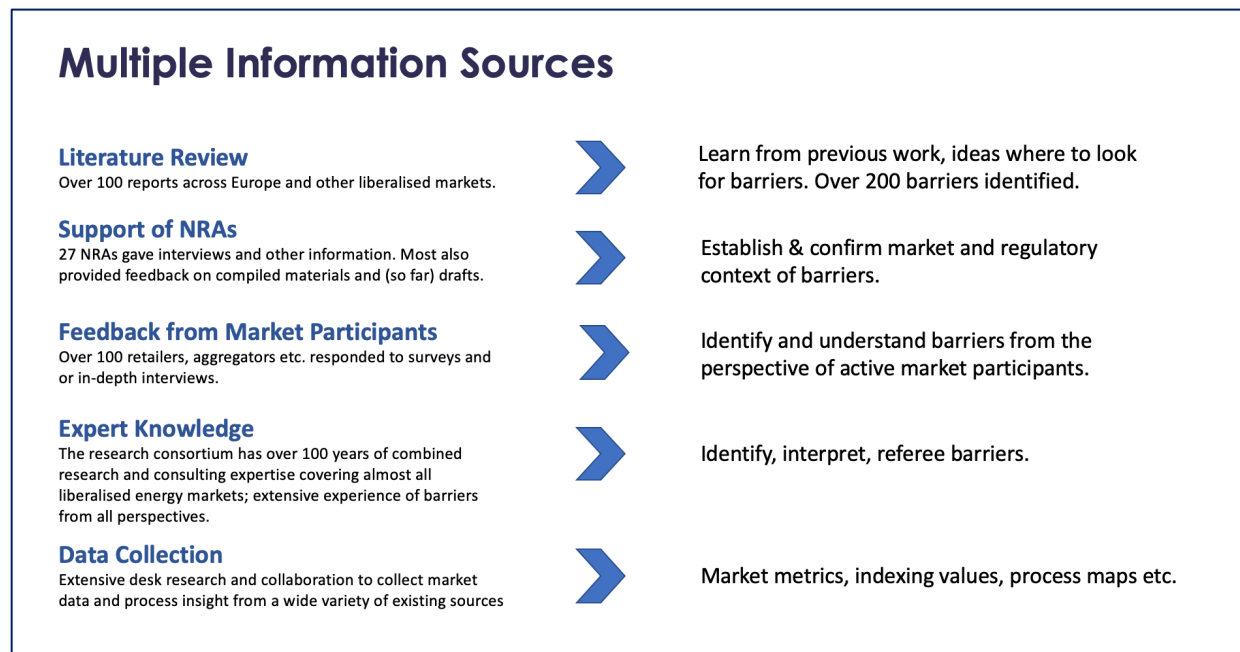
The project focuses on retail (supply), including also demand aggregation services, other additional offerings and new model retail, especially relating to the household segment customers (in some markets households and smaller SMEs may be difficult to distinguish). The project additionally concentrates primarily on barriers that are specific to the energy (electricity and gas) retail market - as opposed to barriers that are true of most markets, such as basic business costs and risk - and it gives priority to barriers for which a potential solution might be sought, as opposed to barriers which are a fact of any energy market and which could not realistically be overcome (such as the barriers relating to the core price volatility of energy as a commodity). The project does not aim to list every possible barrier in the market, however small.

Sources of Information

Many sources of information were used as part of the project. These included an extensive literature review of over 100 public reports, to assist in the targeting of survey questions; interviews with national regulatory authorities (NRAs) to understand the regulatory context in markets; feedback from market participants (suppliers and other competitors) and extensive data gathering for the purpose of collecting market metrics, market processes and

index values. For the latter the task of identifying sources that could deliver comparable and reliable index values was a key challenge of the researchers. The expert knowledge of the project consortium (which has extensive experience from the markets and issues concerned) was also used to add judgement to the process. Specifically, the core project team comprised over a dozen researchers and experts from nine European countries, including international experts who have analysed Europe's energy markets since even before they liberalized.

Figure 1 - Multiple Information Sources



Surveys & Interviews

The primary research mediums used in the project were an extensive questionnaire and in-depth interviews. The purpose of the questionnaire, which contained separate questions depending on the type of respondent, was to provide a comprehensive and structured identification, weighting and magnitude of the barriers as experienced and perceived by suppliers and other competitors. Questions were categorized and broken down according to what was known through the body of existing literature and the experience of the project consortium, ensuring that all known barriers were addressed by the questionnaire. The questionnaire additionally facilitated the identification of barriers that hitherto had not been revealed by the literature review, or which were country specific. Interviews provided additional support and clarification to the findings from the questionnaire as well as allowing respondents to focus on top-of-mind barriers and the interviewers to dig deeper into key and / or unclear issues. While some respondents provided both questionnaire and interview responses, many provided one or the other.

The survey was publicly and widely promoted (via web sites, social media and by other direct means) to potential respondents from 17th June until late October 2019 but remained open until late February 2020 so that stakeholders contacted during Country Handbook development had the chance to respond. The dissemination of information on the project was further facilitated by a widely promoted public website through which over 300 people subscribed.

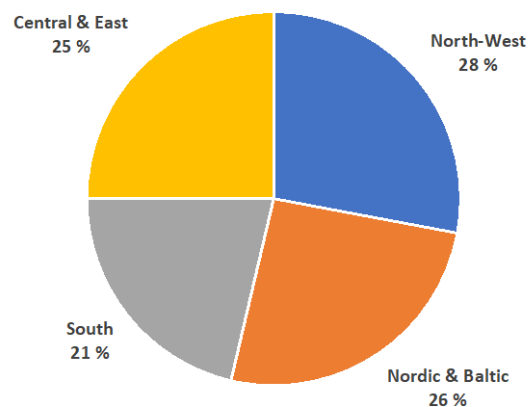
The Competitor Sample

143 questionnaire and interview responses were received representing 120 unique market-specific responses covering 28 focus markets. 71% of responses were through questionnaires versus 29% through interviews. Malta (a closed market for household customers) and Slovakia were the only markets from which responses were not received, although three additional markets received a level of response which was considered insufficient on which to conclude barriers based solely or primarily on respondent feedback. In these markets, namely Bulgaria, Cyprus, Czech Republic, the project consortium applied their expert insight and additional desk research to support the analysis of the markets. Switzerland, also a closed market for household customers, also naturally received insufficient response. The responses from 24 markets were therefore considered sufficient for the purpose of interpreting the barriers within those markets primarily based on respondent feedback. It is important to note that the response rate in no way impacted the index, which is not dependent on responses.

Analysis of the sample shows that responses were spread evenly among the regions. 66% of responses were non-incumbent competitors compared with 34% which were former incumbents in the markets concerned. In many cases the former incumbents are only former incumbents in one region within the overall country they are in. A large proportion of the former incumbents are furthermore active across multiple regions and countries, and therefore are

both incumbents and non-incumbents, defenders and challengers. Among the non-incumbent players were a mix of more established competitors and more recent new entrants, along with more traditional supplies, new model suppliers and aggregators.

Responses by Region



More information on the nature of the sample and responses can be found in the Final Report for this project.

Confidentiality

The importance of data protection and anonymity within the project cannot be stressed enough. Most respondents provided information on condition of anonymity. It was promised by default to questionnaire respondents and was in most cases explicitly requested by interviewees. Many participants additionally stated that they were nervous to respond at all since they were active in a market where there were only a handful of suppliers (or at least independent suppliers) which they felt meant that their responses could easily identify them. This risk was perceived as even greater in cases where the participant had made public statements on issues that would be contained in the research (the risk of readers putting two and two together was a concern). In some cases,

respondents stated that they even feared a backlash from other stakeholders if their identity was revealed, or (for e.g. a brand-new entrant in a market with one brand-new entrant) stated that if we revealed that they were a new entrant the market authority would instantly know who they were and that they were afraid it might inhibit their entry process.

Under such circumstances, it was decided that not only would all responses be anonymous, but also that the type of respondents would not be revealed in connection with given responses on a country level. It has been claimed by a handful of market authorities that this policy reduces the value of the research. The researchers feel that it in fact increases the value of the research since it has allowed respondents to provide information in an uninhibited fashion in a European market where, by and large, independent suppliers - and especially independent new entrant suppliers - are few and far between.

Deliverables

The project has three key deliverables:

- **28 country specific handbooks** detailing the barriers identified in each country together with suggestions for possible solutions. While most of the handbooks cover electricity and gas markets, some only cover electricity or cover gas to a lesser extent due to the absence or limited presence of gas. Additionally, two countries, Malta and Switzerland do not have country reports due to their closed nature with respect to household customers.
- **A robust, peer-reviewed barriers index** of how easy it is to do business in each country. The European Retail Energy Market Barriers Index, contained in the separate European Retail Energy Market Barriers Index Report, allows the objective comparison of market barriers across the focus markets. The report also includes a ranking of the focus markets.
- **An overall Final Report** containing a full project description and bringing together the findings and common learnings from all countries.



The Barrier Index and Ranking

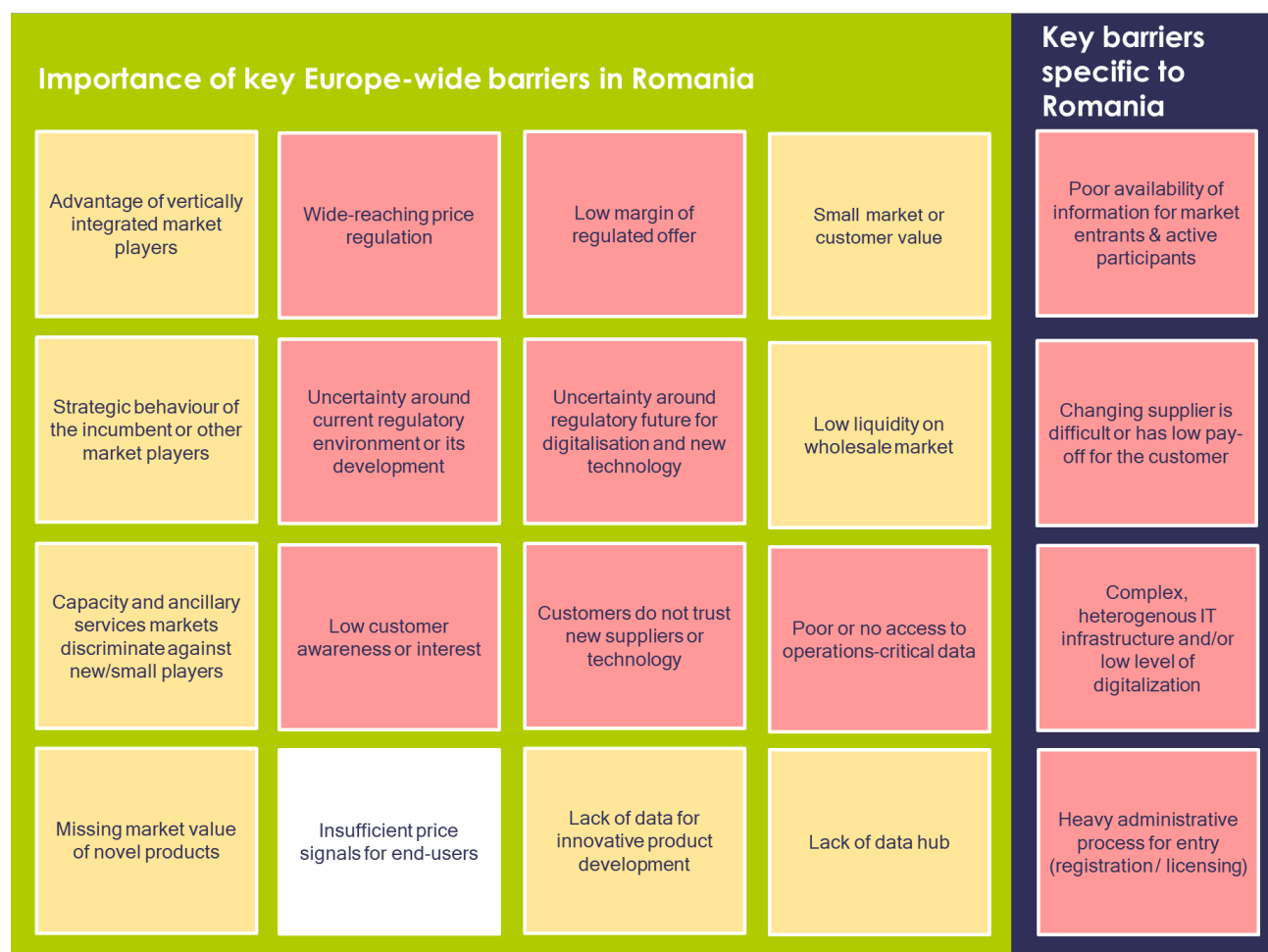
The purpose of the 'European Retail Energy Market Barriers Index' is to enable a degree of comparability between the barriers' context in each of the markets. It is based on metrics that can be collected for all markets, metrics for which available data currently exists. As such it provides a simple, best-available proxy benchmark measure for each of the categories of barriers identified by the project, for each market, and thereby ranks each market. It is intended to be used as an evolving periodical index and ranking on a European and national level.

The index and ranking should, however, presently be considered more of an approach and an indication than an absolute or definitive ranking. It represents the current state of market monitoring data in Europe and will evolve over time as data availability improves. Over time we would expect and recommend that governments and NRAs advance new metric collection to better enable future editions of the index and ranking.

A full description of the Index, its methodology and detailed findings and the ranking can be found in the separate Index report for this project. Within each country handbook the index values for that given country is presented.

Key barriers in the Romanian market

The following figure highlights the key barriers in the Romanian market. Please note, the terms are generic across all researched markets.



LEGEND



Has not been raised, indicated or identified as a barrier in this country



Has been raised or indicated as an issue in this country

- May include issues that still are present in the country or are experienced by suppliers even though regulation to address the issue has been enacted by the regulator and effects still awaited; reporting a lag between the regulatory framework structure and its awaited effects
- May include issues where suppliers suffer the effects despite the country being relatively advanced on this topic compared with other EU countries, pilot projects being in place or institutions working to overcome the problem.



