



GENERAL SECRETARIAT OF THE GOVERNMENT



*Annex*

## **LETTER OF EXPECTATIONS**

### **REQUIRED FOR THE SELECTION AND EVALUATION OF THE SUPERVISORY BOARD AND DIRECTORATE'S MEMBERS OF N.P.G. TRANSELECTRICA SA FOR THE PERIOD 2023 - 2027**

The Romanian State by the General Secretariat of the Government, as majority shareholder of N.P.G. Transelectrica ("Transelectrica" or 'the Company') seated in Bucharest, Olteni Street no. 2-4, postal code 030786, registered with ORC Bucharest under no. J40/8060/2000, single (fiscal) registration code 13328043, holding a number of 43,020,309 shares, representing 58,6882% of the social capital of the Company, has drawn up this letter of expectations that sets out the shareholders' financial and non – financial expectations regarding the performance of the N.P.G. Transelectrica SA and the administrative and management bodies of this national company, for a period of 4 years, namely 2023 – 2027, aiming at the continuous improvement of the performance and governance of public enterprises in its portfolio, as well as the establishment of a cooperative relationship based on mutual trust, observing the principles of transparency, accountability, economic efficiency and profitability of the Company.

In accordance with art. 6, Section 2, of Chapter I of Annex 1c, to H.G. no. 722/2016 for the approval of the Methodological Norms for the application of some provisions of the Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, approved with amendments and additions by Law no. 111/2016, with subsequent amendments and additions ("G.E.O. no. 109/2011"), "The letter of expectations constitutes a synthesis of the financial and non-financial expectations of the tutelary public authority, drawn up in consultation with the shareholders, as the case may be, representing individually or jointly minimum 5% of the social capital of the public enterprise, and the government strategy in the sectors in which the public enterprise operates, as well as the fiscal-budgetary policies, highlighting the link between them and the general expectations of the tutelary public authority and the shareholders, as the case may be, from the administrative and management bodies of the public enterprise."

This document includes the wishes of the majority shareholder, respectively the Romanian State through the General Secretariat of the Government, regarding the evolution of N.P.G. Transelectrica S.A. in the next 4 years and it has been drafted under the provisions of G.E.O. 109/2011 on the corporate governance of public enterprises, modified and approved by Law 111/2016 and of the Methodological Norms for applying G.E.O. 109/2011, with later amendments and additions, approved by GD no.722/2016.



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### I. General information on N.P.G. TRANSELECTRIC

#### I.1. Presentation of the Company: description of the activity and data on business activities, equal form, public role of the company

N.P.G. Transelectrica SA was established as a Romanian legal entity through G.D. no. 627 from July 13, 2000 regarding the reorganization of the National Electricity Company CONEL S.A. this decision was issued in accordance with G. D. no. 138/2000 regarding the the restructuring program in the energy field, through which the activity of transmission and dispatch of electricity was completely separated from that of production, distribution and supply of electricity.

N.P.G. Transelectrica SA is a company of national and strategic interest, established as a joint – stock company and it carries out its activity in accordance with the Romanian laws and the updated Articles os Associations, in force since 30.03.2023 pursuant to the Shareholders' Extraordinary General Decision no. 1/26.01.2023.

The Romanian State is a shareholder with 58.6882 % and the Company is under the authority of the General Secretariat of the Government, being the transmission – system operator in Romania,



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with a key role on the Romanian power market. N.P.G. Transelectrica SA's shares are listed on the Bucharest Stock Exchange under the symbol: *TEL*.

The Company's subscribed share capital is 733,031,420 RON, fully paid up.

In accordance with Law no. 123/2012 of electricity and natural gas with subsequent amendments and additions (Law 123/2012), the activity of electricity transmission constitutes a public service of national interest.

The Company develops its main activity based on Licence no. 161 from the year 2000, licence which has a validity of 25 years and which has been later re-evaluated through Decisions of A.N.R.E Chairman.

The concession on the Power Transmission Network and on the land on which it is located was given for a period of 49 years through Concession Agreement no. 1/29.06.2004 concluded between the Ministry of Economy, as granting authority and N.P.G. Company Transelectrica, as concessionaire.

N.P.G. Transelectrica SA fulfills the function of electricity transmission operator, the function of system operator and that of balancing market administrator, measurement operator and capacity allocation operator on interconnection lines.

The core activities are related to infrastructures of strategic importance for the national electricity sector that include multiple elements of critical infrastructure. Thus, the transmission services are supported by the electricity transmission network (RET), and the dispatching activities, including balancing, are supported by the dispatching and measurement infrastructure.

Transelectrica is certified in accordance with the European legislation (EU Directive 72/2009) and the national legislation (Law no. 123/2012) pursuant to the model „*ownership unbundling*”.

As part of the European interconnected system, Transelectrica is responsible not only for the operation of the national electric energy system (SEN) in safety and quality parameters and for the supply of national consumers, but, together with the other European Transmission and System Operators, it has expanded its area of competence and responsibility throughout Europe (39 TSOs from 35 countries with over 532 million consumers are part of ENTSO-E).

The main activities carried out by Transelectrica are:

- The transmission of electric energy;
- the operation of the national electric energy system;
- organization and administration of the electricity market;
- administration of the balancing market and the system services market;
- the exploitation of the interconnections and the international transit of electricity, including the administration of the interconnection capacity allocation market;
- administration of the high efficiency cogeneration support scheme;



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- issuing the green certificates on the energy market to the producers of electricity from renewable sources;
- electricity measurement activity on the wholesale market.  
Transelectrica also carries out the following activities:
- it exploits, refurbishes, rehabilitates and develops the installations in the electric transmission network, the installations for measuring and metering the transfer of electricity through the transmission power networks and at the interface with the users of the electric transmission networks that belong to them, the IT and telecommunications installations in the transmission power networks related to the national electric energy system;
- it analyzes and approves the fulfillment of the technical connection conditions by RET users, in accordance with the provisions of the technical regulations in force;
- ensures the transmission of electricity measurement results to the corresponding centralized market operator and the access of the beneficiaries of the transmission service to check the measurement groups;
- it performs the operational planning and the operational management of SEN at central and territorial level, based on own forecast, in accordance with the legal provisions in force on the electricity market;
- it authorizes the personnel who performs the operational management;
- it picks, registers and archives the statistic data regarding the functioning of SEN;
- carries out the exchange of information with the interconnected operating partners and with other collaborators in the energy field, in compliance with the ENTSO-E regulations regarding information exchange protocols, reports, structure and access procedures to databases;
- it qualifies the units providing system services, based on their own procedure, approved by the competent authority (*National Energy Regulatory Authority – A.N.R.E.*);
- elaborates and submits to the approval of the competent authority the technical norms and specific regulations necessary to carry out the operational management activity, with the consultation of the participants in the electricity market;
- elaborates, under the provisions of the law, the defending plan of SEN against major disturbances;
- elaborates the studies, programs and works regarding the development of SEN;
- elaborates every two years the Development Plan of RET for 10 years which is in relation to The European Development Plan of the Power Transmission Network for ten years- “*Ten-Year Network Development Plan (TYNDP)*”, elaborated on ENTSO – E level, cooperation group of the European TSOs that have the purpose to promote the completion and operation of the internal European electricity market and cross – border trade, as well as to ensure an optimal management, a coordinated operation and a sound technical evolution of the European electricity transmission network.





