

**To the: Bucharest Stock Exchange – Department of Operations Issuers Regulated Markets  
Financial Supervision Authority - General Directorate Supervision - Issuers Division**

**Current report as per the provisions of Law 24/2017, Regulation 5/2018 of ASF, and the BVB Code**

Date of the report: **26 June 2018**

Name of Issuer Company: **CNTEE TRANSELECTRICA SA, company managed under Two-tier System**

Headquarters: Bucharest 1, Blvd. Magheru no. 33

Working location: Bucharest 3, Str. Olteni no. 2-4

Phone / fax numbers: 4021 3035 611 / 4021 3035 610

Single registration code: 13328043

LEI Code: 254900OLXCOUQC90M036

Number in the Commercial Register: J40/8060/2000

Share capital subscribed and paid: 733,031,420 Lei

Regulated market where the issued securities are transacted: Bucharest Stock Exchange

**Important event to report: regulated tariffs applicable from 1 July 2018**

The National Power Grid Company Transelectrica SA informs the investor public about its publishing in the Official Gazette 519/25.06.2018 of ANRE Order 108/20.06.2018 approving the average tariff of transmission services, the components of the transmission tariff introducing electricity into the grid ( $T_G$ ) and taking out electricity from the grid ( $T_L$ ), the tariff of system services and the regulated price of reactive electricity charged by the Company. Therefore the regulated tariffs associated to electricity transmission and system services applicable as of 1 July 2018 are:

Service	Tariff applied until 30 June 2018	Tariff applicable from 1 July 2018	Difference
	lei/MWh	lei/MWh	%
I. Electricity transmission	16.86	18.13	+7.5%
II. Functional system services	1.11	1.11	-
III. Technological system services	12.06	10.44	-13.4%

The new approved tariffs were calculated in accordance with applicable methodologies.

**I. Electricity transmission tariff**

The rate increase (+7.5%) is mainly explained by two factors:

- Ex-post corrections** - applied in order to compensate the differences between forecasted values used in the tariff calculations during previous years and the actual recorded values (final corrections for the 1 July 2016 - 30 June 2017 year, preliminary corrections for the 1 July 2017 - 30 June 2018 year) were negative but of smaller absolute value than those applied in the tariff in force. The contribution of ex-post corrections to the new tariff increase against the applied one is **+6.5%**;

From among the calculation elements that were applied ex-post corrections in the calculation of the newly approved rate the most important are: (i) electricity procurement price to cover one's own technological consumption, (ii) inflation index, (iii) using a part of the revenues from the allocation of interconnection capacity as complementary source for the regulated tariff in order to cover regulated costs, (iv) electricity consumption growth above the level forecasted by ANRE when designing the tariff, (v) partial investment correction;

- Forecasted inflation** utilised in the calculation of the newly approved tariff was higher than the forecasted inflation used when calculating the tariff approved for the current year (the inflation index used in the new tariff calculation is higher than the inflation index used when calculating the rate of the current year). The inflation index difference contributed **+4.6%** in the change of the newly approved tariff against the used one.

Besides positive corrections there have also been other factors that contributed to setting a higher tariff to be enforced on 01.07.2018 compared to the rate applied until 30.06.2018:

- **The amount of electricity that can be billed** at grid take-off was increased from 54.0 TWh to 55.4 TWh. Such change in the amount of to-be-billed quantity contributed to decreasing **-2.5%** the newly approved rate compared to the currently used one.
- **The basic annual revenue** calculated as sum of annual regulated costs established based on a 5 years cost forecast approved by ANRE for the 01.07.2014-30.06.2019 regulatory period is slightly higher than the annual basic revenue of the current tariff year. **Turning linear the series of annual revenues** during the regulatory period led to redistributing the annual revenues during the same period when the overall value of the 5 years' cumulated revenue was kept unchanged, and revenues from one year to the next recorded a negative decreasing slope. The two items described in this paragraph contributed together to de **-1.0%** change in the newly approved rate compared to the currently applied one.

## II. Rate of functional system services

The tariff was maintained as determined by the following individual calculation items whose net cumulated effect was zero:

- **The ex-post negative correction** included in the new tariff was lower as absolute value compared to the negative correction applied to the tariff of last year. The ex-post correction contributed **+6.0%** to the change of the newly approved tariff against the currently applied one;
- **The annual forecast of costs** recognised in the new tariff approved is lower than the annual cost forecast included in the current year's tariff. Such reduced annual costs forecast contributed **-3.4%** to the change of the newly approved tariff against the currently applied one;
- **The amount of electricity that can be billed** upon grid take-off was grown from 54.0 TWh to 55.4 TWh. Such change in the amount of to-be-billed quantity contributed **-2.5%** to the change of the newly approved tariff against the currently applied one.

## III. Rate of technological system services

Tariff decrease (**-13.4%**) was determined by:

- **The ex-post negative correction** included in the newly approved tariff; it was established according to the methodology applicable for partial compensation (80%) of the profit cumulated until 30.06.2017. Such profit from the mentioned period was mainly obtained against the background of significant drops in the unit prices when procuring technological system services by bidding as compared to the unit prices forecasted by ANRE and included with anticipation in the calculation of approved tariffs. In order to mitigate the impact over the regulated tariff Transelectrica requested ANRE to set a spread-out timetable for the correction to be applied in two tariff years, 1 July 2017 – 30 June 2018 and 1 July 2018 – 30 June 2019, based on which the newly approved tariff included the second correction quota associated to the 1 July 2016 – 30 June 2017 tariff year as well as the part remaining unfulfilled from the first quota. The ex-post correction contributed **-18.0%** to decreasing the newly approved tariff compared to the currently used one;
- **The annual forecast of costs** recognised in the new tariff and used in the procurement of technological system services in the 1 July 2018 - 30 June 2019 tariff year is higher than the cost forecast recognised during the first half year 2018 (second half year of the 1 July 2017 - 30 June 2018 tariff year). Such cost forecast increase was determined by increased procurement prices by bidding of technological system services during the current tariff period, in comparison with the prices forecasted by ANRE. The annual cost forecast contributed **+5.4%** to the increase of the new tariff against the currently used one;
- **The amount of electricity that can be billed** upon grid take-off was increased from 55.0 TWh to 55.4 TWh. Such change in the amount of to-be-billed quantity contributed **-0.7%** to the decrease of the newly approved tariff in comparison with the currently used one.

In accordance with the document published by ANRE (submission notice for the proposal to issue ANRE Order 108/20.06.2018) the tariffs applicable beginning with 1 July 2018 will have no impact over the electricity prices for end customers.

**Adrian-Constantin RUSU**

**Executive Director General  
Directorate Chairman**

**Florin Cristian TATARU**

**Directorate Member**