

## PRINCIPAL TRANSFORMATIONS IN MANAGERIAL CONTROL CONSEQUENCES PRIVATISATION ENERGY SYSTEM OF DISTRIBUTION AND SUPPLY ELECTRICITY POWER OF ROMANIAN

Желание вступить в Европейский Союз является стратегическим выбором для Румынии и поэтому влечет за собой многочисленные изменения в национальной экономике (секторы электроэнергетики и теплоснабжения). В последние годы произошло много изменений в законодательной, организационной и производственной сферах электроэнергетического комплекса.

В соответствии с положениями директивы 96/92 ЕС создание внутреннего электроэнергетического рынка Румынии предусматривает следующие меры: разукрупнение производственных мощностей и устройств по передаче (отправлению) и распределению (поставке) электроэнергии; либерализация рынка – открытый доступ к распределительным сетям, связанным с потребностями клиентов. Таким образом создаются конкурентные условия в передаче (поставке) электроэнергии и улучшается ее производство.

Desire to enter the European Union represents a strategic option for Romania and this causes many changes to the national economy, including electricity and heat sector. In recent years, there have been many changes in legislative, institutional and operational spheres of the Electricity Sector.

In compliance with provisions of the EU Community Directive 96/92 EC creation of the internal Romanian electricity market involves the following measures: Unbundling of generation, transmission/dispatching and distribution/supplying activities; Liberalisation of the market: open access to the T&D networks correlated with eligibility of the consumers. Introduction of competition in distribution/supply is thus encouraged and generation offer is improved.

### I. NEW ORGANIZATION OF THE NATIONAL POWER SYSTEM

Principal institutions on hierarchy levels

#### 1. NATIONAL COORDINATOR

Ministry of Economy and Trade (MEC) – strategies, policies-development and implementation:

- Strategy and Energy Efficiency, Renewable
- Restructuring and Energy Sector Market
- Restructuring and Oil and Natural Gas Sector

- Mineral Resources Strategy Directorate

- Mines and Mining Reconversion

#### 2. REGULATORY AND IMPLEMENTATION INSTITUTIONS

ANRE – Romanian Electricity and Heat Regulatory Authority

ANRGN – National Natural Gas Regulatory Authority

ANRM – National Mineral Resources

ARCE – Romanian Agency for Energy Conservation

ANRSC – National Regulation Authority for Public Services

#### 3. MAIN SERVICES AND PUBLIC UTILITIES (fig. no.1)

##### 3.1. Power & Heat:

> TRANSELECTRICA S.A. – power transmission;

> OPCOM – power commercial transactions supervision;

> ELECTRICA S.A. – power distribution and supply;

> TERMoeLECTRICA S.A. – heat and power generation; heat transport and supply;

(*Termoelectrica subsidiaries*: Electrocentrale Braila, Borzesti, Doicesti, Paroseni; *Termoelectrica territorial branches*: Electrocentrale Bucuresti (ELCEN), Electrocentrale Turceni, Electrocentrale Rovinari);

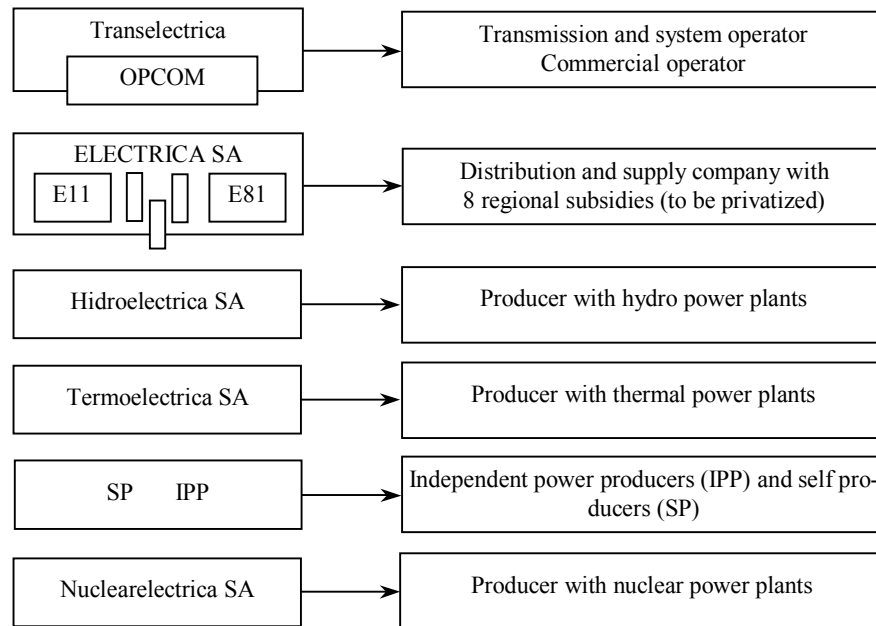


Fig. no.1. Romanian electricity sector structure

> HIDROELECTRICA S.A. – power generation;