Has been identified as an issue in this country and is supported by facts, data or substantial respondent evidence in light of limited initiatives deployed by institutions to control or overcome the issue.

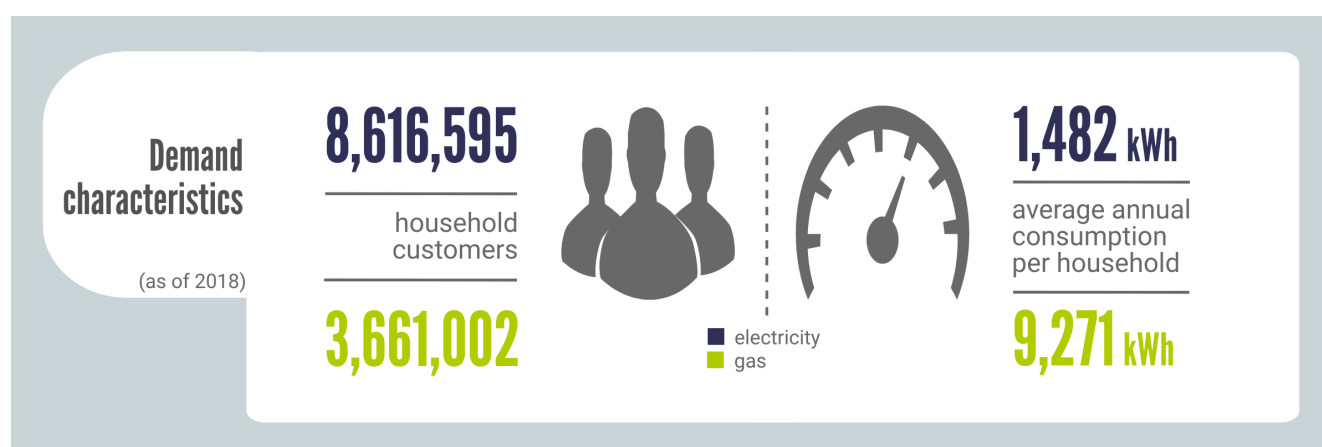
Key recommendations

- The most prevalent entry barriers in the Romanian retail energy markets are associated with the regulation of the end-user prices. The regulatory changes announced in January 2020 will overcome these issues soon, however the uncertainty of the future regulation is still present.
- Uncertainty is also a barrier regarding the regulatory landscape for new technologies and innovative services. Implementation of the legislative framework for enabling demand response is important to enable this type of service.
- The low level of data access and digitalization, together with the lack of data standardisation imposes high burdens on suppliers in the daily business processes. It is recommended to digitalise B2B communication and create a centralised data platform (or at least standardise the DSO-supplier data exchange).
- The process of consumer switching is perceived to be very difficult. The process can be simplified with a standardised protocol, supervised and approved by the regulator.

MARKET OVERVIEW

Background

The liberalisation of the Romanian energy markets started in the electricity sector in 1998, when the independent regulatory authority for electricity (ANRE) has been set up, and the vertically integrated monopoly, RENEL, was divided into separate legal entities within a newly established holding company, CONEL. The holding was dissolved in 2000. In the natural gas market, the independent regulatory authority (ANGRN) was established in 2000 and former monopoly, ROMGAZ, was divided. The two regulators were unified in 2007 (ANRE).



The electricity transmission system operator Transelectrica is certified according to the ownership unbundling model. The gas transmission operator Transgaz is organized and operates according to the independent system operator model (ISO). Distribution system operators over 100,000 customers must ensure accounting, legal, functional and organizational separation. In 2017, 51 licensed electricity DSOs and 37 gas DSOs were licensed to distribute, out of which 8 electricity and 2 gas DSOs served more than 100,000 customers. Other DSOs, servicing less than 100,000 final customers and who do not have the obligation of legal separation, established separate accounting records for regulated activities starting with 2007. In order to emphasize the unbundling process and avoid any confusion with the related supply companies, DSOs have been obliged to undergo a detailed rebranding program as part of the compliance program. As a consequence, both the transmission and the distribution companies have their own headquarters, logos and websites. ANRE determines the tariff for transport and distribution of electricity and gas, based on a predicted and approved regulated income for transport and distribution operators.

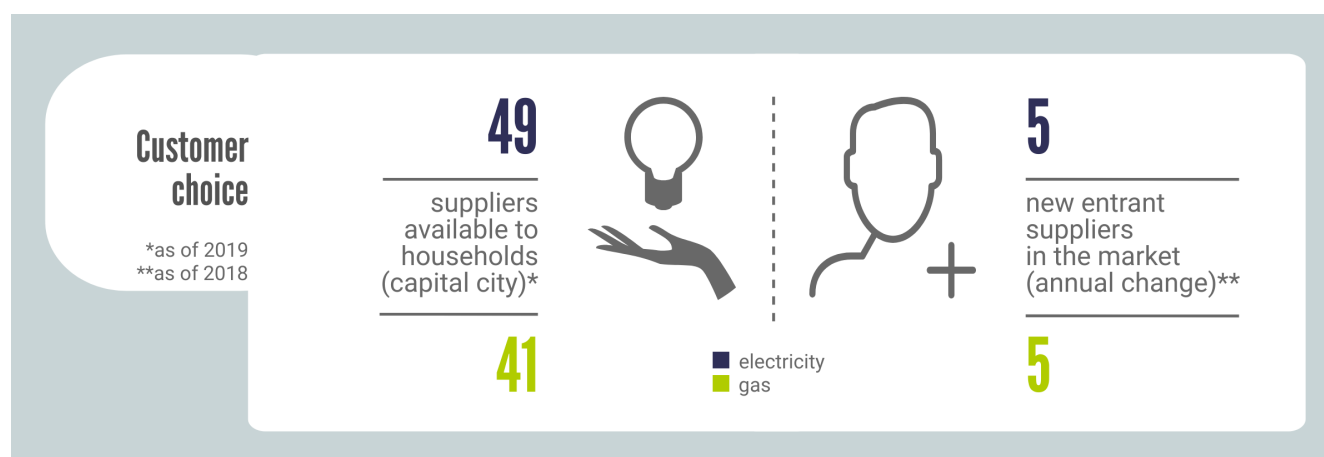
Market opening started in 2000 for electricity and 2001 for gas. Since 1 of July 2007 all customers, including the household customers, are able to exercise their right to choose their supplier for both markets. Electricity price deregulation was finalised for industrial consumers on 1 January 2014, while for household consumers the process was finalised on 1 January 2018. On the natural gas market, the regulated price was eliminated for all non-domestic customers on 1 January 2015, while price regulation remained for household customers.

However, on 21 December 2018, the Romanian Government decided to reintroduce price regulation in electricity sector for households, for a transitional period of 3 years (during 1 March 2019 - 28 February 2022). Price regulation has been also tightened on the natural gas sector, for the same period. On 9 January 2020 the government has modified the above-mentioned order. According to the new regulation, household customers will benefit from regulated electricity prices until 31 December 2020, while the supply of natural gas will be carried out at the regulated price until 30 June 2020.

Market structure

The TSO for electricity is CNTEE Transelectrica S.A. and for gas is SNTGN Transgaz S.A. In electricity, there are 8 regional DSOs which cover almost the whole market, but there are 43 local operators with small customer base. In gas, the two regional DSOs cover approximately the 90% of the customers, while the rest is connected to one of the 33 local operators. In case of the regional DSOs, legal and brand unbundling is in force, as DSOs had to change their name and logos to separate themselves from the supplier in the same group. In case of local operators, accounting unbundling is obligatory.

Throughout 2018, 97 undertakings were active on the electricity supply market, out of which 63 were also active in the retail electricity market (including the 5 last resort suppliers, that are active both on the regulated and the competitive segments).

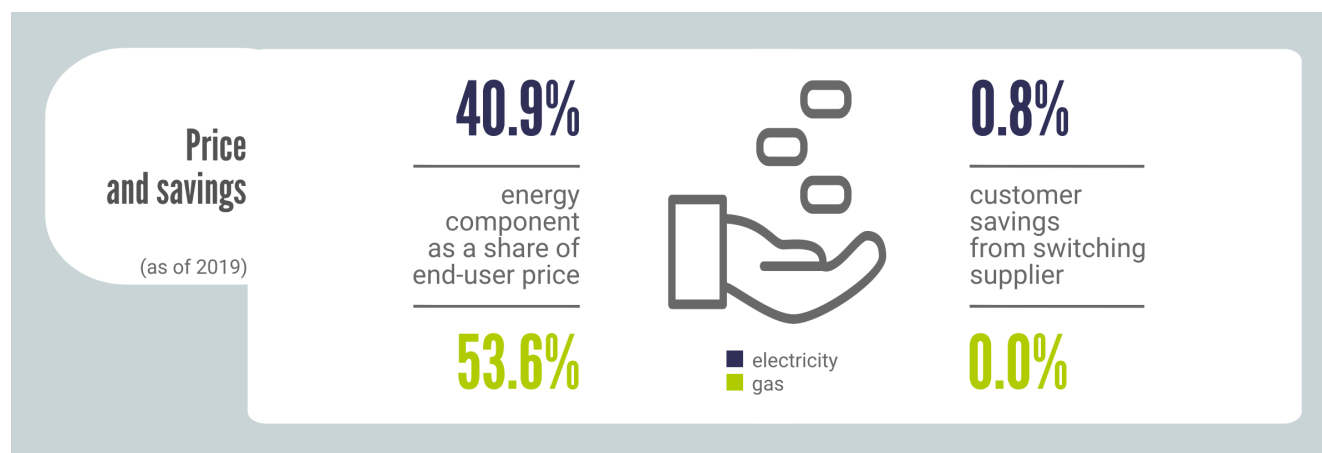


The five suppliers of last resort are also the biggest players in the competitive segment, supplying 46% of the market. The most important competitors to the five suppliers of last resort are Met Romanian Energy, Getica 95 COM, OMV Petrom, Tinmar Energy and Alro. Calculating for the entire competitive segment, market concentration is low (HHI: 620 on company level). However, in specific consumption bands and categories (especially for household and small non-household customers) the market is much more concentrated (HHI: 2000-3500).

While the non-household segment of the competitive market produced a steady grow in the previous two years, the residential segment skyrocketed from 400.000 to 2.400.000 customers. By May 2019, 27% of the household customers have entered to the competitive market, but most of them (~95%) are supplied by the suppliers of last resort. The ratio of consumption (from total consumption) of the customers who switched their supplier or

renegotiated their contracts with the suppliers of last resort between January 2004 and November 2019 is 81% in electricity market and 73% in natural gas market.

On the competitive segment of natural gas retail market, 80 suppliers were active in 2018. Four of them had a significant market share (10-30%, 81.5% altogether), 10 has a share of 0.5-5%, and 56 less than 0.5%. The residential segment of the competitive market has been doubled in the previous two years, but the growing rate has slowed down in 2019.



Political and regulatory orientation

Until 2018, the regulatory framework in Romania had a supportive attitude towards market deregulation and enhancing competition. As a consequence, the competitive segment increased rapidly. By the reintroduction of price regulation in 2019, the regulatory framework changed substantially, and the debates around the potential revision created uncertainty regarding the future of regulation. The amendments published in January 2020 have returned Romania to the road of liberalization, but it seems that there is no political agreement in this regard, and a change in the political situation can lead to significant changes in the regulatory framework in the future as well.

The national strategic plans contain specific targets and objectives for the next decade. The Integrated National Energy and Climate Change Plan for 2021 - 2030 set the following targets for 2030:

- ETS emissions (compared to 2005): -43.9%
- Non-ETS emissions (compared to 2005): -2%
- Total share of renewable energy in final gross energy consumption: 27.9%
- Energy Efficiency (to PRIMES 2007 projection for 2030): -36.7% for primary energy consumption and 27.5% on final energy consumption.

The following operational objectives of the NECP are related to energy markets:

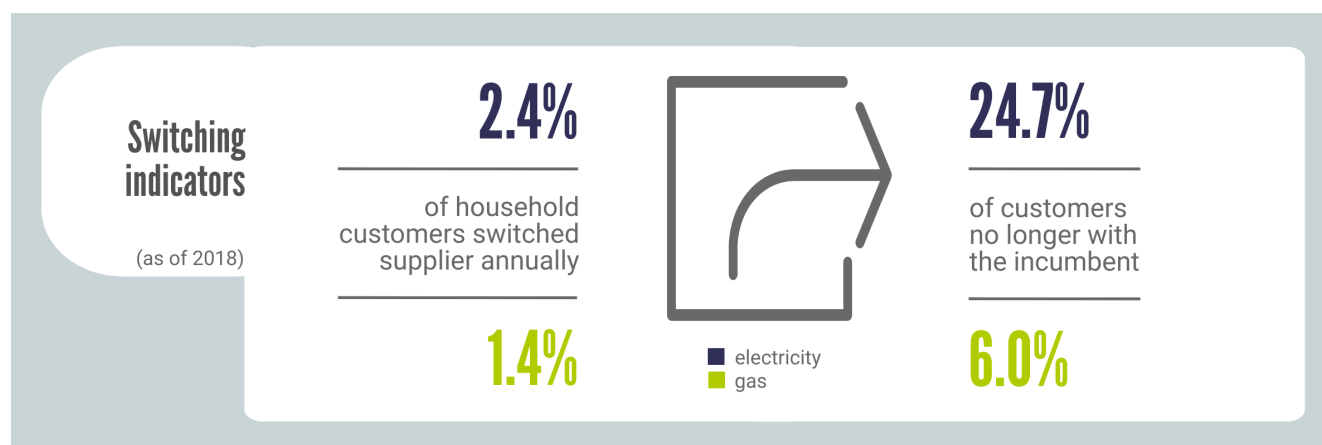
- Increase the national energy system flexibility via digitalization, Intelligent grids and active consumer (prosumer) development.
- Increase competition on domestic energy markets.

- Liberalize energy markets and ensure their regional integration, so the energy consumer may benefit from the best price of energy.
- Increase the access of the population to electrical energy, heat and natural gas.