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The regulation of Transelectrica's activities is carried out through primary legislation (the national framework being Law no. 123/2012, and the European one being given by Directive (EU) 2019/944 of the European Parliament and of the Council of June 5, 2019 on common rules for the internal energy market electricity and amending Directive 2012/27/EU and Regulation (EU) 2019/943 of the European Parliament and of the Council of June 5, 2019 on the internal electricity market) with subsequent additions and secondary legislation issued by ANRE - embodied in licenses, establishment authorizations, pricing methodologies (of the type of ceiling income for transmission and cost plus for operating the system, tariffs, framework contracts, procedures and others).

The profitability of the business is given by the return on the regulated asset base which depends on the regulated rate of return and the regulated asset base ("BAR"). The business model corresponds to the standard profile of an TSO, a unitary model designed at the European level through the European energy strategy and legislation, applied in all EU countries and transferred as such into the national legal framework. TSO-type companies are subject at European level to a certification process as transmission and system operators.

Currently, based on ANRE Order no. 164/07.12.2015 published in O.G. no. 908/08.12.2015 Transelectrica is certified definitive as system and transmission operator of the national power system and it functions in accordance with the ownership unbundling model (ownership unbundling). The certification notification was sent to the European Union, which published it in the EU Journal on 08.01.2016, in accordance with art. 10 para. (2) of Directive 2009/72/EC. According to the conditions of certification as a transmission and system operator according to the ownership unbundling model, the Company's shareholders holding at least 5% of the Company's share capital will exercise their rights arising from the ownership of the Company's shares in compliance with the provisions of Law no. 123/2012 regarding the non-exercise simultaneously, directly or indirectly, of control or a right over an economic operator carrying out any of the production or supply activities.

Transelectrica, as system and transmission operator has a series of responsibilities and obligations arising from both the national legislation and from the European legislation, as part of the ENTSO – E European system.

Thus, Transelectrica has assumed the following **main obligations derived from the European legislation:**

- ensuring the operational security of the SEN by permanently maintaining the operation of the national energy system in safe conditions and in compliance with the quality standards provided for in the Technological Code of the TPG and the Performance Standard for the electricity transmission service and for the system service;
- keeping the balance between the production and demand of energy;
- ensuring and keeping the adequacy of the transmission system on long term;



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- improving the efficient functioning of the energy market;
- digitization of the electricity transmission network;
- guaranteeing adequate means for fulfilling all its obligations.

In this context the obligation to guarantee the adequate means for fulfilling all its obligations is extremely important and it imposes their correlation with the levels of responsibility and complexity of the Company's activities on all its internal and external levels.

The Company is not allowed to participate to the electric energy trade except within the limits of the purchase of energy to cover the Own Technological Consumption (CPT) as well as in the other limited cases provided for in the transmission license.

The Company carries on these activities based on regulated tariffs.

By law, free and non-discriminatory access to the transmission power network (RET) is allowed for all market participants who meet the requirements of the law, in compliance with the norms and performances provided for in the technical regulations in force (regulated access of third parties to the RET).

The Company manages and operates the electricity transmission system of Romania and ensures the electricity exchanges with the attached countries, as ENTSO-E<sup>1</sup> member (European Network of Transmission System Operators for Electricity) and is responsible for electricity transmission, the operation of the system and the power market, as well as the security of the National Power System (SEN). It also represents the main connection between electricity supply and demand, permanently balancing power generation with demand.

N.P.G. Transelectrica has 4 subsidiaries, as it follows:

- ✓ The company Electricity Market Operator OPCOM SA was established under GD 627/2000, as subsidiary, Transelectrica SA being its shareholder. The company's mission is to ensure an organised framework for conducting electricity commercial transactions.
- ✓ The company for 'Communications and IT services for the management of the power transmission grids Teletrans' - TELETRANS SA is a subsidiary with the following main activity object: the provision of communications and IT services for the management of the power transmission grids.
- ✓ The company for RET Maintenance Services, SMART SA, was set up by reorganising CNTEE Transelectrica SA, as a wholly-owned subsidiary, according to GD 710/2001. SMART SA's activity object is performing revisions and repairs for the primary and

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<sup>1</sup> Established by unifying the Transmission System Operators associations in Europe (UCTE, ETSO, NORDEL, BALTSO, UKTSOA, ATSOI), ENTSO-E appeared as a requirement of the Energy Legislative Package III (Directive no. 72/2009, Regulation no. 713/2009 and Regulation no. 714/2009), in order to strengthen the cooperation and coordination between the European Transmission System Operators (43 companies from 36 countries) to ensure the safe operation and within quality parameters of the synchronously interconnected power systems, to manage the efficient and transparent access to cross-border transmission grids, to integrate power markets at regional and, later, at European level (IEM) and to ensure a coordinated and efficient future-oriented planning of the power transmission system within the community, respecting the environmental objectives.



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secondary equipments of electrical grids, measurements and remedial of incidents from electrical installations.

- ✓ Subsidiary Co. FORMENERG SA's activity object is training personnel in the power sector. FORMENERG SA was established on April 1, 2002 as a 100% owned-subsiary of NPG Transelectrica SA.

One of the major challenges of the next period, in the context of applying this field's Community legislation, is the implementation of the European network codes (8 codes with regulation – legislation status, directly applicable at national level), complex documents that regulate operation aspects of the interconnected power systems at pan-European level and aspects of harmonisation and integration of national power markets in the single European power market, with implementation periods between 18 months and 6 years. Within ENTSO-E structures, NPG Transelectrica SA is actively involved in the coordinated implementation of these regulations at regional and pan-European level.

The large volume of RET installations (Electricity Transmission Grid) requires refurbishment/modernisation and major maintenance works, justifies an increased investment and financial effort, another reason being maintaining the quality standards imposed by the technical regulations and the existing standards, namely by the interconnected operation with the European system ENTSO-E. In order to establish the priority order of the refurbishment/modernisation and major maintenance actions, an analysis was performed based on the following criteria: the technical state (the installations' age) and their importance. The investments made so far in the RET have led to the development of a dispatcher management infrastructure and to the power market operation (optical fiber network, EMS – SCADA system, the tele-metering system of electricity traded on the The RET development plan for the period 2022-2031, approved by ANRE President's Decision no. 1947/02.11.2022 has as its premise the current state and the forecasted evolution of consumption, the production park and exchanges of electricity and took into account the Strategies and Policies of the Romanian Government, the objectives of the new policy of the European Union for a Competitive and Safe Energy, studies provided by Transelectrica, the Company's strategies and policies in the field of research and innovation, digitalization, asset management and energy efficiency(wholesale market).

