

**NOTE**

**Regarding approval by the Shareholders' general extraordinary assembly of CNTEE Transelectrica SA participation as founding shareholder, in accordance with the obligations established in the European legislation applicable in the electricity sector to founding the regional coordinated operational security centre serving the coordinated cross-border capacity calculation regions of south-eastern Europe (SEE) and Greece-Italy (GRIT)**

**1. General presentation**

European Union's Legislation in the electricity domain (Legislative package III Energy by Regulation (EU) 1485/2017<sup>1</sup> and Regulation (EU) 1222/2015<sup>2</sup>) establishes as member states' task and more particularly as transmission and system operators' for electricity the obligation to develop and enhance cooperation at regional level with respect to the coordinated operation of electric power systems.

Along the general guideline to develop the above-mentioned regional cooperation the community EU legislation establishes clear obligations to constitute the administrative and organisational framework meant to formalise technical and operational cooperation in each coordinated capacity calculation region. The organisational solution consists of establishing legally independent entities controlled by the transmission and system operators for electricity, more precisely regional centres providing certain specific services<sup>3</sup> specified in the European legislation (Regional Security Coordinator or RSC). The wide-scale model adopted in the European Union as regards the common exercise of control over the regional coordinated operational security centres by the transmission and system operators for electricity (requirement imposed by Regulation (EU) 2017/1485) consists of direct operators' participation into the shareholders of such entities.

<sup>1</sup> Regulation (EU) 2017/1485 establishing a guideline regarding electricity transmission system operation

<sup>2</sup> Regulation (EU) 2015/1222 establishing guidelines regarding capacity allocation and congestion management

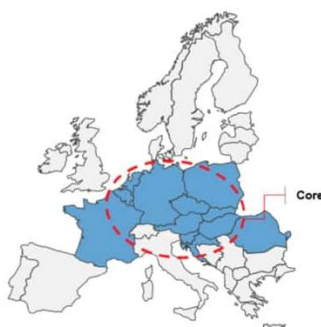
<sup>3</sup> List of specific services established by European legislation to be provided by the regional coordinated operational security centres: 1. Coordinated calculation of cross-border exchange capacity, 2. Coordinated operational safety at regional level, 3. Elaborating a common grid model, 4. Regional coordination of outages, 5. Regional adequacy evaluation

## 2. Justification

Romania, by means of her energy borders with neighbouring member states of the European Union (Hungary and Bulgaria) is part of two regions for coordinated calculation of cross-border transfer capacities:

- By the Romanian – Hungarian border Romania is part of the coordinated cross-border transfer capacity calculation region “Core”.

In terms of regional coordinated operational security services this region is served by the regional centre coordinating operational security TSCNET Services GmbH (company registered in Germany). Transelectrica has been shareholder of TSCNET Services GmbH since 2018, an operation approved by Transelectrica’s AGEA Decision 9 of 5 June 2018.



- By the Romanian – Bulgarian border Romania is part of the coordinated cross-border transfer capacity calculation region South-East Europe (“SEE”).

In terms of regional coordination for operational security services this region will be served by an autonomous juridical entity exercising the regional coordination centre role for operational security (hereinafter SEE RSC).



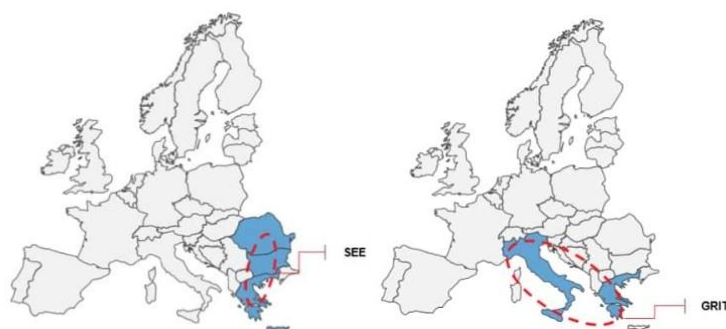
In the European Union the coordinated capacity calculation regions’ configuration for cross-border transfer capacities was established by decision / 7 November 2016 taken by the Agency for Cooperation of European Regulators (ACER).

The coordinated calculation of cross-border transfer capacity region SEE (South-East Europe) includes the energy borders Romania – Bulgaria and Bulgaria – Greece, such borders’ operation being the responsibility of the respective states’ transmission and system operators (CNTEE Transelectrica SA for Romania, ESO EAD for Bulgaria, IPTO for Greece).

The constitution of the organisational framework for cooperation in south-eastern Europe SEE is in an advanced stage while the transmission and system operators have completed the administrative solution in accordance with incident legal requirements. Thus the regional security centre coordinating operational security in the south-eastern European region (SEE RSC) was established in Greece, in Salonica. The juridical form of the future entity is joint stock-company.

The agreement for the juridical entity is to be established and to operate in accordance with Grecian legislation.

Also for considerations related both to balanced distribution in Europe of regional centres coordinating operational security (there already are four regional centres serving large energy areas in Europe: TSCNET Services, Coreso, Baltic RSC, and Nordic RSC) and to reducing operational costs of the regional centre SEE RSC, the transmission and system operators from calculating cross-border transfer capacity regions SEE (Bulgaria, Greece, and Romania) and GRIT (Greece, Italy) have identified the opportunity to establish a multi-regional centre serving the two regions calculating cross-border transfer capacities. The synergies of creating a single regional centre result both from the common know-how infusion within SEE RSC and from the scale savings generated by common costs distribution to an extended range of beneficiaries for the regional centre's services. Thus the transmission and system operators for electricity of the four countries (Bulgaria, Greece, Romania and Italy) have agreed constituting jointly a regional centre serving the two fore-mentioned capacity calculation regions for cross-border transfer (as per the figure below).