Regulatory market characteristics

Although price regulation was abolished in the electricity sector in 2018, the Romanian Government decided to reintroduce it for households, for a transitional period of 3 years (during 1 March 2019 - 28 February 2022). In order to ensure the consumption of household clients at regulated tariffs, suppliers of last resort can buy the necessary electricity on the basis of regulated sale and purchase contracts concluded with the electricity producers for which ANRE has established (through decisions, for the period 1 March 2019 - 31 December 2019) obligations to sell fixed quantities at a regulated price. Price regulation has been also tightened on the natural gas sector, as prices have been capped (to 68 lei/MWh ~14.5 EUR/MWh) for the sales by the producers to the suppliers of domestic customers and thermal energy producers, applying from May 1, 2019 to February 28, 2022. The amendment of the regulation has withdrawn most of these measures, and the transitory period of price regulation is shortened until 31 December 2020 in electricity market and until 30 June 2020 in gas market.

Electricity and gas supply activities require an electricity supply licence issued by the Romanian Energy Regulatory Authority (ANRE), which is valid for ten years. Foreign entities licensed in EU member states are able to enter without having to establish or act through a local presence in Romania or without obtaining a license in Romania. However, such entities will have to obtain a decision from the regulator confirming the right to participate to the markets.



Other market characteristics

The Romanian retail energy markets are big markets in terms of customer base, and the competitive segments of the markets had a rapid development until 2018, due to the supporting attitude of the regulation. In case of natural gas, the market size is expected to grow further as expanding the gas penetration is among the governmental goals. On the other side, the average consumption level and purchasing power is well below the European average.

Plenty of market players have entered the market in recent years, generating competition mainly in the non-household sector. In the residential sector, however, the rapid growth of the competitive segment came from the incumbents' successful attempt to supply their customers on the competitive market, and very few customers left their traditional supplier for a new entrant. Therefore, the residential market is still very concentrated, and dominated by the incumbents.

Context for aggregation/demand response

Demand response is not taking place in the Romanian electricity market. The legal framework is well-established, the Government has transposed all the relevant provisions of the EED, and the 3rd NEEAP highlights the importance of Demand Response. However, DR has not taken off the ground, secondary legislation would be necessary as a next step.

In order to comply with EU Directive 944/2019 and EU Regulation 943/2019, ANRE submitted a comprehensive order project, which aims to set the rules for DR. The necessary methodologies, along with a functional framework for DR are expected to be in place by 2021 (will be developed by local TSO).

BARRIERS

The European Barriers to Entry and Competition in Retail Energy Markets project has researched barriers across 30 European markets. From this research, barriers to entry have been identified and grouped into four over-arching pan-European barriers' blocks.

Over-arching pan-European barrier blocks

Barrier Blocks	1	Regulatory disincentivisation
	2	Market inequality
	3	Operational and procedural hinderance
	4	Customer inertia

1. **Regulatory disincentivisation:** barriers arising as a consequence of the general regulatory framework of the natural gas and electricity retail markets. We address the impact of price regulation, burden (-sharing), regulatory unpredictability and access to innovation. All these items may disincentivize competition within the natural gas and electricity retail markets, as well as entrance by new suppliers.
2. **Market inequality:** barriers arising from an uneven playing field for different types of suppliers. Often, certain market players already have a competitive advantage by being very close to the formerly integrated DSO (or still being vertically integrated in case the de-minimis rule applies), controlling a large amount of generation capacity or having a large market share. If market rules do not prevent this, such players can exercise their market power to treat other market players in a discriminatory way, creating market barriers. We examine issues related to unbundling, historical roles and access to market mechanisms.
3. **Operational and procedural hindrances:** barriers arising as a consequence of the complexity and national/regional differences in standards and procedures in different process areas, affecting how easily new entrants can enter and operate in the energy retail market. We look at issues and differences in licensing, signing up and operations compliance, as well as data access, processes and data management from the suppliers' point of view.
4. **Customer inertia:** barriers arising due to customer behaviour and attitude. For the energy market to function, end-users must be willing and able to switch supplier. If customers do not switch supplier, suppliers need not worry about losing customers, so there is no incentive for suppliers to improve their services, minimize prices or innovate to compete for customers. We examine barriers related to customer inactivity or disinterest in the energy markets.

Within each of these high-level blocks are contained sub-categories, which are also mostly pan-European in nature. Each of these sub-categories contain the specific barriers which relate to individual markets as described in the following chapter. Altogether, we identified 45 barriers, most of which broadly across Europe. Only a selection of them apply to the Romania case as reported in the following chapters of this handbook.

HOW TO READ AND INTERPRET THE FOLLOWING SECTIONS

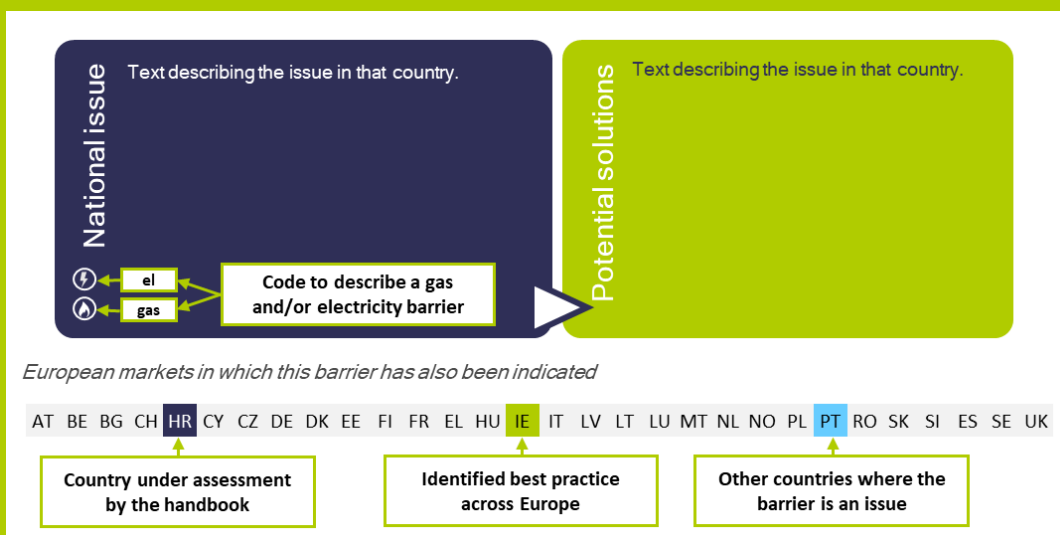
Each of the following four chapters explores one of the four pan-European blocks of barriers and report how each sub-category barrier apply to Romania. When a barrier applies to Romania, it will be highlighted in the table following a general description of the barrier itself as shown in the example.

#) Name of the Pan-European Block	
#. Name of the Barrier category and description.	
Text that will generally describe the barrier category . . .	
List of barriers identified across Europe under this barrier category:	
• Barrier 1	When highlighted - applies to the specific country described in this Handbook
• Barrier 2	
• Barrier 3	
• Barrier 4	

As showed in the above figure, the table lists all the barriers we have identified in Europe within the specific barrier category. Only if a sub-category barrier is highlighted in the table, it means that suppliers raised it as a barrier, and it is a prevalent issue in Romania.

Highlighted sub-category barriers are then briefly described following a twofold methodology which:

- reports what the suppliers are experiencing in the market as a national issue and
- suggests potential solutions to the problem as depicted in the below figure.



At the end of each chapter, Romania's performance within the category, according to quantitative indicators, is presented.

For additional market context, please see Appendix 1: Process Maps, which gives a high-level graphical overview of the most critical steps involved in establishing and operating as a supplier in the national market.

1) Regulatory disincentivisation

Within regulatory disincentivisation, barriers across Europe have been sub-categorised into four areas encompassing 17 specific barriers¹:

1. **Price regulation.** Regulated prices usually refer to regulation or control of end-user's prices by a public authority, usually the National Regulatory Authority (NRA). Price regulation can take different forms, such as setting or approval of prices, price caps or various elements of these. In Europe, there still exist Member States which have maintained end-user regulated prices during the market opening process and after, in the intention of protecting households or even non-household customers from significant increases in energy prices, especially in a context of limited competition. In some cases, this regulation has led to below cost prices and to low margin to cover the supplier activity risk, discouraging investments and the emergence of newcomers.

According to CEER², 14 European countries out of 27 answering a recent CEER survey have price intervention in electricity for household consumers. Where regulated prices remain, NRAs tend to consider them as a significant barrier to entry for alternative suppliers. All Member States, where NRAs consider regulated prices as a significant barrier, are planning to remove them, at least for non-household customers. Across Europe, the following specific barriers related to price regulation were detected by this study. Those highlighted in blue have been raised, indicated or identified as barriers in Romania:

- Price regulation discriminates against certain suppliers.
- High penetration of price regulation
- Low margin of regulated offer (margin squeeze)

2. **Burden sharing.** Energy suppliers across Europe are often required to collect payments for services not part of their business, or to provide other services such as services related to energy efficiency, or to manage assets such as those of the metering system. These requirements can pose a barrier for suppliers' operation on the retail market by raising their costs and distracting focus from their core business and might deter entry into the retail market by newcomers. Across Europe, the following specific barriers related to "burden(-sharing)" were detected by this study. Those highlighted in blue have been raised, indicated or identified as barriers in Romania:

- Obligation to collect tariffs unrelated to energy on behalf of others.
- Obligation to keep a minimum-security stock as a gas reserve

3. **Regulatory unpredictability.** The establishment of an internal natural gas and electricity market in the European Union is an ongoing process. European legislative packages are boosting this process, making

¹ Please note: these definitions are Europe focused, not Romania specific. Highlighted barriers have been identified as country specific.

² Monitoring Report on the Performance of European Retail Markets in 2018. CEER Report 4 November 2019.

market regulation evolve rapidly. Transposition of regulation into the national regulatory frameworks is not always smooth and NRAs' actions are sometimes unpredictable. This leads to uncertainties for suppliers related to unclear and unknown future developments of the regulatory framework, including the attitude of the institutions that regulate the retail market and oversee market operation and organization. This uncertainty is a barrier that impacts suppliers' business, preventing their entrance in the market, making strategic business planning difficult or forcing them to adopt different approaches during operation. The following barriers related to unpredictability of regulatory framework were detected in this study. Those highlighted in blue have been raised, indicated or identified as barriers in Romania:

- Suppliers face uncertainty because of a newly liberalized regulatory environment or uncertain future development of the regulatory framework
- Uncertainty caused by industry actors influencing legislation, e.g. incumbent or associations shape legislation
- Uncertainty regarding future regulatory developments, especially in the field of digitalization and new technology
- Attitude of authorities hinders development of the market
- Uncertainty regarding environmental obligations and non-renewable generation capacity

4. **Access to innovation.** Most European energy market are currently designed based on practices as they were during the period of national monopolies by what today are incumbent suppliers. Allowing suppliers and new entrants to be innovative depends not only on the opportunity to compete on prices, but also to diversify, welcoming new products, market actors and business models. When national regulatory frameworks do not take into account innovation in the retail market (regarding e.g. availability and functionality of smart metering, the possibility of flexible contracting and tariffs, or whether the demand side can bid in the balancing system), this may pose a barrier for new market entries, particularly for the more modern players. If new entrants are to be enabled in order to increase the level of competition in the retail market, regulation must accommodate future developments on the energy markets, especially considering that in the future new entrants may not only be electricity and gas suppliers but also act as aggregators or energy service companies (ESCOs). Across Europe, the following specific barriers related to "innovation-friendliness" were detected by this study. Those highlighted in blue have been raised, indicated or identified as barriers in Romania:

- Data protection issues
- Lack of incentivisation for novel pilot projects or post-pilot market rollout
- Lack of data for innovative product development
- No fit between new business models and existing regulation/obligations
- Missing flexibility in tariff structures
- Missing information and incentives for demand-side grid management
- Market structures do not incentivise novel products (missing perceived value)

1.1 Description of regulatory disincentivisation barriers in Romania: Price regulation

High penetration of price regulation. It is clear from our studies of this market that the penetration of price regulation is high in Romania. Moreover, several respondents raised this as a barrier. In general, the part of the market eligible for regulated prices is not (or only partly) contestable for a new entrant. Consumers that have access to regulated services are extremely difficult to reach with competitive offers. If this market segment is big, i.e. price regulation has high penetration, only a small part of the market (generally non-household customers) is contestable. Price regulation maintains the old structure of the market, where consumers do not face risks and do not have to care about comparing offers and choosing a supplier. Price regulation keeps the market in an immature phase where neither consumers nor suppliers can learn how a competitive market works.

National issue



Price regulation persists in the gas market, while in electricity it has been abolished (2018) and then reintroduced (2019) for a transitory period. The length of the period has been shortened in 2020. According to the current regulation, household customers will benefit from regulated prices until 31 December 2020 in the electricity market and until 30 June 2020 in the gas market. Nearly 75% of the household are supplied with electricity with regulated prices. This ratio is above 90% in gas market.

Potential solutions

The newly announced changes in the regulation will overcome the issues regarding price regulation.

European markets in which this barrier has also been indicated

AT BE BG HR CY CZ DE DK EE FI FR EL HU IE IT LV LT LU NL NO PL PT RO SK SI ES SE UK

PORTUGUESE BEST PRACTICE CASE: Roadmap for removal of regulated retail prices.

Portugal removed end-user price regulation for non-household customers and the transitional period ended in 2016. As part of the phase-out process, which started in 2010 for gas non-household customers and in 2011 for electricity non-household customers, a transitional period was defined by the government in Portugal in order to enable customers supplied under regulated end-user prices to choose a new market supplier and move to the liberalised market. During this period, the NRA (ERSE), sets a tariff (called the 'transitional tariff'), which may include an additional value, whose objective is to promote customers to switch to a market tariff.

Lastly, under the terms of Government Ordinance N. 39/2017 of 26 January 2017, consumers who still have regulated tariffs have a transitional period until 31 December 2020 to choose an electricity market supplier. While, under the terms of Government Ordinance N. 144/2017 of 24 April 2017, consumers who still have regulated tariffs have a transitional period until 2023 to choose a natural gas market supplier.