### **I.2. Form of ownership: shareholding structure, the current form as well as its evolution, management structure and decision making process**

The share capital of C.N.T.E.E. Transelectrica S.A. it consists of 73,303,142 ordinary, registered, dematerialized shares, with a nominal value of 10 lei/share. Each share gives the holder a right to vote in the general meetings of the shareholders. The record of the company's shareholders and their holdings in the capital is kept by Central Depository S.A.

The shareholding structure in accordance with the number of shares held is as it follows:





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Shareholder	TOTAL/31.12.2022	
Romanian State (General Secretariat of the Government)	43,020,309	58.6882%
Legal persons	24,768,187	33.7887%
Natural persons	5,514,646	7.5231%
<b>TOTAL</b>	<b>73,303,142</b>	<b>100.0000%</b>

NPG Transelectrica is managed under two-tier system by a Directorate with 5 members under the supervision of a Supervisory Board consisting of 7 members. The members of the Supervisory Board (CS) are appointed by the Shareholders' Ordinary General Assembly in accordance with the provisions applicable to the companies allowed to trade and are selected in accordance with the provisions of G.E.O. no. 109/2011. The chairperson of the Supervisory Board is elected by the members of the Supervisory Board.

The members of the Directorate are appointed and revoked by the Supervisory Board. Currently the number of the members of the Directorate is 5. One member of the Directorate is appointed Chairperson of the Directorate (alternatively referred to as Chief Executive Officer or Executive Director General). The members of the Directorate are selected in accordance with the provisions of GEO no.109/2011.

### II. **Summary of the strategic context and of the government strategy in which N.P.G. Transelectrica S.A. operates**

The energy represents the foundation of economic and social development. The accentuated media coverage and its placement as a priority on policy agendas and strategic actions at the global, regional and local level are closely related to the relevance conferred by the interdependence of energy with the progress of society, with economic development, social well-being and sustainability. As a consequence, the energy has generated priority concerns at the national, regional and European level.

The European geopolitical context underwent major changes following the events that marked the beginning of the year 2022, which had an extremely large impact on the EU society and economy. Therefore, the EU is going through a stage of redefining its identity and internal cohesion. The energy sector has to face some new challenges which are manifesting themselves at a pan-European level: security of energy supply, the diversification of supply sources to accelerate Europe's transition to clean energy and decreasing the impact on the environment. These geopolitical challenges have increased the importance and necessity of decreasing the EU's dependence on fossil fuels by increasing the degree of use of renewable energy sources and by improving energy efficiency. The European energy policy has in its center a set of measures that aims to provide the necessary framework for the fastest mobilization possible of the investments which will ensure the increase of energy efficiency and security of energy supply.



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### II.1 Strategic context at European level

Following the EU's accession to the Paris Agreement and with the publication of the Energy Union Strategy, the Union assumed an important role in combating climate change, through the 5 main dimensions: energy security, decarbonisation, energy efficiency, the internal energy market and research, innovation and competitiveness.

Currently the EU's policy in the energy field is based on 3 fundamental objectives:

- Sustainability – it highlights the EU's concern for climate change by increasing the share of energy from renewable sources by 32%, by increasing the energy efficiency by 32.5% and the interconnecting of at least 15% of the EU's electricity systems; within the European Ecological Plan all the 27 member states engaged to take measures so that EU shall become the first neutral continent as for the climate until 2050. In order to reach this goal it was established to reduce the emissions with at least 55% until 2030, compared to the levels from 1990;
- Competitiveness – it aims at ensuring the effective implementation of the internal energy market;
- Safety in energy supply – it aims at reducing the vulnerabilities of the EU regarding the energy imports, supply disruptions, possible energy crises and future energy supply insecurity.

In order to reach the main goals, Europe has set the future policy agenda: mutual European actions to save energy, to diversify the supply sources and to change Europe to a clean energy. One of the main goals of the EU is to fully apply the proposals within the legislative package 'Fit for 55', implying substantial changes in the European Energy System in the next years. The change of the European Energy System in compatible ways to the reduction of greenhouse gas emissions and the increasing of competitiveness and security in supply are the main long terms objectives set by the EU, mentioned as targets for the future within the 'Fit for 55' program. To reach these objective *major investments must be made in new technologies with low carbon emissions, renewable energy, energy efficiency and grid infrastructure.*

Transelectrica is the main supporter of regional projects through the activity developed within ENTSO – E, by starting and taking part in regional projects and by being included in the regional working groups at the level of regulators, market operators and TSOs. Romania stays engaged in giving support to the EU's actions, closely observing the different legislative initiatives of the European Commission, in the negotiation process at the European level, being actively involved in fulfilling the European targets established in the climate and energy field, the EU's strategy regarding the achievement of climatic neutrality until the latest 2050.

To reach this objective major investments are necessary both in modernizing the technologies and systems related to production, distribution and transmission of electric energy and in the energy consumption modality from economic sectors.

Regarding the adjustment of the national power system to the measures that will become mandatory with a term on the medium time horizon (with a limit of 2030), **Transelectrica has**



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### **the role of an aggregator of the transformation measures in the energy field, in correlation with the fields of transport, environment and economic development.**

The formation of the single energy market at European level - as a catalytic platform for achieving these objectives, represents one of the main pillars of the European energy strategy. The materialization of the single energy market at the European level, also called the "internal European electricity market", has as its objective the possibility of any seller of electricity to capitalize on its availability, to any buyer of electricity in order to cover the need, regardless of the country of origin.

The principle of market coupling is based on price, with the flow of energy usually flowing from the lower price to the higher price, thus leading to the potential equalization of prices between the two areas, within the limits of cross-border interconnection capacities.

At the same time, emphasis is placed on the transition from a predominantly national model of evolution and development of the energy sector to an integrated and coordinated development model at the European level, which shall ensure unitary development at the continental level, but which shall allow adaptation to national specificities and pursuing the legitimate interests of European states. Within this process of transition from the national model to the continental model, the regional level of integration represents an intermediate stage that needs to be completed in order to reach the final goal of trans-European integration.

**Within the ENTSO – S structures, Transelectrica is a partener in elaborating and negotiating the legislative packages applicable to the energy sector. At a national level Transelectrica plays an essential role in fulfilling the energy policy engagements assumed by our country.**

**Increasing the degree of integration of renewable energy sources and increasing the level of cross-border interconnectivity of the national transmission system represent objectives assumed at the country level, for the fulfillment of which Transelectrica plays an essential role.** In order to face these major challenges and fulfill its tasks, Transelectrica aims to develop its technical and operational capacity, at the pace required by the evolution of the energy sector at the European level.