> NUCLEARELECTRICA S.A. – power generation. (*It includes three branches:* – CNE PROD – operating Unit 1 – CNE Cernavoda; CNE INVEST- completion of the Units 2-5 – CNE Cernavoda; FCN – Pitesti – the nuclear fuel company )

> INDEPENDENT POWER PRODUCERS (IPP) AND SELF PRODUCERS (SP)

3.2. Natural Gas:

> TRANSGAZ – transport

> ROMGAZ – exploration, production and storage

> DISTRIGAZ NORD SA – distribution

> DISTRIGAZ SUD SA – distribution

> GAZEXPORT – imports from Russia

3.3. Oil and derivatives

> CONPET – oil transport

> SNP PETROM – oil exploration, production, refining and distribution; associated gas production and distribution.

3.4. Coal:

> The National Lignite Company Oltenia (CNLO)

> The National Hard Coal Company (CNH)

> The National Company Coal Ploiesti (SNCP)

> The Trade «Company «Banat» Anina  
4. DESIGN AND RESEARCH INSTITUTES IN THE ENERGY FIELD

> ICEMENERG – National Research and Development Institute for Energy;

> ISPE – Institute of Power Studies and Design

> IPCT – Building Design, Research and Software Institute for Construction

II. GENERAL INFORMATIONS ABOUT ELECTRICA S.A. – ENTREPRISE POWER ELECTRICITY DISTRIBUTION AND SUPPLY

SC Electrica SA and the trading companies to result from its separation are (*eight independent regional branches*) both distributors and suppliers of electricity as they are holders of proper licenses.

The activity of these entities is regulated by framework-contracts for portfolio electricity sale/purchase, framework-contracts for the distribution service performed, technical code of the distribution electrical network and the framework-contracts for the supply to the captive consumers. The latter regulates the relationship suppliers-captive consumers, providing income sources to the former and protection to the latter.

The Performance Standard for the supply of electricity demands observance of minimum

performances in the suppliers-consumers relationship and gives the possibility of evaluating the quality of the service performed.

### III. PRINCIPAL TRANSFORMATIONS OF THE MANAGERIAL CONTROL SYSTEM

Privatisation of the actions implies change in the managerial system and managerial control system, these is:

- Monitoring the application of the issued regulations will develop on a permanent basis - ANRE – Romanian Electricity and Heat Regulatory Authority -shall inspect, control and direct regulations implementation. The experience gained during the previous inspections contributes to the improvement of the contents of the regulations when they are to be revised; it will contribute also to elaborated and applied of the policy for the promotion of quality activities and results of these activities (power distribution and supply);

- Economic performances and financial reports will analyses of the holders of licenses for distribution and supply. Contract based trading activities supervision and solving of pre-contractual divergences that may appear between economic agents;

- Performance standards generalization in the supply of electricity . The value of the performance parameters, either guaranteed or general ones, achieved by each supplier represents the basis for ANRE's Annual Reports on Quality of Activity, these reports have a public character;

- The standard applies for the suppliers/consumers. About in the performance standard for the electricity supply service defines the indicators and levels of performance for:

- a) Consumers connection to the electric grid;
- b) Power and electricity contracting;
- c) Metering, billing and collecting c/value of sold electricity;

- d) Fulfillment of contract provisions on quality of delivered electricity: frequency, voltage amplitude, shape of voltage curve, non-symmetrical voltage on the three phases;

- e) Ensuring delivering continuity in respect of the contractual provisions;

- f) Ensuring transparent relationships between supplier and consumer, in order to de-

termine efficient and fair solutions in respect of contractual obligations and rights of each part;

- g) Solving consumers complaints regarding electricity supply service;

- h) Performing other services (information, consultancy, funding, working performed to consumers)

- In respect to the performance standard, the supplier has to ensure:

- a) The management of the supplied electricity according to the contractual provisions;

- b) The management of the consumers;

- c) The record of reading, billing/discount and collecting the sold electricity c/value;

- d) The record of electric meters checking and standardization activities;

the record, investigation and solving consumers complaints.

### IV. A FEW WORDS ABOUT OF THE WHOLESALE ELECTRICITY MARKET

The wholesale electricity market from Romania is established and developed on the basis of the following principles:

- Market operates through trade arrangements between the participants to the market with reference to electricity and associated services (defined by the *Commercial Code of the Wholesale Electricity Market*);

- The regulatory framework provides for an equally non-discriminatory and transparent treatment for all the market participants;

- At the level of the producers and suppliers the market becomes gradually competitive; for the transmission and distribution activities the market remains fully regulated;

- Access on the market is made through authorisations and licenses;

- Any participant to the market to have regulated access to the transmission and distribution networks;

- The market of the contracts with regulated prices and quantities operates in parallel with the competitive market of the negotiated bilateral contracts and spot sales and purchases;

- Wholesale market deliveries are established through a specific mechanism defined in the *Scheduling and Dispatching Rules* of the National Power System on the basis of the producers' offers;