Low margin of regulated offer (margin squeeze). From our studies of this market it can be concluded that the mark-up of the regulated price is very low in Romania. Moreover, several respondents raised this as a barrier. It is common across Europe that price regulation sets the regulated price to a defined level and allows all market participants to serve customers within this regulated segment. However, this can create a barrier in the market if the regulated price is set to such a low level that companies are unable to generate a sustainable margin. Market

participants will be confronted with a margin squeeze, making it very difficult to compete. Furthermore, a lack of transparency in the pricing mechanism increases the barrier by making it difficult for market players to anticipate the regulated price and price against it.

National issue



The mechanism for setting regulated tariffs for households is non-transparent. Rates often do not reflect the actual market situation and are so low that a new supplier does not have the opportunity to compete with it and attract customers. In 2018 (gas) and 2019 (electricity) the energy component of regulated price was below the wholesale energy prices, so the mark-ups were negative.

Potential solutions

The newly announced changes in the regulation will overcome the issues regarding price regulation.

If the need for governmental control of end-use prices emerges again, ex-post price regulation is a better solution as it can ensure that the retail prices don't go below sourcing costs.

European markets in which this barrier has also been indicated

AT BE BG HR CY CZ DE DK EE FI FR EL HU IE IT LV LT LU NL NO PL PT RO SK SI ES SE UK

SPANISH BEST PRACTICE CASE: Low margin of regulated offer. Before 2014, the price regulation regime (PVPC) raised many complaints from electricity companies, claiming that the price was set below cost or may have too limited margin to cover the risk of activity.

Hence, a new Royal Decree was issued (RD 216/2014), establishing a new methodology for calculating the PVPC, including the energy cost, the applicable access tariffs and a commercial margin.

The main difference is that the energy cost is now calculated on an ex-post basis, using the average price resulting in the spot electricity market during the period covered by the bill. In the case of consumers with an operative smart meter installed (as of now, more than 98%), since 1 October 2015, a real consumption tariff following the spot price, is applied. The real time price is published by the electricity TSO through ESIOS platform.

Having a pass-through of the energy cost from the electricity spot market is considered as a best practice within the price regulation category. This prevents the energy component of the regulated tariff to be set below cost. However, the customers exposure to the volatility of the spot market may trigger further Government interventions.

Discussions still exist about the value of the commercial margin, which still is seen as too low by reference suppliers and limits the ability to compete of new and small companies. Also, having a price regulation in place that applies to the 95% of the retail market is perceived as hindering competition among suppliers. Suppliers wish a phase-out of price regulation regime, with a clear plan defined by the relevant institutions.

1.2 Description of regulatory disincentivisation barriers in Romania: Burden (-sharing)

No barriers around burdens on suppliers or burden-sharing were identified in Romania.

1.3 Description of regulatory disincentivisation barriers in Romania: Regulatory unpredictability

Suppliers face uncertainty because of a newly liberalized regulatory environment or uncertain future development of the regulatory framework. Several respondents in Romania raised this as a barrier. In general, uncertainty can arise from a brand-new regulatory environment, which may include poorly defined responsibilities between actors, lack of or understaffed responsible departments/authorities that the supplier must communicate with, etc. Also, suppliers may experience uncertainty because of unpredictability around what the future regulatory framework will look like and hence what business opportunities will be possible.

National issue



The frequent changes of the legislation regarding the need for end-user price regulation and connected measures created high uncertainty on the market. The pro-competition attitude of the sectoral regulation has been changed back and forth in the last few years, and a change in the political situation is likely to influence regulatory framework heavily.

Potential solutions

In general, a more independent sectoral regulator can enhance predictability on the market. However, the decision on the necessity of price regulation is always on the governments. Thus, only a comprehensive political agreement across parties can ensure that the regulatory regime remain stable for a longer period.

European markets in which this barrier has also been indicated

AT BE BG HR CY CZ DE DK EE FI FR EL HU IE IT LV LT LU NL NO PL PT RO SK SI ES SE UK

Uncertainty regarding future regulatory developments, especially in the field of digitalisation and new technology. Several respondents in Romania raised this as a barrier. New technological advances require regulatory frameworks in order to be fully rolled out without excessive business risk for suppliers. Smart meter rollout targets, progress and associated rights and obligations can be the main solutions for uncertainty. Also, regulatory uncertainty regarding the future of demand response aggregation or other novel services can hinder investment/innovation in these areas.

National issue



The legislative framework for innovative services (such as demand aggregation) is still under definition, which hinders entry.

The smart meter roll-out for 2020 is 13%.

Potential solutions

Implementation of the legislative framework for enabling demand response is important to enable this type of service.

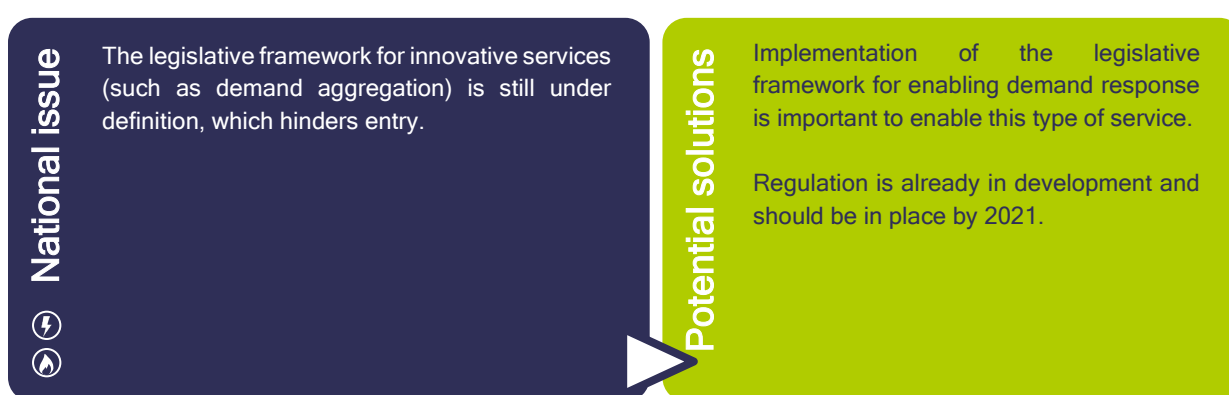
Regulation is already in development and should be in place by 2021.

European markets in which this barrier has also been indicated

AT BE BG HR CY CZ DE DK EE FI FR EL HU IE IT LV LT LU NL NO PL PT RO SK SI ES SE UK

1.4 Description of regulatory disincentivisation barriers in Romania: Access to innovation

No fit between new business models and existing regulation/obligations. Several respondents in Romania raised this as a barrier. Regulatory frameworks need to provide an environment for not only piloting new business models but also allow for further advancements without risking any grid stability, e.g. net-metering schemes and self-consumption. Regulatory requirements/obligations designed for traditional suppliers may not make sense for innovative players who are nonetheless bound by them. Unclear current regulation around demand response aggregation, such as missing role definitions, makes it challenging for novel services to enter and grow.



European markets in which this barrier has also been indicated

AT BE BG HR CY CZ DE DK EE FI FR EL HU IE IT LV LT LU NL NO PL PT RO SK SI ES SE UK

Market structures do not incentivise novel products (missing perceived value). Some respondents in Romania raised this as a barrier. Without an existing demand and/or mindset for novel services such as DR, new entrants face the barrier of establishing the entire market before they can act in it. A low level of perceived value can due to a technology lag, customers' being unaware or not incentivised, or little competition between traditional suppliers resulting in little need for suppliers to innovate/differentiate.



European markets in which this barrier has also been indicated

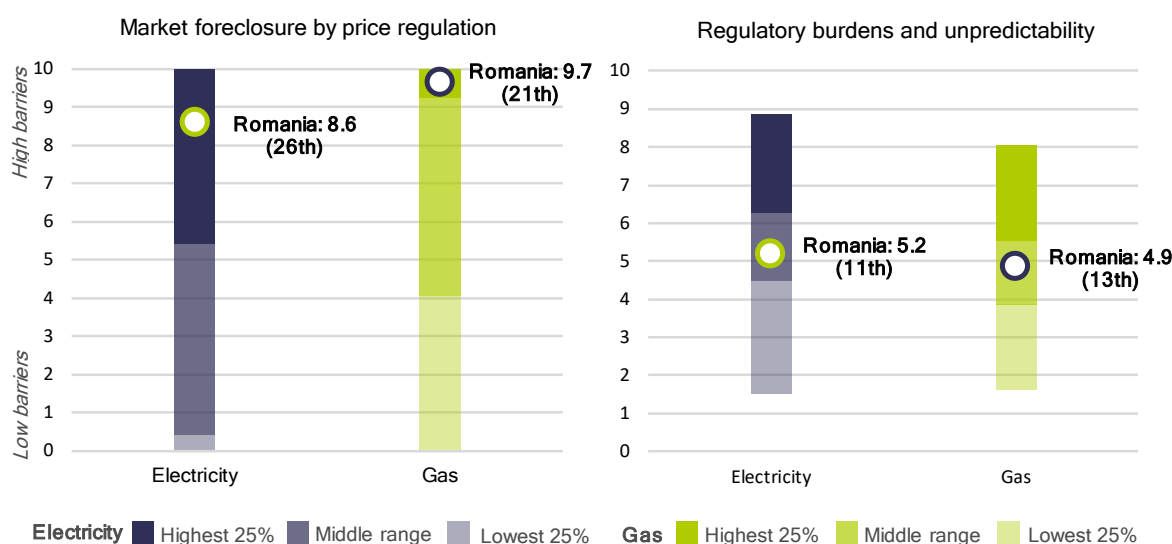
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1.5 Romania's performance in this barrier category

The following figure shows quantitative indicators of how far regulatory disincentivisation acts as a barrier in this market. The values for Romania are shown against the range across all analysed countries. These scores contribute to the performance index. The performance indicators of regulatory disincentivisation are the following:

- **Market foreclosure by price regulation.** The index consists of two sub-indicators, the penetration of price regulation (among residual customers), and the mark-up of the regulated offer. A high score is attributed if the high share of the customers is supplied at regulated price, and the mark-up is significantly lower than the average mark-up on the competitive markets.
- **Regulatory burdens and unpredictability.** The index consists of two sub-indicators. Regulatory burdens reflects to the non-energy share of the energy bill in an average household, which are regulated (taxes, network fees). Regulatory unpredictability was measured via the related question in the supplier survey conducted for this project. High score is attributed if the share of the non-energy elements is high, and if the survey respondents scored the question highly (as an important barrier).

Performance indicators



Indicators suggest that currently the Romanian retail energy markets are foreclosed by price regulation, but it will change within a year as the shortened transitory periods will end. Regulatory burdens are slightly below the EU-average, but the constantly changing legislation has led to high regulatory unpredictability.

2) Market inequality

Within market inequality, barriers across Europe have been sub-categorised into two areas encompassing 8 specific barriers³:

1. **Unbundling and market power.** In order to facilitate better competition and improve performance of the individual parts of the energy companies, the Energy Directives introduced rules for legal, functional and accounting unbundling between DSOs and supplier. Although legal unbundling has been implemented throughout all EU member states, barriers arising from vertical integration can still be observed in many markets, raising the question if the required level of unbundling is sufficient in order to meet the goal of a fair and competitive retail market. Companies serving less than 100 000 customers are only obliged to implement accounting unbundling.

In order to avoid confusion among end customers as to the separate parts of integrated energy businesses, brand unbundling has been a focus area for NRAs over the last years. Nevertheless, in several EU countries, the difference in the branding of the supplier and the DSO is perceived as insufficient. Strategic and unfair advantages for incumbent suppliers around transparency, pricing and access to information and data occur in most of the European countries. Access to production capacities can also be limited for small suppliers if market players with a large generation portfolio can withdraw production capacity from the accessible markets. Balancing and ancillary services markets can also be distorted as they are often still designed to mainly benefit large-scale generation, discriminating against smaller market participants. These barriers related to market power are described in more detail below. Across Europe, the following specific barriers related to “unbundling and market power” were detected. Those highlighted in blue have been raised, indicated or identified as barriers in Romania:

- Lack of brand unbundling
- Discriminating, strategic behaviour of incumbent, and obstruction by other market players.
- Strategic, unfair advantage of vertically integrated market players and lack of transparency.
- Limited or biased access to production.
- Discrimination against new and small market players in capacity and ancillary services markets.

2. **Equal access to and maturity of wholesale market.** The wholesale markets present one of the most important sources for energy procurement for all market participants. New and small suppliers tend to have weaker bargaining position in bilateral negotiations, which occurs higher sourcing costs, therefore leading to a competitive disadvantage. Access to a well-functioning wholesale market (an energy exchange) therefore enables smaller suppliers to buy energy for competitive prices.

³ Please note: these definitions are Europe focused, not Romania specific. Highlighted barriers have been identified as country specific.

Barriers related to the wholesale market can arise by discriminatory market platform access and the absence of any viable alternative. Furthermore, a lack of available products and low liquidity can lead to an increase in risk, disadvantaging small market participants substantially more than large, established suppliers. Across Europe, the following specific barriers related to “unbundling and market power” were detected by this study. Those highlighted in blue have been raised, indicated or identified as barriers in Romania:

- Discriminatory market platform access (standards, guarantees, etc.)
- Low liquidity in the wholesale market
- High price or volume risk in energy procurement

2.1 Description of market inequality barriers in Romania: Unbundling and market power

Discriminating, strategic behaviour of incumbent, and obstruction by other market players. Several respondents in Romania raised this as a barrier, without detailed explanation on what specific behaviours are experienced in the market. Within such a research project, it is not possible to draw conclusion on the existence and potential effects of anticompetitive strategic conducts, as these questions can be judged only in legal procedures carried out by sectoral regulators or competition authorities. In general, the incumbent/existing suppliers are able to use tactics in pricing, customer access, combined billing (including the cost of social tariffs) etc. not available to new entrants. For example, large established players can afford to apply predatory pricing for certain customers to retain them. Market players with a lot of power may act in an obstructive way, especially around data exchange. This can especially disadvantage small suppliers with only a limited customer base to draw data from. If regulated DSOs are involved in other areas of activity such as customer care or flexibility services, it can narrow deregulated suppliers' potential to expand into these areas.

National issue

Several respondents in Romania raised that strategic behaviour of other suppliers are common, especially on the electricity markets.

Potential solutions

In general, stricter rules for unbundling of distribution and supply activities can reduce both the incentives and the ability of a vertically integrated market player to follow anticompetitive behaviours.