The power transmission networks play a crucial role in achieving the European goals, especially regarding the safety of supply to consumers, the formation of the common energy market and the intergration of renewable sources. Thus, **Transelectrica is a strategic partener in elaborating the Developing Plan of the European Power Transmission Network – TYNDP.**

The main European regulations with an impact on Transelectrica's activities are:

1. Directive (EU) 2019/944 regarding common rules for the internal electricity market;
2. Regulation (EU) 2019/941 regarding preparedness for risks in the electricity sector and repealing Directive 2005/89/EC;
3. Regulation (EU) 2019/943 on the internal electricity market;



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4. Regulation (EU EURATOM) no. 617/2010 regarding the information of the Commission on the investments projects in energy infrastructure within the EU and repealing Regulation(CE) no. 736/96
5. Regulation (EU) 2018/1504 repealing the Regulation(UE) no. 256/2014 regarding the notification to the Commission of the investments projects in energy infrastructure within the EU;
6. Regulation (EU) 347/2013 regarding guidelines for trans –European energy infrastructures, repealing the Decision no. 1364/2006/CE and amendment of Regulations (CE) no. 713/2009, (CE) no. 714/2009 and (CE) no. 715/2009;
7. Delegated regulation (UE) no. 389/2020 to amend Regulation (EU) 347/2013 of the European Parliament and of the Council on the list of the common projects of the Union;
8. Regulation (EU) 631/2016 of the Commission from April 14, 2016 on establishing a network code regarding the requirements to connect the generation installations to the network;
9. Regulation (EU) 2016/1719 of the Commission from September 29, 2016 to set an orientation regarding the capacities on the market on long term;
10. Regulation (EU) 1388/2016 of the Commission from August 17, 2016 setting a network code regarding the connection of the consumers;
11. Regulation (EU) 1447/2016 of the Commission from August 26, 2016 setting a network code on the requirements for the connection to the network of the high voltage direct current systems and generator modules in the power plant connected to direct current;
12. Regulation (EU) 1485/2017 of the Commission from August 2, 2017, establishing a guideline regarding the operation of the electricity transmission system;
13. Regulation (EU) 2195/2017 of the Commission from November 23, 2017 establishing a guideline regarding the balancing of the electricity transmission system;
14. Regulation (EU) 2196/2017 of the Commission from November 24, 2017, establishing a network code on emergency state and rehabilitation of the electricity system;
15. Regulation (EU) 2015/1222 of the Commission from July 24, 2015 establishing a guideline regarding capacity allocation and congestion management.

### II.2 National Strategic Context

The energy sector is considered to be a strategic one, a foundation for the economy and a provider of national security. This sector annually brings a considerable contribution to the national economy, having an impact both in GDP (gross domestic product) growth and in territorial development.

"The development and increase in the competitiveness of Romania's economy, the increase in the quality of life and care for the environment are inextricably linked to the development and modernization of the energy system", represents the concept that is the basis of the Romanian Energy Strategy proposed for the period 2020-2030, with the perspectives of 2050.

According to the Energy Strategy of Romania proposed for the period 2020-2030, with the perspectives of the year 2050, **the vision of the Energy Strategy of Romania is to increase**



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**the energy sector in conditions of sustainability, economic growth and accessibility**, in the context of the implementation of the new legislative package Clean Energy for all Europeans, with the establishment of targets for the reduction of greenhouse gas emissions, the integration of renewable energy sources and the increase of energy efficiency, as well as with the perspective of Romania's implementation of the European Ecological Pact 2050. The development of the energy sector is part of Romania's development process.

The use of innovative non – polluting technologies in all sub-sectors of the energy system and maintaining Romania as an energy supplier state;

building new production capacities based on top non – polluting technologies;

switching from solid fuels (coal, lignite, etc) to natural gas and renewable energy sources;

refurbishment and modernization of existing production capacities and including them in the environment norms;

strengthening the power distribution and transmission networks;

encouraging decentralized energy production;

encouraging the increase of domestic consumption under conditions of energy efficiency;

export, represent determining objectives that contribute to the growth of the energy system.

The Energy Strategy of Romania proposed for the period 2020-2030, with the perspectives of the year 2050 includes 8 major objectives, as:

1. Ensuring access to electricity and thermal energy for all consumers;
2. Clean energy and energy efficiency;
3. Modernization of the corporate governance system and institutional regulatory capacity;
4. Protection of the vulnerable consumer and reduction of energy poverty;
5. Competitive energy markets, the basis of a competitive economy;
6. Increasing the quality of education in the field of energy and continuous training of qualified human resources;
7. Romania, regional supplier of energy security;
8. Increasing Romania's energy contribution to the regional and European markets by capitalizing on the national primary energy resources.

Achieving the strategic objectives requires a rigorous anchoring in the reality of the energy sector, with a good understanding of the international context and the technological, economic and geopolitical trends.

Within the *Integrated National Plan in the field of Energy and Climate Change 2021–2030* (PNIESC 2021–2030) it is mentioned that by reaching the decarbonization objective, the emission reduction will reach a percentage of approximately 44% by 2030, compared to 2005. The policies and measures taken in order to achieve the objectives include programs aimed at reducing GHG (greenhouse gas) emissions and the exploitation of renewable energy sources, legislative changes, promoting the efficiency of renewable energy, energy security, regulations





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of the internal energy market, as well as encouraging investments in research, innovation and competitiveness.

The main normative documents that regulates the energy field in Romania with a major impact on the development of RET are:

1. Electricity and natural gas law no. 123/2012, with subsequent amendments and additions;
2. law no. 220/2008 for the establishment of the system for the promotion of energy production from renewable energy sources, republished, with subsequent amendments and additions;
3. law no. 255/2010 regarding expropriation for reasons of public utility, necessary to achieve objectives of national, county and local interest, with subsequent amendments and additions;
4. law no. 121/2014 on energy efficiency with subsequent amendments and additions ;
5. law no. 120/2019 regarding some measures necessary for carrying out the works and implementing projects of national importance regarding the energy transmission network, with subsequent amendments and additions;
6. G.D. no. 557/2016 regarding the management of types of risks.

### II.3 Goals of the Coalition for Resilience, Development and Prosperity Governance Program 2021 – 2024

The Governance Program 2021 – 2024 mentions the following:

- ❖ Ensuring the **power security** represents an essential objective of the new energy policy complying with the European context of a future integrated market.

The green transition and digitization of the energy sector will be ensured by promoting energy efficiency and technologies and the production of electricity from renewable sources. Decarbonisation of energy supply, given the EU target of reducing greenhouse gas emissions by at least 40% compared to 1990 levels, can only be achieved by increasing nuclear production capacities.