Such approach meaning a multi-regional centre being established for SEE and GRIT regions was agreed and sustained Europe-wide within ENTSO-E<sup>4</sup> (European network of transmission system operators for electricity).

The financial investment of CNTEE Transelectrica SA in view of participating to the initial share capital of the regional security coordination centre to serve the SEE (Bulgaria, Greece, and Romania) and GRIT (Greece, Italy) regions falls within a 100,000 (one hundred thousand) Euro ceiling. The final amount will be established jointly by the shareholders of the future regional centre (transmission and system operators for electricity of Bulgaria, Greece, Romania and Italy). Shareholders will pay equal sums and receive in exchange equal share quotas when establishing this centre, whereby they acquire equal voting rights within the regional centre.

In this respect when elaborating the Company's Revenue & Expense Budget proposed for approval in 2020-2022 one took into account to distinctly include this financial investment into Annex 4 where an amount of 482 thousand Lei was allocated, a sum necessary to participate to the initial share capital of the regional operational security coordination centre serving SEE (Bulgaria, Greece, and Romania) and GRIT (Greece, Italy) regions.

CNTEE Transelectrica SA joining the shareholders of the future regional centre coordinating operational security within SEE is a consequence of applying the provisions of European legislation in south-eastern Europe. At the same time such step belongs to a normal necessary

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<sup>4</sup> ENTSO-E communiqué: <https://www.entsoe.eu/news/2019/12/20/establishment-of-the-regional-security-coordinator-in-thessaloniki-greece/>

development for Romania's sound positioning on the European energy map in the context of implementing the new common model of the electricity market (Legislative package III Energy, European regulations to implement network code, Legislative package IV Energy).

CNTEE Transelectrica SA has periodically informed the National Regulatory Authority in Energy domain about the establishment stage of the regional coordinated operational security centre in SEE region.

*Synthesis: In accordance with the obligations provided in the European legislation for the electricity domain, transmission and system operators for electricity of Bulgaria, Greece, Romania and Italy have agreed establishing an autonomous juridical entity operating as regional centre coordinating operational security in the coordinated calculation regions of cross-border capacities in SEE (Bulgaria, Greece, and Romania) and GRIT (Greece, Italy). Salonica (Greece) has been agreed as location of the future regional centre. This juridical entity will be established and operate in accordance with Grecian legislation. The juridical form of the future entity will be joint-stock company. Shareholders will pay equal sums and receive i exchange equal share quotas whereby they acquire equal voting rights in the company. The financial investment of CNTEE Transelectrica SA in order to participate to the company's initial share capital amounts within 100,000 (one hundred thousand) Euros.*

### **3. Incident legal and statutory provisions**

Romania's national legislation allows this kind of juridical operation by means of an explicit provision of the Electricity and natural gas law 123/2012 [article 36. (6) "The transmission and system operator can hold shares in trading companies established on its national territory or on other state's pertaining to the allocation of interconnection capacities and verification of grid security at regional level, covering the territory of two or more states".]

CNTEE Transelectrica SA affiliation to the shareholders of the regional centre coordinating operational security in the coordinated capacity calculation regions for cross-border exchange SEE (Bulgaria, Greece, and Romania) and GRIT (Greece, Italy) does not induce incompliance risks provided in the European Union's and Romania's national legislation about the independent position of CNTEE Transelectrica SA as Transmission and System Operator for electricity in the energy sector (Electricity and natural gas law 123/2012, the general terms associated to the TSO licence approved by ANRE Order 104/2014, ANRE Order 164/2015 certifying CNTEE Transelectrica SA in accordance with the provisions of the Electricity and natural gas law 123/2012). The activities of the regional centre coordinating operational security will be limited to the operations that are strictly necessary to carry out the role and legal obligations provided in the incident legislation for such entities and will not include activities in the electricity and/or natural gas generation or supply.

In accordance with **article 14 para (3) let. b) of the Articles of association**, approving the operation provided in this note belongs within the competence of the Shareholders' general extraordinary assembly: "constituting or participating in the constitution of entities with distinct legal personality and patrimonial or non-patrimonial purpose, as well as participating to the share capital of other societies".

#### **4. Proposal**

Taking into account the above based on article 14 para (3) let b) of the Company's Articles of Association, we submit to the Shareholders' general extraordinary assembly to:

- approve the participation of the National Power Grid Company Transelectrica SA to establishing the regional coordination centre for operational security that will serve the coordinated calculation regions of cross-border transmission capacities SEE (Bulgaria, Greece, and Romania) and GRIT (Greece, Italy) in Greece in Salonica by the Company's participation to the share capital of a dedicated entity to be established in juridical terms as joint-stock company, and to mandate the Company's Directorate to take the required decisions and conclude the necessary juridical deeds.

<b>Directorate Chairman</b>	<b>Directorate Member</b>	<b>Directorate Member</b>	<b>Directorate Member</b>	<b>Directorate Member</b>
<b>Catalin NITU</b>	<b>Ionut-Bogdan GRECIA</b>	<b>Andreea-Mihaela MIU</b>	<b>Adrian MOISE</b>	<b>Corneliu Bogdan MARCUS</b>