In case of issues with data access, a standardised approach for data exchange, via a data hub or any other viable platform solution can help reducing this barrier as it will create a level playing field for all market participants.

European markets in which this barrier has also been indicated

AT BE BG HR CY CZ DE DK EE FI FR EL HU IE IT LV LT LU NL NO PL PT RO SK SI ES SE UK

Strategic, unfair advantage of vertically integrated market players and lack of transparency. Several respondents in Romania raised this as a barrier. DSOs are required to separate distribution activities from supply both legally and in practice, so that unregulated distribution activities do not cross-subsidise any supply business. However, co-ownership is allowed, and small DSO/supplier companies are often exempted from any unbundling. In many countries, vertically integrated companies are still able to use their market power to gain an advantage in terms of information, allowing them for example to target customers based on consumption profiles or win back customers during the switching process, or in terms of access to financing through e.g. DSOs favouring sister companies when procuring services.

National issue



Several respondents in Romania claimed that vertically integrated suppliers, which are also suppliers of last resort, enjoys significant strategic advantage over newly established and/or independent suppliers. For example, information imbalance between vertically integrated companies compared with new market entrants is substantial.

Potential solutions

The structural (ownership) unbundling of distribution and supply activities is the most effective way to level the playing field.

Unfair advantages in data access can be handled with a standardised approach for data exchange, via a data hub or any other viable platform.

European markets in which this barrier has also been indicated

AT BE BG HR CY CZ DE DK EE FI FR EL HU IE IT LV LT LU NL NO PL PT RO SK SI ES SE UK

GREAT BRITAIN BEST PRACTICE CASE: Unbundling of DSOs and supply businesses

Great Britain provides an example of well-functioning separation between distribution and supply. Ten of the 14 electric DNOs (distribution network operators) are free standing companies, while 4 are part of groups that include generation and supply businesses. Of the 4 companies that distribute gas, only 1 is part of a group that also owns a gas supply business. The companies that have generation or gas supply affiliates are effectively unbundled. In this study, we found no evidence of incomplete unbundling presenting a problem in Great Britain. DNOs are prohibited from providing end-user services, they are invisible to the customer, and no suppliers in the study had experience of the supplier/DNO relationship being exploited.

Limited or biased access to production. Some respondents in Romania raised this as a barrier. Market participants who also own generation assets can use their power to withdraw production capacity from the open market, thereby limiting liquidity in the wholesale market. Small suppliers with little bargaining power may be disadvantaged, e.g. if there is no standardisation around PPAs.

National issue



Some respondents in Romania claimed that access to gas production is limited as very big quantities are offered on exchange and a small supplier is not able to participate due to financial restrictions.

Potential solutions

Gas producers can be obliged to offer also smaller quantities on the exchange.

European markets in which this barrier has also been indicated

AT BE BG HR CY CZ DE DK EE FI FR EL HU IE IT LV LT LU NL NO PL PT RO SK SI ES SE UK

Discrimination against new and small market players in capacity and ancillary services markets. Some respondents in Romania raised this as a barrier. The balancing landscape was designed mainly for and remains focused on large-scale generation in most of the countries. This can exclude smaller-scale/aggregated generation or demand-side bids from participating in balancing markets as they cannot meet the product requirements. Inefficient capacity markets can lead to a market distortion, benefitting specifically incumbents and other established market players who are able to meet the large generation-focused market conditions (bid minimum size, treatment of users with asymmetric balancing etc.).

National issue



The conditions for participation in balancing and capacity mechanisms are not properly defined, therefore - according to the view of some respondents - demand response is practically excluded from these markets.

Potential solutions

Implementation of the legislative framework for enabling demand response is important to enable this type of service.

European markets in which this barrier has also been indicated

AT BE BG HR CY CZ DE DK EE FI FR EL HU IE IT LV LT LU NL NO PL PT RO SK SI ES SE UK

FINLAND BEST PRACTICE EXAMPLE: Consumption bids in balancing

Several respondents active in aggregation and demand response expressed satisfaction at how Finland has redesigned balancing products to make them amenable for demand-side bids, complemented by its market-centric approach to DR. This indicates a willingness to let flexibility play a bigger part in the evolving energy system. Indeed, Finland's attitude to DR is positive and flexible, with respondents feeling that Fingrid is easy to work with and open to novelties. Many of the market structures for DR are an example of how to incorporate demand-side flexibility into the energy system. Some products are necessarily constrained by e.g. fast response times or minimum bid size due to their function, which make them difficult for DR providers to fulfill. However, open-minded amendments such as allowing pooling of loads, enabling step-wise activation or reducing minimum bid size where possible have opened up several products to DR. Developments remain ongoing, e.g. imbalance settlement for aggregators is currently under discussion. Progressive changes at the consumer end have also helped open the aggregation market in Finland, for example allowing 3rd party providers to access customers. Market players reported that the other Nordic countries are now developing in the same direction that Finland already has done, in this and other DR- and novelty-related aspects.

2.2 Description of market inequality barriers in Romania: Equal access to & maturity of wholesale market

Low liquidity in the wholesale market. From our studies of this market, it appears that this poses a barrier in Romania. A lack of liquidity in the wholesale market is a barrier to operation as it leads to higher prices and risks, and therefore increases sourcing costs. Market participants with a lot of market power can withdraw their production capacities from the wholesale market and thus discriminate against other players.

National issue



Electricity transactions must be carried out on the centralized platforms, in Romania. However, the traded volumes on centralized markets exceeded the consumption only by 60% (churn rate is 1.6) in 2018, which is a moderate liquidity. The situation is more severe on the gas market where only the half of the consumption is traded on centralised markets. This means that suppliers cannot rely on stable sources and price signals.

Potential solutions

There is already an obligation in place to use centralized platform in electricity market. Moderate level of liquidity can be present because the incumbents have good access to primary sources, and they sell the energy to final customers directly.

In gas market, similar obligation could be advantageous, especially if the production of Black Sea gas fields starts and become available on the exchange.

European markets in which this barrier has also been indicated

AT BE BG HR CY CZ DE DK EE FI FR EL HU IE IT LV LT LU NL NO PL PT RO SK SI ES SE UK

High price or volume risk in energy procurement. All respondents in Romania raised this as a barrier. Volume and price risk, due to the difference in time and volume between procurement and billing, raises risks for market participants and therefore presents a barrier. This is a particular problem in combination with a lack of hedging opportunities that would allow companies to insure against wholesale price fluctuations.

National issue



All respondents in Romania claimed that high price and volume risk creates an entry barrier. The main reason is that retail contracts are mainly fixed-priced, and risk management or hedging service providers are not available on the market.

Potential solutions

By increasing the liquidity of the exchange, price and volume risks tend to reduce significantly.

European markets in which this barrier has also been indicated

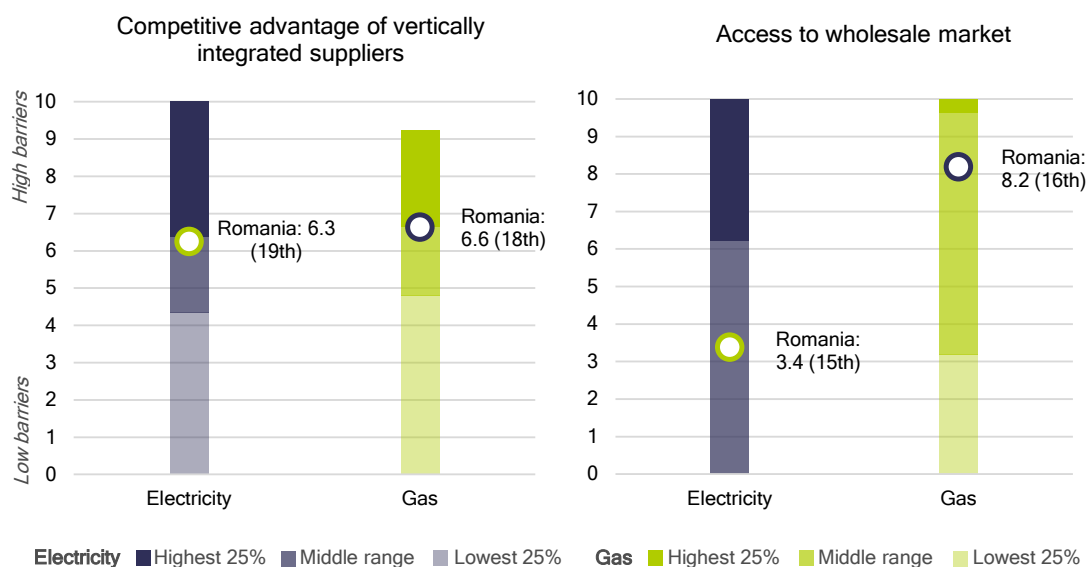
AT BE BG HR CY CZ DE DK EE FI FR EL HU IE IT LV LT LU NL NO PL PT RO SK SI ES SE UK

2.3 Romania's performance in this barrier category

The following figure shows quantitative indicators of how far market inequality acts as a barrier in this market. The values for Romania are shown against the range across all analysed countries. These scores contribute to the performance index. The performance indicators of market inequality are the following:

- **Competitive advantages of vertically integrated players.** The index consists of two sub-indicators, the market share of vertically integrated suppliers (on the residential market), and the strictness of DSO unbundling. A high score is attributed if the vertically integrated suppliers have a high aggregated market share, and the unbundling regime is not very strict (brand unbundling is not in force, high share of local, integrated companies).
- **Access to wholesale market.** The indicator measures the accessibility of the wholesale market by quantifying the liquidity of wholesale markets. High score is attributed if the traded volume is relatively low compared to the consumption of the country (churn rate). Traded volume includes volumes that are traded at hub as recorded by brokers (OTC) or exchanges and does not include 'contracted' (LTC or other bilateral deals) volumes which are conducted 'off market'.

Performance indicators



Romania is ranked in the upper side of the middle range based on the competitive advantage of vertically integrated market players, as their very high (>90%) market share is partially balanced with a sufficient brand unbundling regime. Based on liquidity, the country is also in the middle range in electricity market, however the gas market suffers from low liquidity.

3) Operational and procedural hindrances

Within operational and procedural hindrances, barriers across Europe have been sub-categorised into two areas encompassing 13 specific barriers⁴:

1. **Sign-up & operations compliance.** Sign-up, licensing or registration, along with other administrative requirements or system establishment such as arranging contracts with relevant stakeholders (TSOs, DSOs, BRPs) are among the first steps that a new supplier undergoes to enter and operate in a retail energy market. To deliver natural gas or electricity to final consumers in Europe, an energy supplier usually needs to be registered to a certain institution list, or to proceed with a notification, or follow a process to grant a licence. Entrance processes for suppliers often requires commitments such as a minimum standard of customer service obligations, requirements on service quality, to provide financial guarantees or to have a communication system in place.

In most responding NRA countries, suppliers need to register and make contracts with certain stakeholders (mainly TSOs and DSOs) to procure the access to the energy grid: transport capacity, balancing. This procedure can be very different from a country to another. Accessing wholesale markets and balancing may also require a license or prior agreement/registration with the market operator. In some markets, business processes to enter and operate in the retail market can be extremely detailed and burdensome. The lack of a functioning national wholesale market may also hinder the entrance of retail companies that are not vertically integrated. Across Europe, the following specific barriers related to “sign-up & operations compliance” were detected by this study. Those highlighted in blue have been raised, indicated or identified as barriers in Romania:

• Poor availability of information for market entrants & active participants
• Heavy administrative process for entry (registration / licensing)
• High financial requirements (incl. long working capital cycles) and forced risk during operations
• Excessive reporting requirements during operations
• Excessive information requirements around billing and energy labelling
• Highly complex or country-specific systems & processes
• Regional differences or differences between DSOs within a country
• Cumbersome or biased switching process
• Unduly burdensome environmental obligations
• Unduly burdensome or insufficiently regulated market exit

⁴ Please note: these definitions are Europe focused, not Romania specific. Highlighted barriers have been identified as country specific.

2. **Data access & processes.** Data access and management refers to the processes by which data are sourced, validated, stored, protected and processed and by which it can be accessed by suppliers or customers. In a well-functioning energy retail market, it is important that the information required to operate in the market is available to newcomers (subject to applicable legislation on data protection). This may include information on, for example, individual consumption or more specific meter details. This data is required in order for suppliers to carry out their market role, such as initiating a switch, or billing a customer. A standardized approach to the provision and exchange of data creates a level playing field among stakeholders and helps to encourage new, challenging market actors to enter the market. In order to avoid data management and access processes acting as a significant barrier to entry, Member States' initiatives to standardize data format and processes, including investments in data hub infrastructure, have the potential to make a positive impact.

European barriers relating to "data access & processes" are as follows:

- Lack of data hub
- Complex, heterogeneous IT infrastructure and/or low level of digitalisation
- Missing access or poor quality of operations-critical data

3.1 Description of operational and procedural hindrances barriers in Romania: Sign-up & operations compliance

Poor availability of information for market entrants & active participants. From our studies of this market it appears that information availability is constrained in several aspects, moreover, some respondents in Romania raised this as a barrier. If detailed information about legislation, licensing requirements, procedures during operations or market statistics are not readily available, or only in the local language, then it is difficult for potential new entrants to (1) understand the market and judge its suitability for their business; (2) efficiently go through the entry process to establish on the market; (3) operate effectively and efficiently.

National issue

Most of the up-to-date information is available only in Romanian on the websites of the regulator and the network operators. The relevant legislation is just partially available in English, not every information is up-to-date. The regulator publishes monthly market statistics, but the gas market report is less detailed and available only in Romanian. There is no standardized information package for new entrants.

Potential solutions

The Austrian NRA, e-control has a good practice that can be followed: The regulator offers a comprehensive "starter kit" with all the necessary information for new market entrants, and this documentation is also available in English.

European markets in which this barrier has also been indicated

AT BE BG HR CY CZ DE DK EE FI FR EL HU IE IT LV LT LU NL NO PL PT RO SK SI ES SE UK

AUSTRIAN BEST PRACTICE CASE: Availability of information for market entrants & active participants.