- ❖ At regional level, the energy independence must be the new strategic objective. In this context the energy independence of Romania becomes a new main objective of the Government.

Romania intends to transpose and apply the European Green Deal (Green Deal), the strategies, plans and legislation of the related key actions by elaborating and implementing a green deal for Romania, which will particularize the European objectives to the national realities and possibilities, so that the new framework of sustainable, just and intrusive development to ensure an ecological transition that is economically efficient, socially bearable and focused on competitiveness, innovation and decarbonisation.

The document proposes the Green-Deal as the preferred vehicle for reforming and relaunching the European project. Romania's interest is to correlate the resources dedicated to the green transition with those allocated post-crisis.



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As a strategic objective assumed by the Government Program 2021–2024, the Company is responsible for making investments in the expansion of the electricity transmission network in order to increase the interconnection capacity with neighboring states and to be able to take over the additional electricity production capacity from new sources or renewable.

The investment program of Transelectrica presented in the the Government Program 2021–2024 includes the following investment projects:

- Integration of production from renewable sources and new plants — Dobrogea and Moldova. In addition to the investments currently being executed, new investments are in stages prior to the start of the execution of the works through the integration of the wind power plants on the Black Sea coast - in collaboration with SPEEH Hidroelectrica S.A. - in accordance with the European Green Deal. The project will be realized through a new 300 MW CEE offshore wind power plant, a new 30 MW CHE Islaz hydroelectric power plant, on the Olt River, close to the confluence with the Danube, with a pumping capacity of 24 MW, a new 400 kV overhead power line;
- Underground direct current cable for the evacuation of power from the Dobrogea region on the route of the gas pipeline Tuzla—Podișor;
- Underground direct current cable on the route of the gas BRUA;
- Increasing the interconnection capacity of the National Power System: the projects provided for in the Energy Transmission Network Development Plan contribute to the development of energy markets and regional energy security mechanisms, which will operate according to the common rules of the European Union. Regional cooperation is an effective solution to the analysis of the adequacy of energy systems, respectively to the elimination/significant reduction of the impact in the event of energy supply crises.

The main projects provided for in the Energy Transmission Network Development Plan to increase the available capacity for the cross-border trade are:

- Transition of the 220 kV Reșița-Timișoara-Săcălaz-Arad axis to 400 kV - to increase the interconnection capacity of the transmission networks in Romania, Hungary and Serbia, improving the integration of the electricity and renewable energy markets;
- A new overhead interconnection line Romania-Hungary 400 kV – Oradea-Józsa, to increase the interconnection capacities of the transmission networks in Romania and Hungary, improving the integration of the electricity and renewable energy markets;
- Refurbishing the RET by continuing the ongoing objectives and promoting new investments;
- Overhead power line (LEA) 400 kV Portile de Fier - Reșița;
- Overhead power line 400 kV double circuit Reșița-Timișoara-Săcălaz-Arad;
- Overhead power line 400 kV double circuit Cernavodă-Stâlpu, with an input/output circuit in Gura Ialomiței Station;
- Overhead power line 400 kV double circuit Smârdan-Gutițaș;
- Overhead power line 400 kV Gădălin-Suceava;



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- OHL 400 kV Suceava-Bălți (Republic of Moldova);
- OHL 400 kV Medgidia Sud-Constanța Nord;
- Underground power line București Sud - Grozăvești;
- 400 kV Domnești - Grozăvești underground power line;
- 400/110 kV Grozăvești STATION;
- OHL 400 kV Isaccea - Tulcea Vest;
- Closing the 400 kV Bucharest - Ilfov Ring, in the eastern area;
- Reconstruction of the 400 kV Bucharest South-Gura Ialomiței OHL;
- Reconstruction of the 400 kV Bucharest South-Pelicanu-Cernavodă Axis;
- Reconstruction of the 220 kV Gutinaș-Dumbrava-Stejaru-Gheorgheni-Fântânele-Ungheni axis;
- Reconstruction of the 220 kV Urechești-Târgu Jiu Nord-Paroșeni-Baru Mare-Hășdat line; Re-conducting the OPL 220 kV Portile de Fier-Reșita circuits 1 and 2;
- Switching to 400 kV voltage of the 220 kV Brazi Vest-Teleajen-Stâlpu Axis and its re-conduction;
- 400 kV Stâlpu-Brașov OHL;
- New alternating current and direct current lines for the evacuation of onshore and offshore wind production from the Dobrogea area, respectively of the production generated by Unit 3 and Unit 4 of the Cernavodă Nuclear Power Plant, on the Tuzla-Podișor and Podișor-Corbu route - Hurezani-Hațeg-Recaș-Horia-Nădlac.

### **III. The general vision of the tutelary public authority and of the shareholders regarding the mission and objectives of the public enterprise, derived from the government strategy in the field in which N.P.G. Transelectrica operates.**

III.1 Mission and mid and long-term objectives resulting from the activity field in which the Company operates

#### III.2 Mission

Transelectrica SA is the national power transmission and system operator that contributes to the proper operation of the power market, ensuring a non-discriminatory treatment of market participants. Also, the Company contributes to the development of the internal and interconnection power transmission grid and, the implementation of the national sustainable development policy, acting to support the integration of power generation based on renewable sources and the limitation of greenhouse gas emissions.

NPGCo. Transelectrica SA's mission is to ensure the functioning of the National Power System (SEN) in maximum safety and stability conditions fulfilling quality standards, thus creating the national energy market infrastructure, guaranteeing in the same time the regulated access to the energy transmission market in conditions of transparency, non – discrimination and equidistance for all participants to the energy market.



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The **vision** of Transelectrica S.A. is to become the technical and operational authority of SEN and the key electricity transmission operator in the South-East European region, operating interconnected at ENTSO-E and ensuring the transit of electricity on the regional electricity market.

Pursuant to law 123/2012 on electricity and natural gas with later amendments and additions, and detailed by the Conditions associated with Licence 161/2000 for power transmission and the provision of the system services - Revision 2, issued by the National Energy Regulatory Authority (ANRE) Transelectrica's role is to :

- perform the public power transmission service for all the users of the power transmission grid, in non-discriminatory conditions, ensuring regulated access to any applicant who meets the legal requirements, in compliance with the conditions and performance provided by the regulations in force;
- perform the system service in non-discriminatory conditions for all the users of the National Power System (SEN) in order to maintain the operational safety and power quality according to the rules in force;
- provide maintenance, modernisation, refurbishment, sustainable development and operation of the power transmission grids, interconnection of it to the networks of the neighbouring countries, the development of telecommunications networks and systems, data acquisition, monitoring, control, automation and protection in order to ensure the stability and the safe operation of SEN for a successful energy transition;
- provide unregulated activities and services on the competitive market, activities that are not covered by ANRE (when setting the transmission tariff), activities carried out within the Company, for the more efficient use of the existing human and material resources and in order to draw additional revenues, others than those strictly related to its main activity object.