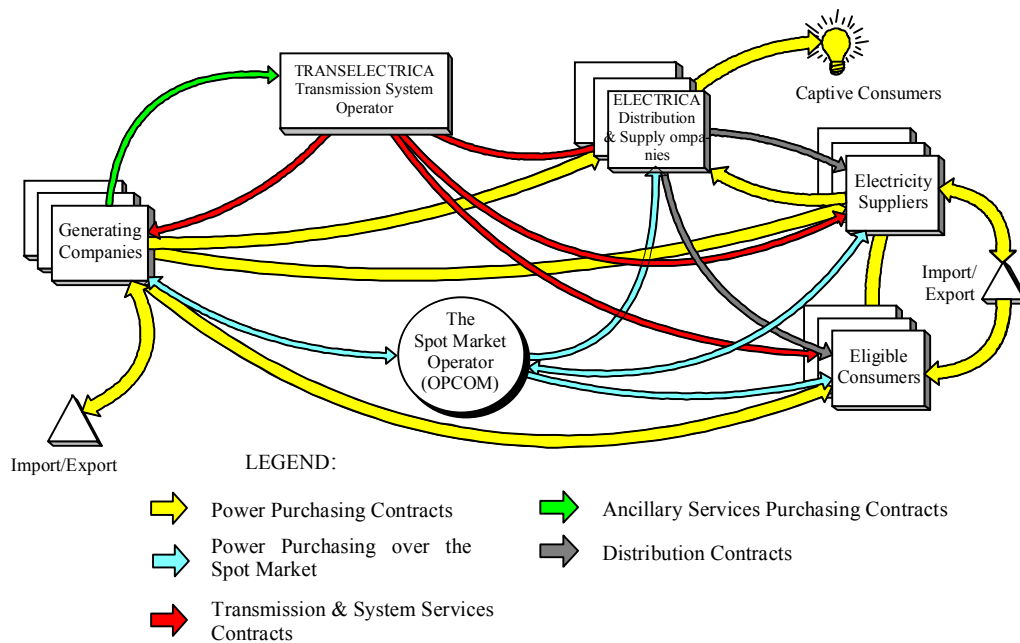


Fig. no.2. Wholesale market arrangements (sours: ANRE – Romanian Electricity and Heat Regulatory Authority)

- Target-market, fully competitive, consists of a component of the bilateral contracts and the spot market;
- The eligible consumers can choose the electricity supplier with whom negotiated (quantities and prices) bilateral contracts are concluded.
- The connection to the electricity transmission and distribution networks represents a public mandatory, regulated service that has to be performed;
- Any new participant to the market is treated like the pre-existing ones;
- The access on the market and prices practised are non-discriminatory for the technologies of generating electricity and energy resources used, except for the cases when legal provisions stipulate specific measures;
- The administrator of the market (OPCOM) – spot market organization, register wholesale electricity market contracts, scheduling the generating units based on merit order, establishing system marginal price, establishing market settlement;
- Participants to the market (license holders registered at the Commercial Operator of the Market) are the producers: SC Termoelectrica SA and SC Hidroelectrica SA, Nuclearelectrica SA, independent producers and

*assimilated, self-producers; buyers: distributors, suppliers – Electrica producers, eligible consumers; Transmission Operator and System Operator (fig. no.2).*

#### V. CONCLUSIONS

The transformations in the Managerial Control System are cause of the:

- Liberalisation and privatisation of the electricity sector – international trends;
  - Restructuring of the Romanian electricity sector. Continue the restructuring of the commercial companies from the sector by unbundling, setting up independent trading entities to be privatised subsequently;
  - Create the legislative and institutional frameworks with a view to implementing the rules of market-oriented economy in the sector. The existing regulatory framework and new framework (authorisation and License Release, Technical Requirements, Trade arrangements, regulation of Prices and Tariffs; Establish wholesale electricity market;
  - Increase the interconnection of the Romanian electricity system with UCTE systems
- The new elements in Managerial Control System is:*

The Romanian Energy Regulatory Authority – ANRE tasks and competencies are the following: set up mandatory regulations for sector companies; grant, amend, suspend or withdraw authorisations and licenses for electricity sector companies; issue and approve calculation methodologies to set up tariffs and prices; set up prices and tariffs operating among electricity sector companies, tariffs for electricity system services, transmission and distribution services, prices and tariffs for activities and services associated to the production of heat through co-generation; set up supply framework contracts and contracts operating among sector companies on the sale, purchase, transmission, system service and distribution of electricity as well as contracts for the sale of heat through co-generation; approve technical and commercial regulations for sector

companies; perform control activities in order to assess sector companies compliance with the existing regulations, with the pricing and tariff system in force and to levy penalties for non-compliance etc; Existence of the Performance Standard for the electricity supply service at regulated tariffs with: General performance indicators and Guaranteed performance indicators generating penalties or tariffs reductions according to the electricity supply contract.

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