The Austrian NRA, E-Control offers a comprehensive “starter kit” with all the necessary information for new market entrants in German and English language. Furthermore, statistical data, covering switching rates, price levels, smart metering rollout progress and others is frequently being published. Therefore, a barrier is not only non-existing, but even more, the situation in Austria can be regarded as a best practice.

Heavy administrative process for entry (registration / licensing). Some respondents in Romania raised this as a barrier. The processes required to enter a market constitute a large administrative burden. Overly complicated and very time-consuming processes and requirements present a barrier in terms of the time and money that new entrants must invest. This barrier refers to all steps required to obtain a license or registration allowing participation in the market as a retailer.

National issue

Electricity and gas supply activities require an electricity supply license issued by regulator, which is valid for ten years. The licencing procedure in Romania is 60 days long, which is around the average (considering only countries that maintains such obligation). Some respondents in Romania claimed that licensing procedures are complex and slow.

Potential solutions

In many countries of Europe there is no licencing requirement in the retail electricity and natural gas markets. If maintaining the licencing obligation is preferred, the complexity and therefore the length of the procedure can be reduced significantly, as several countries in the region (Czech Republic, Slovakia, Croatia) have a 30 days procedure.

European markets in which this barrier has also been indicated

AT BE BG HR **CY** CZ DE **DK** EE FI FR **EL** HU **IE** IT LV LT LU **NL** NO PL PT **RO** SK SI ES SE **UK**

Regional differences or differences between DSOs within a country. All respondents in Romania raised this as a barrier in gas market. Different regions within the country or different DSOs' grid areas have different processes, data formats etc. This requires more effort from the supplier to be active across many regions, compared to if there were national standardisation. Examples of such difference include DSOs' reporting on operational data and non-transparent forecasting methodology.

National issue

All respondents in Romania claimed that processes are different in across DSOs, especially regarding data formats, which are not regulated. This requires high degree of manual work, which impose high cost on suppliers. (See “Missing access or poor quality of operations-critical data”)

Potential solutions

Digitalization and standardisation of DSO specific processes can reduce the potential barriers.

European markets in which this barrier has also been indicated

AT BE BG **HR** CY CZ **DE** **DK** EE **FI** FR **EL** HU IE IT LV LT LU NL NO **PL** PT **RO** SK SI **ES** SE **UK**

3.2 Description of operational and procedural hindrances barriers in Romania: Data access & processes

Lack of data hub. From our studies of this market, it appears there is no data hub in Romania, and as several respondent claimed about the process of data access, this could pose a barrier. If there is no centralized data hub or a platform for switching and access to DSOs information, this increases the time and effort required by suppliers to access customer or network data, e.g. to enact a switch or target potential new customers. This tends to favour suppliers with a high market share (and hence access to large amounts of customer data, including historical usage data) or suppliers vertically integrated with a DSO such that the parent company benefits from DSOs providing data directly to the supplier side.

National issue

There is no centralized data hub or a platform in Romania and several supplier claimed about the process of data access.

Potential solutions

If well-constructed a centralized data platform can solve the issues regarding data access and data quality. Lessons from other countries include ensuring equal access also to historical data, ensuring a reasonable timescale for data submission, and consistent standards for format and quality of data.

European markets in which this barrier has also been indicated

AT BE BG HR CY CZ DE **DK** EE FI FR EL HU IE IT LV LT LU NL **NO** PL PT **RO** SK SI ES SE UK

DENMARK BEST PRACTICE CASE: Denmark's DataHub

The development of the DataHub is held up by market actors in other countries as a good example of regulatory development that involved and cooperated with market players. A key aspect of the successful development process was that a single organization (the TSO) had a clear system-wide responsibility to implement the changes, enabling streamlining of the process. Market players report the launch of the DataHub as the most important recent innovation in Denmark's energy system.

NORWAY BEST PRACTICE CASE: A well-designed data hub improved market equality in Norway

The Norwegian market is characterized by a large number of small, local, currently vertically integrated supplier-DSOs. Across Europe, this study has found vertical integration to cause issues around data access, where the integrated supplier (usually the incumbent) has an advantage in data access through its affiliation with the DSO, which collects and controls the information. However, such issues were not raised in Norway.

This favourable situation results from the existence since 2019 of a centralized data platform, Elhub, that is functioning near-perfectly according to suppliers to even out the playing field around data access (see section 3.2). Previously, independent suppliers faced delays and obstruction in obtaining customer data from DSOs. The impact on data exchange was so great that one supplier described their dealings with DSOs as “different pre- and post-Elhub worlds”. The Elhub moreover allows the regulator to technologically control that actors are behaving appropriately.

Complex, heterogenous IT infrastructure and/or low level of digitalisation. Several respondents in Romania raised this as a barrier. Heterogenous and complex IT infrastructure, required to communicate and exchange data with all relevant market participants, or a high level of manual processes in such exchanges, can both increase costs substantially. Such systems can be financed more easily by large market players via economies of scale, so small players are disadvantaged for technical reasons.

National issue



Processes not well digitalized neither on electricity nor gas markets. Suppliers are obliged to exchange of paper contracts, and there are no digital interfaces, or the existing ones are poor.

On electricity market, lack of infrastructure (e.g. smart meters) constitutes a barrier according to the suppliers.

Potential solutions

Digitalisation is key to reduce operation costs and to implement more efficient processes. Supporting pilot projects and the evaluation of their performance can help to take steps toward digitalization.

European markets in which this barrier has also been indicated

AT BE BG HR CY CZ DE DK EE FI FR EL HU IE IT LV LT LU NL NO PL PT RO SK SI ES SE UK

Missing access or poor quality of operations-critical data. Several respondents in Romania raised this as a barrier. Non-availability delayed or low quality of operations-critical data (incl. smart meter data) presents a main barrier as it increases the need for manual processing and therefore costs. Especially if this issue is combined with information advantage, this can give of certain market participants such as DSOs and incumbents a major advantage in providing the required service level to the customers.

National issue



Suppliers in Romania claimed that the quality and accuracy of operations-critical data should be improved, especially in gas market. Moreover, as data exchange formats are not regulated, data management requires high degree of manual work.

Potential solutions

Standardisation of data format and access would improve the availability of operation-critical information and reduce the manual work. It is even better if a centralised data platform is in place.

European markets in which this barrier has also been indicated

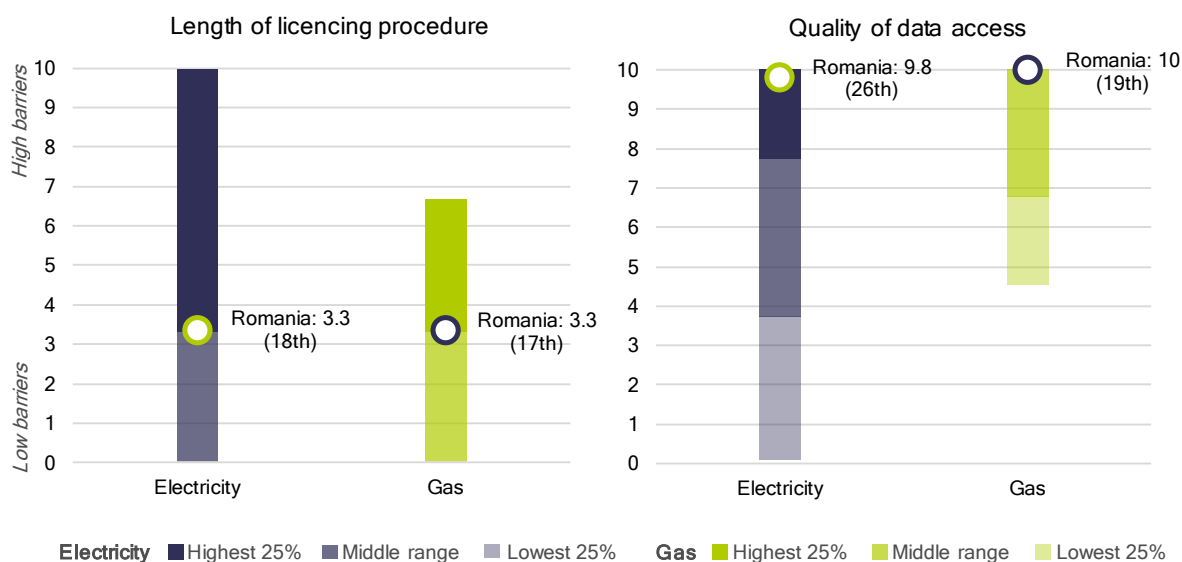
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3.3 Romania's performance in this barrier category

The following figure shows quantitative indicators of how far operational and procedural hindrances act as a barrier in this market. The values for Romania are shown against the range across all analysed countries. These scores contribute to the performance index. The performance indicators of operational and procedural hindrances are the following:

- **Length of licensing procedure.** The complexity of the licensing procedure is quantified using the legal deadline of the licensing procedure. A higher score is attributed the longer the regulator's authorization period, while 0 score is attributed if there is no licensing obligation in the country.
- **Quality of data access.** The barriers relating to the quality of data access are measured with a checklist indicator, which focuses on the DSO's practices regarding data collection and access provision to suppliers. A high score is attributed if the format of the data provision is not standardised, third party access is not available via website or data hub, and the smart meter rollout is small.

Performance indicators



The licensing procedure has an average length in Romania (60 days), but this performance is enough only to reach the upper side of the middle range, since in many countries there is no licensing procedure at all. The country received close to maximum barrier scores regarding data access, as there is no standard data format, data platform or hub, and the smart meter roll-out is also very low.

4) Customer inertia

Within operational and procedural hindrances, barriers across Europe have been sub-categorised into one area encompassing 6 specific barriers⁵:

1. **Customer orientation.** Whether customers want to or can engage with the market depends on a broad range of market characteristics, including how well authorities inform and support customers and how energy companies are viewed by the customer. For example, if there is no trusted central place to compare offers from different suppliers, customers may struggle to make an informed choice; or if customers perceive all energy companies as irresponsibly profit-driven, or providing a poor service, they may feel there is nothing to be gained from switching. Moreover, across Europe, most energy markets have been liberalized relatively recently (last 20 years, some only a few years ago), so for a considerable portion of customers the potential for them to engage may still feel unfamiliar.

Across Europe, the following specific barriers around “customer orientation” were detected in this study:

- Lack of information regarding available offers and switching possibilities
- Low customer awareness or interest makes it difficult to attract customers
- Insufficient price signals for end-users
- Changing supplier is cumbersome or has little pay-off for the customer
- Consumers prefer status quo
- Lack of trust in new or foreign suppliers and in new technology

4.1 Description of customer inertia barriers in Romania: Customer orientation

Low customer awareness or interest makes it difficult to attract customers. All respondents in Romania raised this as a barrier. If customers are not well informed about their opportunities to participate in the market or are not motivated to use them, or find the market too complex to access, they are not driven to seek out or engage with new energy suppliers. If energy is not a core priority for customers in their lifestyle, it is difficult to engage them in the market overall. This barrier also prevents uptake of novel services such as DR, as the benefits are difficult to promote to customers who do not already value energy or their role in the market.

⁵ Please note: these definitions are Europe focused, not Romania specific. Highlighted barriers have been identified as country specific.

National issue



Suppliers claim that the residential energy markets are immature, most people don't even know that switching supplier is possible. Information on savings potential or savings are too low because the big players are almost similar.

Potential solutions

Neutral information campaigns focusing on general market functioning and customer options can help in levelling the playing field and reduce this barrier.

European markets in which this barrier has also been indicated

AT BE BG HR CY CZ DE DK EE FI FR EL HU IE IT LV LT LU NL NO PL PT RO SK SI ES SE UK

Changing supplier is cumbersome or has little pay-off for the customer. All respondents in Romania raised this as a barrier, which is in line with the results of the corresponding survey of DG Justice and Consumers. A slow switching process, one prone to delays and errors, or having to pay to switch, may discourage customers to switch, which in turn lead to low customers engagement. Effective price competition between suppliers requires rapid, effective, such that customers see the benefit to them in a short timeframe. Also, if there is little financial gain for customers to switch, it discourages participation.

National issue



Both suppliers responses and customer survey on the perceived effort of switching affirm that switching procedures are perceived so burdensome that can deter consumers to choose another supplier. Moreover, price regulation (even if they are available for a transitory period) reduces the incentives to switch.

Potential solutions

Removing regulated prices will allow new entrant suppliers to make offers that compete with the incumbent on price and other aspects, which should encourage customers to at least consider switching. However, the process of switching could be also revised and simplified. The process can be simplified with a standardised protocol, supervised and approved by the regulator.

European markets in which this barrier has also been indicated

AT BE BG HR CY CZ DE DK EE FI FR EL HU IE IT LV LT LU NL NO PL PT RO SK SI ES SE UK

Consumers prefer status quo. All respondents in Romania raised this as a barrier. Customers can experience strong incentives to stay on a regulated price (e.g. because it is cheaper) or with their current, usually incumbent supplier (e.g. because of mistrust of switching processes or of quality of other suppliers, or because there is no explicit driver to make the effort to engage in the market).

National issue



Suppliers claimed that it is a very important barrier in Romania. Customers are afraid to contract with another company due to the legacy of the previous market structure with only one supplier for everybody.

This barrier is closely linked to “Low customer awareness or interest makes it difficult to attract customers” and “Lack of trust in new or foreign suppliers and in new technology”.

Potential solutions

Neutral information campaigns focusing on general market functioning and customer options can change the attitude of the customers.

European markets in which this barrier has also been indicated

AT BE BG HR CY CZ DE DK EE FI FR EL HU IE IT LV LT LU NL NO PL PT RO SK SI ES SE UK

Lack of trust in new or foreign suppliers and in new technology. All respondents in Romania raised this as a barrier. Lack of trust in new and/or foreign suppliers can be caused by previous bankruptcies in the market or simply customer unfamiliarity with the new supplier's quality of service. This presents a barrier for new suppliers trying to attract customers, as they have to invest heavily in building a new relationship. Customers and hence retailers may also mistrust new technology, at least until they have been convinced that it is useful and will not disrupt their lifestyle, which is difficult to do until enough people use the technology.

National issue



Suppliers claimed that it is a very important barrier in Romania.

This barrier is closely linked to “Low customer awareness or interest makes it difficult to attract customers” and “Consumers prefer status quo”.