The role of the Company is completed under the effect of the legislation on power and power policies of Romania and the European Union, transposed practice by applying the provisions of the third legislative package that emphasizes the development of regional power markets, the efficient development and operation of interconnection capacities, in order to establish, in the future, the single power market in the European Union.

Transelectrica SA's activity is also regulated by the primary national legislative framework (company law, the regulations regarding the capital market, the law on electricity and natural gas, the law on the legal regime of the state's public property etc.) as well as by the secondary legislative framework, issued by ANRE.

The Company's medium and long term commitment is to fulfill, in an exemplary and responsible way, the public service mission, based on a modern and efficient system of infrastructures, both transmission and dispatch and support, integrating the latest available technologies (Smart Grid, critical infrastructure protection etc.).



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### III.1.2 General objectives

In the current geostrategic context increasingly focused on energy, as a vector of economic development and provider of stability and national and regional security, Transelectrica must ensure an electricity transmission network capable of supporting progressive decarbonization and the growing integration of sources renewables, at the same time guaranteeing the efficiency and security of the electricity supply in compliance with the regulations in the field of environmental protection and climate change.

At the same time, one of the strategic objectives of Romania in the energy field, stipulated by the Energy Strategy of Romania for the period 2020-2030, with the perspectives of 2050, is that Romania consolidates its status as a regional provider of energy security, an objective that requires an approach on long-term development of the national power system, connected to the EU objectives in the field.

In this context establishing a on long-term objective focused on the obligations of the Company and included in Romania's obligations, must ensure a balanced approach of the national energy sector development, related with the current international context, highly complex and volatile that generates new challenges for the national energy system.

**Long term general objective** (2050) assumed by Transelectrica through the documents of the national programs is to ensure the consolidation of the status of Romania as regional provider of energy security and stability.

**On medium term for the period 2023 – 2027**, in the context of the assumed energy transition at EU level, in order to meet the general long term objective, Transelectrica must ensure resilience and adequacy of the National Power System, guarantee the development of the power transmission system and the supply with enegy. To meet this objective a huge investment program must be developed, program supported by a diversified financing policy which shall take into account the current national and European energy context, as well as the quality standards of the public service provided by Transelectrica.

### III.1.3 Strategic objectives

To ensure the fulfillment of the medium term general objective, following the analysis process carried out to establish the implementation method, a series of strategic objectives were identified that effectively guide the entire activity of Transelectrica:

#### 1. The development and optimization of SEN/RET through:





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- Rehabilitation, modernization and development of RET and increasing the safety in operation of RET;
  - Elimination of structural congestion;
  - The sustainable development of own infrastructure (investment);
  - providing electricity transmission and system services in line with the clients' requirements and expectations and the performance standards defined in the regulations and contracts;
  - optimising RET infrastructure operation to ensure the quality of transmitted power according to the ENTSO-E and RET Technical Code requirements, limiting the negative impact on the environment at admissible level in Europe;
  - providing the participants' access to RET, as a support of the wholesale electricity market, in a transparent, equidistant and non-discriminatory way;
  - optimum management of assets (new approaches to modernize and improve technologies together with the old ones are adopted); ensuring high availability of assets from RET through: reducing the number and time of the accidental events and thus of their consequences; reducing the number and time of the planned - preventive maintenance actions;
  - increasing the capacity to respond to the occurrence of some events that have a particular impact on the security and operation of RET; ambitious performance indicators in maintenance and investment contracts;
  - integration of advanced technologies (through development and demonstration, new power technologies that increase the observability, controllability and flexibility of the electric network are introduced);
  - increasing the flexibility in operation by using modern technologies;
  - the digitalization of SEN in accordance with the Company's strategies and politics, ensuring the increase in performance by introducing digital technologies and developing strategic capabilities (personnel, assets, structure, processes, etc.);
  - optimizing the maintenance and investment budgets and recognition of the respective expenses by the regulator;
  - reduction of own technological consumption in RET;
  - improving the collaboration with other network operators in the region in order to exchange information for a better management of SEN;
- 1. Permanent improvement of SEN performances from a technical and operational point of view in safe and stable operating conditions**
- providing of the electric energy transmission and system service at the level of customer requirements and expectations and the performance standards defined in regulations and contracts;
  - attracting, maintaining and professional development of human resources (ensuring an appropriate personnel policy and increasing staff skills, adapted to technological progress);
  - protecting the critical infrastructure by adopting specific cybersecurity measures;



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- process optimization;
- development of the process IT system;
- development of the IT management system.

### **3. Integration of the renewable and conventional sources ensuring flexibility and stability in operation (for the energy transition period)**

- providing the necessary infrastructure to achieve the targets set by the main documents on climate change and sustainable development: Green Deal, NESCAP 2021-2030, RET Development Plan;
- accelerating investment projects and accessing non-reimbursable funds for the development, consolidation and modernisation of RET;
- Supporting legislative changes;
- coordinating projects for the integration of renewable and conventional sources.

### **4. Interconnection with other electricity systems in the region (strengthening the pan-European electricity market)**

- increasing interconnection capacity and strengthening infrastructure to ensure the interconnection target of 15% in 2030;
- coordinated network operation and planning (planning, operation and maintenance of the pan-European network is carried out in accordance with common European interests);
- new network architecture (identification of new methods and tools to assess different network expansion options that can cope with high variability in production and demand);
- New network operation and planning (identification of new methods and tools that help system operators and network operators maintain the security of supply over different timeframes (from long term to real time); identification of new training tools that allow network operators to coordinate their response to market events);
- European network development and maintenance (an integrated approach is created that allows seamless network development and maintenance using old and new technologies across Europe. Both technical and economic efficiency constraints are taken into account);
- new market incentives and mechanisms (regulatory mechanisms are put in place for an efficient pan-European electricity market with highly variable production and consumption; market incentives help innovative technologies to become competitive in the long term);
- new system services and market models (system services will be adapted to handle large amounts of variable generation from DER. New rules for energy, capacity and balancing markets are developed and demonstrated. These services are provided by different actors connected at different levels of the electricity network).

### *III.2. General vision of the public supervisory authority and shareholders regarding the mission and objectives of C.N.T.E.E. Transelectrica S.A.*

#### *III.2.1. Vision and performance expected by the public supervisory authority and stakeholders*



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**Transelectrica is a resilient organisation** that aims and must be prepared to respond continuously to variations in the environment in which it operates, anticipating disruptions, foreseeable and unpredictable changes, ensuring the ability to respond quickly to the situations it faces.

In line with European energy policies and ensuring the resilience of the SEN, the Company incorporates in its work the planning, initiation and management of appropriate changes at strategic and functional level, thus becoming a resilient organisation. Transelectrica aims not only to be a company that adapts to change, but also to learn from every situation it faces and take advantage of the opportunities that change brings.