Potential solutions

Trust in other suppliers can be enhanced with several ways, e.g.:

- by recommendations to suppliers and customers on how to select and make a new contract,
- enhancing customer awareness in the domestic sector,
- enhancing monitoring activity on suppliers, customers associations can also better monitor suppliers' behaviour.

European markets in which this barrier has also been indicated

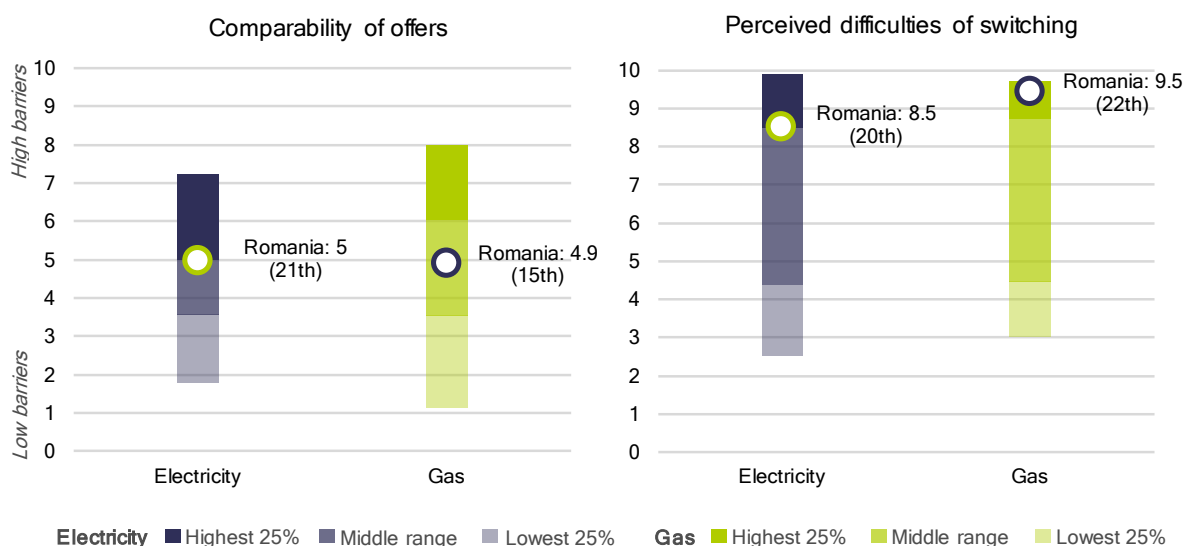
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4.2 Romania's performance in this barrier category

The following figure shows quantitative indicators of how far customer inertia acts as a barrier in this market. The values for Romania are shown against the range across all analysed countries. These scores contribute to the performance index. The performance indicators of customer inertia are the following:

- **Comparability of offers:** The index consists of two sub-indicators. The first measures consumer's ability to compare offers, based on a survey commissioned by the DG Justice and Consumers. The second is a checklist indicator which quantifies the availability of comparison websites, based on their number and functionalities. A high score is attributed if the consumers gave low scores for comparability, and there are no comparison websites in the country.
- **Perceived cost of switching:** Difficulties around the switching process are also measured based on DG Justice's survey. The indicator incorporates the experience and opinions both of customers who have switched, and also of those who have not because they faced obstacles or thought it might be too difficult. A high score is attributed if the high share of consumers reported bad experience of or poor opinion on the switching process, among all customers who considered switching.

Performance indicators



Romania performs close to average regarding barriers associated with comparability of offers, as only one comparison website is available (operated by the regulator), but the customers gave good scores for comparability (it can be a due to consumers meet few number of offers). Regarding switching costs, Romania is amongst those countries where customers' experience and opinion is the worst, and this result is in line with the supplier responses.

5) Other

Other aspects of the market not directly related to its functions, as addressed above, may also impact suppliers' ease to enter and operate in the market. These relate to characteristics of the market that are not necessarily a barrier per se, but their impact on the energy retail environment could be minimized to benefit market function.

5.1 Description of other barriers in Romania: Other

Small market or customer value. All respondents in Romania raised this as a barrier. In some countries the small population and/or low consumption hinders profitability. Market size as a barrier could be ameliorated by better harmonization of markets.

National issue

Market participants claim that customer potential and value is low especially because the very low switching rates. Low switching rate can be associated with every barrier mentioned above from price regulation and low customer awareness to conditions that limit the competitiveness of the rival suppliers.



Potential solutions

As low switching rate can be a sign of huge variety and combination of barriers, the solution can require a complex approach. Removal of price regulation is a good starting point, however, measures addressing issues regarding the regulatory framework, market inequality, data access and switching costs are also important elements of the solution.

European markets in which this barrier has also been indicated

AT BE BG HR CY CZ DE DK EE FI FR EL HU IE IT LV LT LU NL NO PL PT RO SK SI ES SE UK

FINDINGS & RECOMMENDATIONS

Based on all information we collected and analysed throughout the research, we found the following barriers as the most effective in the Romanian retail energy markets:

- The reintroduction of end-user price regulation foreclosed the market (even if only temporarily), while the debate on its potential amendment created high uncertainty regarding the regulatory framework.
- The regulatory framework is not ready for adopting new technologies, which hinders innovation and entry with new type of services.
- The low level of data access and digitalization, together with the lack of data standardisation imposes high burdens on suppliers in the daily business processes.
- The process of consumer switching is perceived to be very difficult and burdensome, which deter consumers for even considering switching to a new supplier.

Other barriers were also raised by supplier, eg. costumers' attitude and low switching rates, but we consider these as rather the consequences of the above-mentioned barriers.

From our studies it is clear that the most prevalent entry barriers in the Romanian retail energy markets are associated with the regulation of the end-user prices. Since the vast majority of the residential customers are supplied within the regulated framework, and the regulated retail price was even below the wholesale price, there is no space for new entrants on the markets, and there is no incentives for the customers to leave the regulated segment. The regulatory changes announced in January 2020 will overcome these issues, however the uncertainty of the future regulation is still present, as it seems that there is no political agreement regarding the required level of state intervention in the retail energy markets.

Uncertainty is also a barrier regarding the regulatory landscape for new technologies and innovative services. Implementation of the legislative framework for enabling demand response is important to enable this type of service.

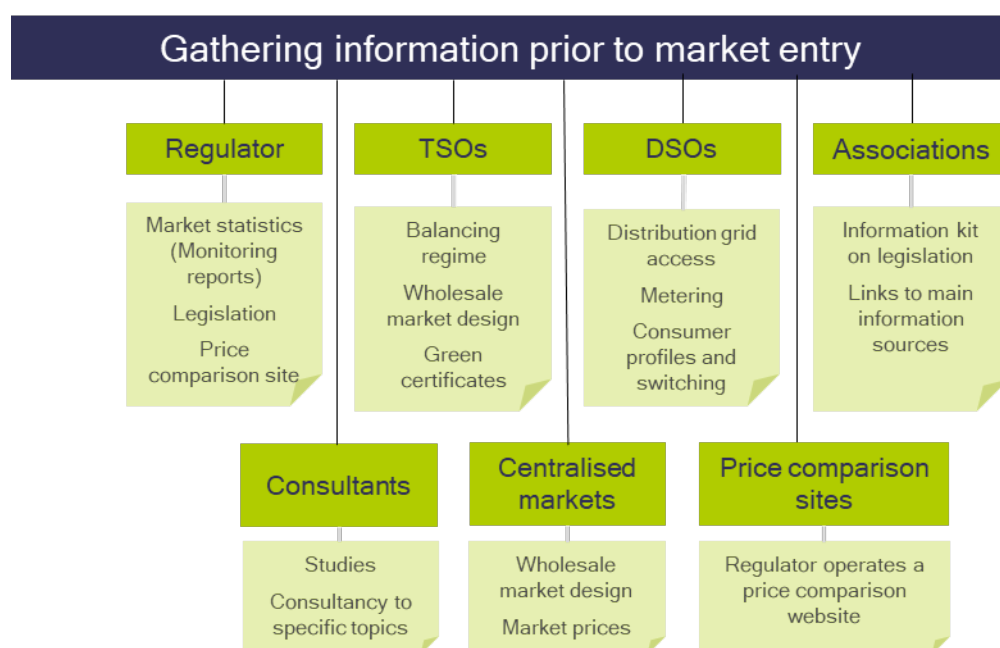
Barriers in relation to quality of data access and digitalisation are also important. Digitalisation of every kind of B2B communication is crucial, but it would be advantageous to expand it to B2C communications as well. Since currently there is no standardized data format for the DSO-supplier data exchange, it would be worth to introduce an international format (eg. EDIFACT\EDIGAS), instead of a national data standard which would be only a lower level solution. Creation of a centralised data platform (hub) could solve the issues regarding data access and standardisation, and it would also reduce the information advantage of the vertically integrated suppliers against new entrants.

Finally, switching process can be simplified with a standardised protocol. If the regulator supervises and approves the protocol, it can check if barriers are being placed to customers or suppliers. The continuous work on enhancing protocols allows improvement in switching procedures reducing, among others, the average time for switching and the number of rejected switching requests.

APPENDIX 1: PROCESSES

This section describes market processes in energy retail in Romania. This provides context for the market barriers described above by giving a high-level overview of the most critical aspects involved in establishing and operating as a supplier in the national market. The stages of market entry and operation are described in sequence, each with an illustration (“process map”) showing that stage’s various processes together with comments/details on market specifics.

1) Information gathering before market entry



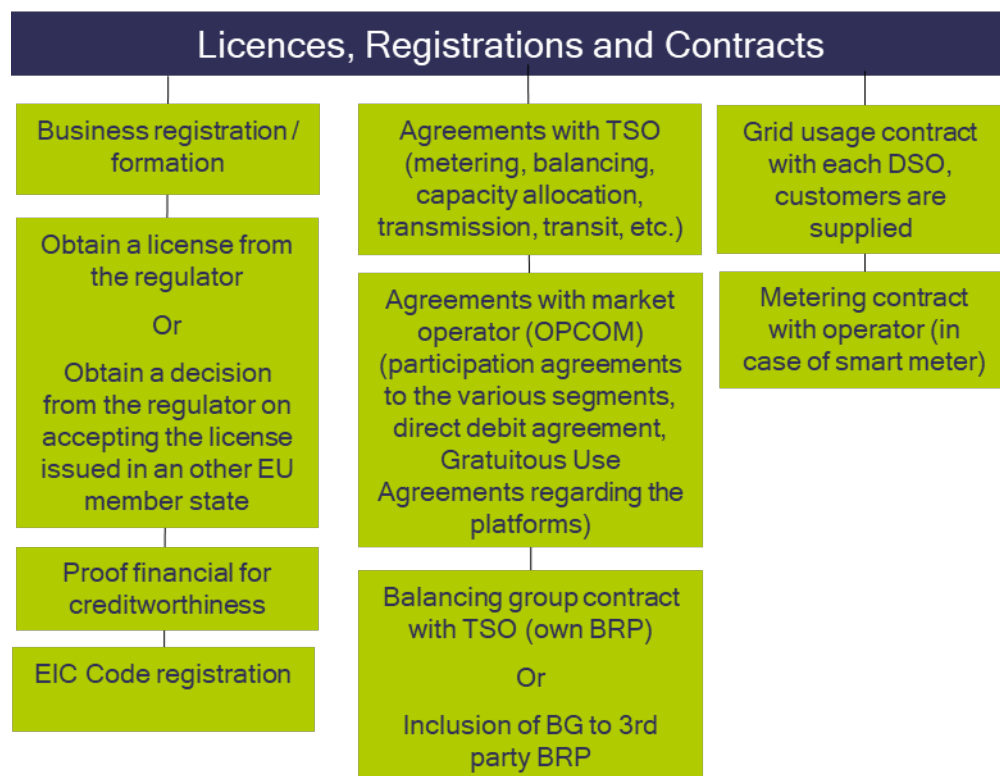
Further comments

As a part of the country report preparation we have studied the available written sources and made interviews with representatives of the regulatory authority and market associations. Our statements based on these exploratory works are as follows:

- Monthly monitoring reports of the **regulator (ANRE)** provide detailed market statistics and an overview of the regulatory developments. The report on electricity market is available also in English, the report on natural gas market is available only in Romanian.
- The relevant legislation is available on the **regulator's (ANRE)** website in Romanian. A few are also available in English, but these are mainly not up to date.
- **Online price calculator** is available on the regulator's website, allowing consumers to compare electricity and gas suppliers' offers (in Romanian only).
- The **electricity TSO (Transelectrica)** publishes information on balancing, wholesale and ancillary services market. Not all information is available in English.
- The **gas TSO (Transgaz)** provides information on the transmission system and detailed operational data (physical flows, nomination). Not all information is available in English.

- DSOs website contains information only in Romanian.
- The **Romanian Association of Energy Suppliers (AFEER)**: provides a collection of relevant information (mainly links to specific websites of the regulator which are hard to find directly). A “Glossary of Terms” is available in Romanian and English, it can serve also as a dictionary to the Romanian market.

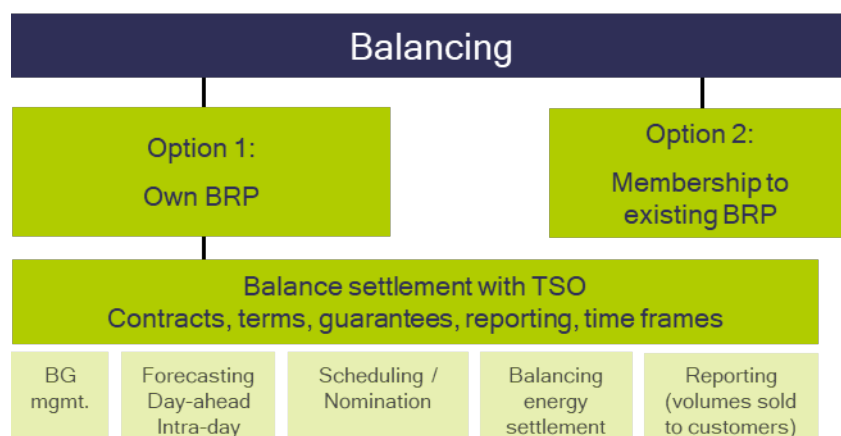
2) Licences, registrations and contracts



Further comments

- Electricity and gas supply activities **require an electricity supply licence** issued by the Romanian Energy Regulatory Authority (ANRE), which is valid for ten years.
- Foreign entities licensed in EU member states are able to enter without having to establish or act through a local presence in Romania or without obtaining a license in Romania. However, such entities will have to obtain a decision from the regulator confirming the right to participate to the markets.
- There is a requirement for companies requesting some specific licence(s) from ANRE to have either a minimum share capital or to have financials available from other sources (such as shareholders loans, bank credit lines and so on).
- Mandate Agreement for Direct Debit is an agreement to be signed between the participant to the DAM and its bank (from a list of the Romanian banks agreed by OPCOM) regarding the direct debit scheme concerning the payments to be ordered from the account of the participant to DAM which submits electricity purchase offers on the DAM.
- Grid usage contract must be concluded with each DSO where customers are served.