Transelectrica is a company that must look beyond short-term results and must be able to withstand threats or unforeseeable changes, as well as to ensure a clear, strategic line for the development of the entire SEN and its integration into the European electricity system.

Therefore, Transelectrica is implementing an extensive investment programme in electricity transmission infrastructure and interconnection with other neighbouring systems, and is planning the development of the RET, taking into account the current state and forecast evolution of consumption, generation and electricity exchanges.

In this respect, as mentioned in the previous chapters, Transelectrica draws up every 2 years the *RET Development Plan*, which is correlated with the *European Ten-Year Network Development Plan (TYNDP)* developed at ENTSO-E level, a cooperation group of European TSOs, which aims to promote the completion and functioning of the internal electricity market and cross-border trade, and to ensure the optimal management, coordinated operation and sound technical evolution of the European electricity transmission network.

The European TYNDP on the one hand should take into account the integrated model of the European grid, the development of scenarios on the evolution of the consumption demand and the available generation capacity and on the other hand assess the **resilience of the system** (Art. 48 para. (1) of Regulation (EU) No 2019/943), including an assessment of the **adequacy of the pan-European electricity system**.

To enable the integration of more renewables, to develop flexibility and to allow consumers to play a greater role, the European Electricity System is transforming rapidly. For electricity markets, this transition means that trading is moving closer to real time, i.e. closer to delivery, while respecting the security of system operation.

National and regional markets are becoming increasingly integrated towards a common European market. New players such as **aggregators, storage operators and 'demand response' participants** are entering the market. As the *system changes* and *integration advances*, there is an increasing need to promote an *efficient balancing of the energy system to enable the transition to clean energy for all Europeans*.

**Efficient balancing markets generate security of supply at the lowest price and can bring environmental benefits by reducing the need for active power reserves.**

The EU Energy Union Strategy is based on 5 dimensions:

1. energy security
2. decarbonisation



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3. energy efficiency
4. internal energy market
5. research, innovation and competitiveness.

Energy networks, in particular stronger and smarter electricity grids interconnected with heating, gas and transport networks, play a key role in the energy transition, while supporting security of supply and affordability.

The European Commission's Energy Roadmap 2050 and the EU Strategy fully support the objective of decarbonising the European economy, building on the previous European Technology Platform on the SG Vision (Smart Grids), the European Energy Vision 2030 and the Strategic Energy Technology Plan (SET). The 2050 Vision is:

**An integrated, low-carbon, secure, reliable, resilient, affordable, cost-effective and market-based pan-European energy system that powers the whole economy and paves the way for a fully CO<sub>2</sub> neutral and circular economy by 2050, while maintaining leadership in global energy systems during the energy transition.**

*The planning of RET* aims at maintaining, under economically efficient conditions, the quality of transmission and system service and the operational reliability of the national electricity system, in accordance with the regulations in force and the standards jointly agreed at European level by the TSOs associated in ENTSO-E.

*The development of RET* is in line with the requirements and priorities set out in the *National Energy Strategy and Policy*. These are decisive references for identifying priority directions and forecasting trends in the energy sector considered in planning.

**In the current international situation, it is necessary to cover the financing risk and to support priority strategic investment projects in the electricity transmission sector by providing the necessary financial support for the continuation of these extremely important investments that will ensure Romania's economic, social and territorial cohesion and the continuation of its efforts, as a Member State, to integrate into the European single energy market.**

The majority shareholder, the Romanian State, through the General Secretariat of the Government, together with the other shareholders, aims to make Transelectrica a transmission and system operator with recognition on the European and international electricity market, a leader on the energy market in the region, operating a modern national electricity transmission system, integrated at the European level and with an efficient management.

For the new mandate 2023 - 2027, the main objectives pursued by the majority shareholder, the Romanian State, through the General Secretariat of the Government are, on the one hand, related to the continuation with responsibility, efficiency, transparency and professionalism, of the projects already started for the construction and development of the electricity transmission sector and, on the other hand, the achievement of new objectives, many of them strategic, that respond



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to the national and European energy vision presented in the Government Programme 2021 - 2024, Romania's Energy Strategy 2020 - 2030 with a view to 2050, the National Integrated Energy and Climate Change Plan 2021 - 2030, the European Ecological Pact, the National Recovery and Resilience Plan.

**An important document is the RET Development Plan for the period 2022 - 2031, developed by C.N.T.E.E. Transelectrica S.A.**, in application of the provisions of Law no. 123/2012 on electricity and natural gas with subsequent amendments and additions and the specific conditions associated with License no. 161 for the provision of electricity transmission service, for the provision of system service and for the management of the balancing market was approved by ANRE President Decision no. 1947/02.11.2022. Thus, Transelectrica plans the development of the RET, taking into account the current state and the forecast evolution of consumption, generation and exchanges of electricity, and draws up every 2 years a Development Plan for the next 10 successive years, submitted to ANRE and the grid owner for approval.

Summarizing, some of the objectives of the Company's management strategy are, significant increase in efficiency and profitability, cost reduction and strict control of acquisitions, assumption of an ambitious investment program, worth 7.084 billion lei for the development of RET in the next 10 years, attracting new European non-reimbursable financing and from international financial banking institutions, implementation of cross-border projects, the timely completion of the Company's projects receiving European grant funding, the optimisation and digitalisation of management processes and systems, the intensification of international cooperation relations, the strengthening of the control of profitability assurance and working capital management, the effective management of human resources, the provision of adequate space and modern equipment and logistics for the Company's staff.

### *III.2.2. The link between the vision and performance expected by the public supervisory authority and shareholders from the Supervisory Board/Management Board of the Company.*

The aim is to create value and achieve the strategic objectives set.

The Supervisory Board/Management Board will closely monitor that the shareholders' vision of the Company's role in the national and wider European economy is translated into the updating of identified strategic objectives and the achievement of new measurable medium and long-term objectives, with the role of the Supervisory Board/Management Board being to ensure that these objectives are translated into programmatic documents such as the Strategy and Development Plan and the Management Plan.

Accordingly, the Company's management will aim to achieve the strategic objectives within a reasonable period of time, with the implementation of relevant programmes with this common goal. To this end, the management plan and its management component will need to set out both the updated objectives and the means of achieving them within clear timeframes.

The financing structure for the development of the infrastructures operated by the Company according to the PD RET 2022-2031 is:





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- 57% financed by the regulated transport tariff
- 33% non-reimbursable European funds
- 10% revenue from interconnection capacity allocation
- maintaining a sound and robust funding structure that keeps its solvency and liquidity ratios within comfortable limits;
- attracting non-reimbursable funds made available by the European Union;
- ensuring the financial independence of the Company so that any possible financier of the investment programme has greater comfort in its relationship with C.N.T.E.E. Transelectrica S.A.
- the Company's financial results to be continuously growing and sustainable in the medium and long term and the financial risk indicators to be within the risk parameters accepted by the financial and banking environment;
- providing an adequate space that meets the conditions for the activity of an TSO of Transelectrica's size and importance (including the National Energy Dispatcher), by purchasing/constructing a Transelectrica office.