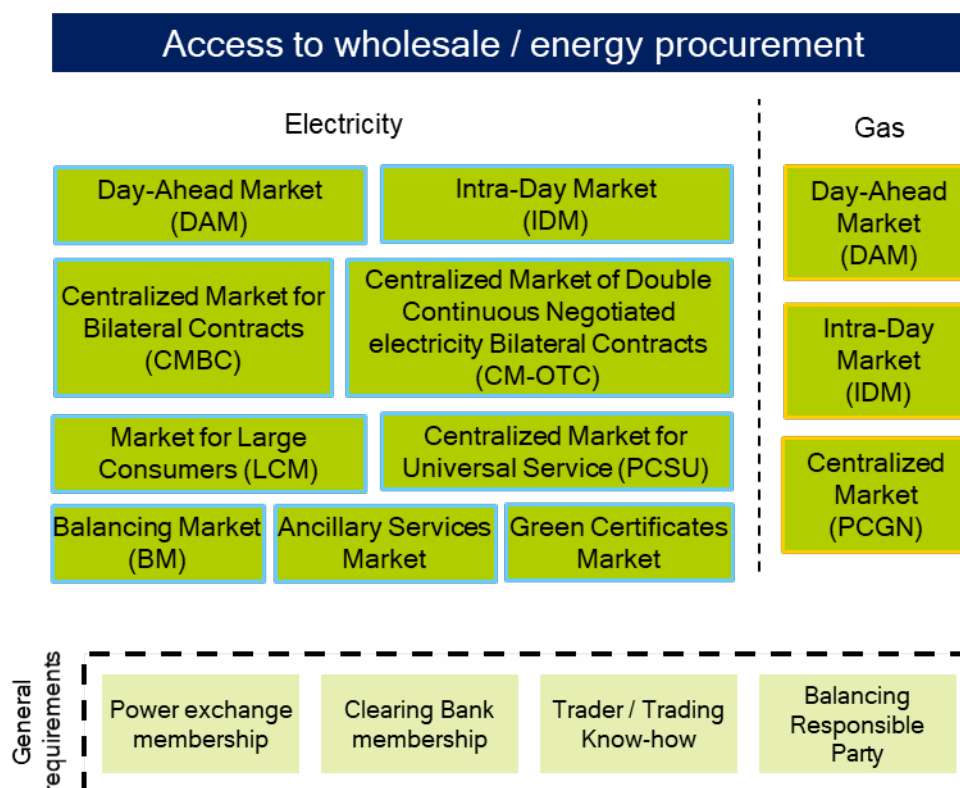
3) Balancing



Further comments

- Electricity supply and demand is balanced based on transactions on the electricity balancing market, managed and operated by the OPE, a branch of the TSO, Transelectrica. According to the Commercial Code of the Electricity Market, for the purpose of participating on the balancing market, the producers and suppliers must be registered on the balancing market, and the dispatchable units must offer to trade all their available electricity on the balancing market
- They must also provide financial guarantees to the transmission and system operator for all the imbalances which may occur between the notified and effectively generated electricity. Most licence holders choose to delegate the balancing responsibility to a balancing responsible party.
- In case of gas, daily balancing regime operates. The TSO informs the network users about the daily provisional imbalance after each gas day. The daily final imbalance is communicated after the network users have been used the gas transfer facility (at the end of each month). Three tolerance levels are regulated for the absolute value of the daily imbalance: 2.5%, 5% and 15% of the total approved allocation on the entry points.

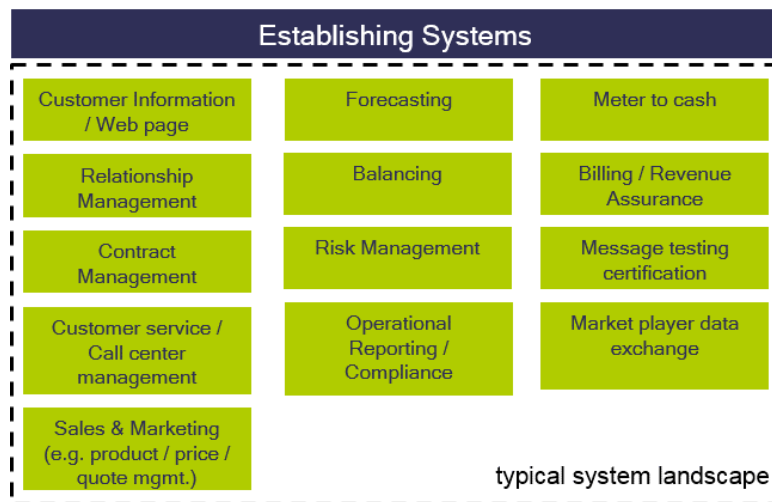
4) Wholesale



Further comments

- **Electricity transactions must be carried out on the competitive market**, in a transparent, public, centralized and non-discriminatory manner. Consequently, the participants of the wholesale electricity market can no longer conclude negotiated contracts for the sale and purchase of electricity, other than those concluded through the participation to one of the centralized markets organized by OPCOM (excl. transit).
- The **centralised market for bilateral contracts with double continuous negotiation** (CM-OTC) meant to cover the needs created by the prohibition of OTC transactions.
- RES producers operating power plants with a capacity up to 3 MW are allowed to sell their electricity directly.
- Electricity producers have the **obligation to sell 30 percent of generated energy on commodity exchanges and regulated markets**.
- Romanian Power Exchange is coupled with the Czech, Slovakian and Hungarian Power Exchanges.

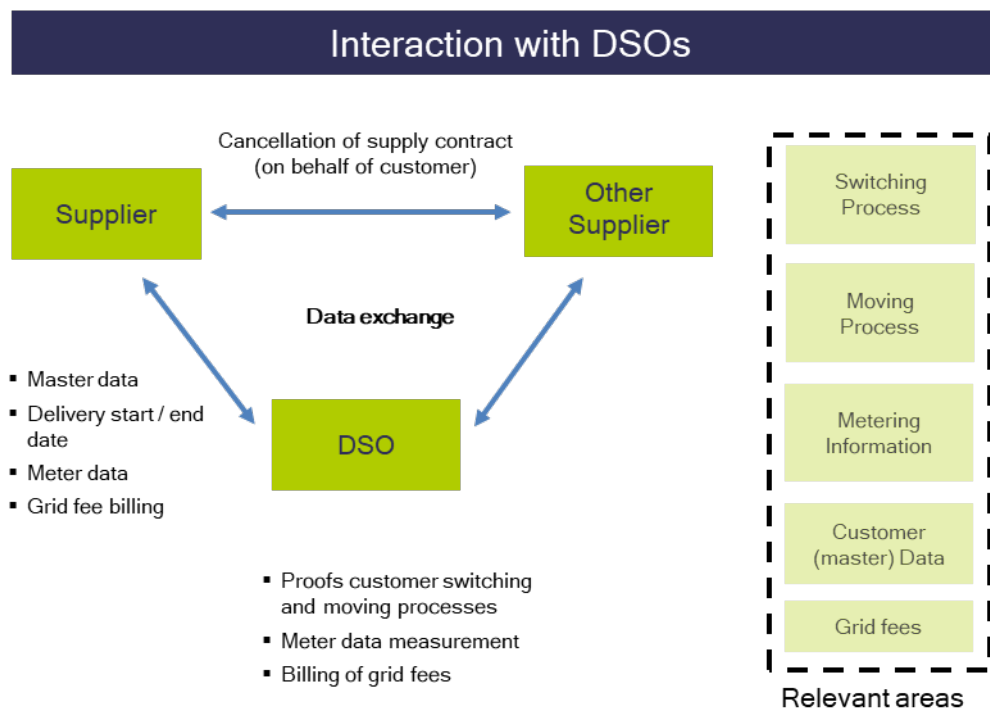
5) System landscape



Further comments

- In general, there is no obligation to run specific systems in-house: everything could be outsourced to third parties

6) Supplier interaction with SII data hub and DSO

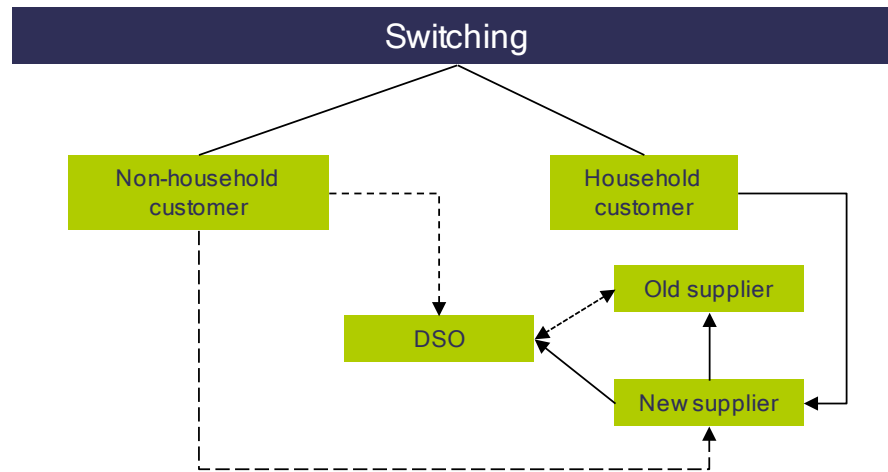


Further comments

- 8 electricity and 2 gas DSOs are legally separated from former distribution companies and 43 local electricity and 33 local gas DSOs not obliged to be legally unbundled.
- The customer can use the local distributor's network to supply gas or energy purchased by it from any supplier.

- Smart meter rollout differs across DSOs from 0 to 12%, with a national average of 5%. The plan for 2020 is 13%.

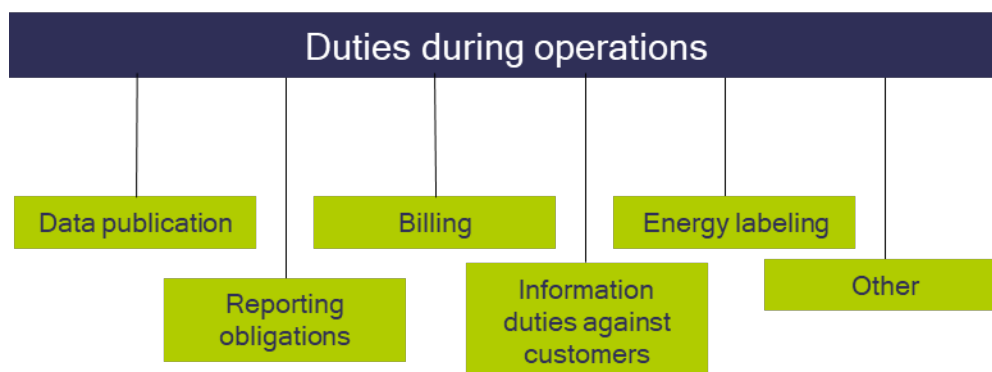
7) Customer switching & moving



Further comments to switching process

- Switching process are not standardized
- Contracts are in general not breakable during contract length; Special cancellation opportunities in case of price changes (potential loss of one-off bonus in case of early contract end)
- Suppliers can reject requests for supply, except requests from customer who rely on default supply (last resort suppliers);
- The regulator moderates a discussion between suppliers and DSOs.

8) Operational obligations / duties

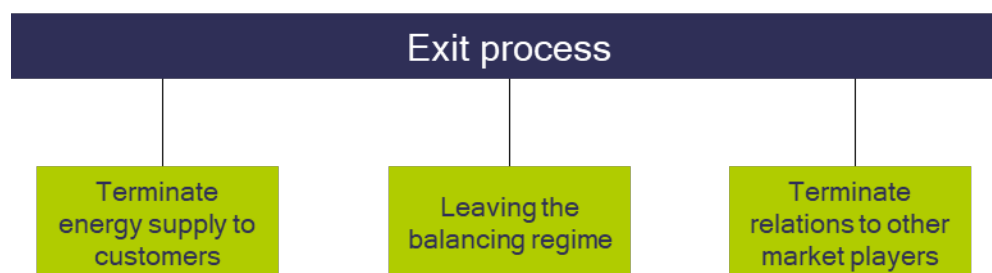


Further comments

- The pricing policy applied by the electricity suppliers must be transparent and non-discriminatory
- Minimum set of information (on pricing, complaining, switching) is mandatory to provide in the bill.

- The supplier must ensure labelling of the electricity and must inform end-users about the structure, origin and environmental impact of the electricity supplied.
- There are transaction reporting requirements to the Romanian regulator. Such transaction reports must be sent to ANRE, in a template format, until the 25th day of the month following the month which is subject to reporting.
- The License Conditions further provide for other reporting requirements such like the annual report, which must provide technical data and information with respect to the activity performed in the electricity sector as well as financial and accounting information regarding the carried out transactions; the financial statements at June 30; transfer of shares and/or assets of the license owner; changes regarding the share capital of the license owner.
- VAT and excise duty are levied.

9) Market exit



Further comments

- Energy suppliers can leave the market, but they must fulfil their obligations in the role as energy supplier
- There are no penalties for leaving the market per se. Penalties might arise in case legal obligations are violated.
- Conditions for cancellation of bilateral contracts (e.g. with service providers or balancing responsible parties) are depending on the individual contracts
- The supplier can only leave the balancing regime after final clearing and settlement of all energy volumes.

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