Thus, C.N.T.E.E. Transelectrica S.A. will become a dynamic and innovative TSO, recognized nationally and internationally for its technical excellence, financial performance and ability to operate successfully in a volatile economic environment. The company will provide high performance services with high value for money, ensure the safe operation of the SEN as a whole and at a standard level of electricity quality, ensure a secure and quality connection to the transmission network under non-discriminatory and transparent conditions for all users. It will also develop the capabilities for integration of renewables, provision of transmission and system services, as well as European integration and management of centralised markets under conditions of high technical quality and safety.

The shareholders of C.N.T.E.E. Transelectrica S.A. are fully aware of the importance of those who contribute so that the public electricity transmission service does not suffer. It is also known that in order to carry out these duties, human resources with expertise in the field are needed and Transelectrica will have to implement an appropriate human resources policy.

Clearly, therefore, the expectations regarding the approach of the Company's directors/management to human resources is one that is appropriate for a leading company in the Romanian economy and in the region to successfully face current and future challenges.

Company directors/management must create an attractive environment for new generations of professionals and also maintain competence within the Company and ensure the transfer of knowledge and expertise to them.

Beyond working conditions adequately covered by occupational safety and security requirements, the Company's management should also consider sizing tools that are sufficiently attractive to encourage performance and innovation among staff. To this end, the Company's management will ensure that a dynamic organisational structure is implemented at Company level, with a functional



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component whose objectives justify the rationale for its establishment and operation and which ensures that the managerial and operational processes are carried out optimally.

### **I. Classification of the Company into one of the categories of public enterprise purposes**

C.N.T.E.E. Transelectrica S.A. is the national electricity transmission and system operator, which ensures the efficient, transparent, secure, non-discriminatory and competitive operation of the electricity market. The company also contributes to the development of the domestic electricity transmission network and interconnection, to the implementation of the national policy of sustainable development, acting to support the integration of electricity production based on renewable sources and the limitation of greenhouse gas emissions.

Transelectrica falls into the category of regulated monopoly, performing public service obligations and other commercial activities.

According to the applicable regulatory framework, C.N.T.E.E. Transelectrica S.A. operates on the basis of specific sectoral legislation, of the Concession Contract on assets belonging to the public domain of the State that are part of the National Transmission Grid (RET) no.1/29.06.2004, concluded between the Ministry of the Economy as the granting authority and C.N.T.E.E. Transelectrica S.A. as the concessionaire (approved by GD No 886/2004) and Licence No 161 for the provision of the electricity transmission service, for the provision of the system service and for the administration of the balancing market.

The electricity transmission activity constitutes a public service of national interest and is included in the regulated segment of the internal electricity market. The electricity transmission service is provided under a natural monopoly on the basis of a tariff set by ANRE.

In the medium and long term, the Company will fulfil its public service mission in an exemplary and responsible manner, based on a modern and efficient transmission infrastructure system, SEN dispatching and support, integrating the latest available technologies (smart grid, critical infrastructure protection, etc.).

Supporting the public and national interest in the formulation and implementation of related strategies and policies, takes into account C.N.T.E.E. Transelectrica S.A.'s status as a national company.

The obligations and responsibilities of the Secretariat General of the Government, as the majority shareholder in the Company, on the one hand, and C.N.T.E.E. Transelectrica S.A., on the other hand, must be carried out responsibly and efficiently and in accordance with the relevant legal framework.

### **V. Arrangements for securing adequate compensation or for payment of the public service obligation by the public authority entrusted with a public service obligation if the public undertaking is required to discharge public service obligations**



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Transelectrica's accounting records are organised separately for the transmission operator and the system operator up to the level of the trial balance, in accordance with Article 9, paragraph (7) of the General Decision no. 627/2000 on the reorganisation of the National Electricity Company S.A. and on the basis of the Operating Licence no. 161/2000, amended by subsequent Decisions of the ANRE President.

Thus, the General Decree no. 627/2000 on the reorganization of the National Electricity Company - S.A., provides in art. 9 para. (7) the following: *The transmission operator and the system operator at the level of "Transelectrica" - S.A. shall each keep their own accounts, up to the level of the trial balance.*

Transelectrica's operating license (general conditions associated with the license, approved by ANRE Order no. 104/2014) provides for the following:

- in Section 12 - Segregation of accounts, Article 50:
  - (1) *In accordance with legal requirements, the licensee is required to keep **separate accounts for each activity covered by the licence granted** by the competent authority, as would be the case if those activities were carried out by separate economic operators, so as to enable the accurate reflection of the income and expenditure relating to each activity, in order to avoid discrimination and cross-subsidisation and distortion of competition and to encourage competition.*
  - (2) *In accordance with legal requirements, **the licensee is required to keep separate accounting records**, which may be consolidated, for other activities in the electricity sector as well as for other activities outside the electricity sector.*
  - (3) *In carrying out the obligations under paragraph 1, the following shall apply. (1) and (2), revenues from ownership of the transmission system shall be specified separately **in analytical revenue accounts and the internal accounting records shall include a balance sheet and a profit and loss account for each activity.***
  - (4) *The licence holder shall inform the competent authority in writing of the rules adopted for the allocation of income and expenditure taken into account when separating the accounts.*
- Under Section 14 - Prohibition of cross-subsidization, Article 53: *In accordance with the provisions of the Act, the licensee **is prohibited from cross-subsidizing** between regulated activities, as well as between regulated and unregulated activities that it carries out.*

The company uses synthetic accounts in its accounting records, with development on analytical accounts, in accordance with OMFP no. 2844/2016, Chapter 10 - Chart of Accounts and applies the treatments set out in International Financial Reporting Standards.

The company has organised its management accounting by developing the accounts in the financial accounting, separately for regulated and non-regulated activities, in accordance with the provisions of OMFP no. 1826/2003 approving the Specifications on certain measures relating to the organisation and management of management accounting.



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Thus, the summary income and expenditure accounts have been developed into analytical accounts corresponding to the services provided by the company on the electricity market.

As regards the bookkeeping of investments in progress, it is organised analytically for each investment objective, and within each investment objective the bookkeeping is organised by implementation contracts.

Transelectrica's financial reports provide detailed information on regulated and non-regulated activities. The financial reports are audited and publicly disclosed on a regular basis as required by law.

### **VI. The dividend and net profit payout policy applicable to the Company**

The majority shareholder, the Romanian State, through the General Secretariat of the Government, together with the other shareholders of the company, set the expectations for the increase of the Company's value in the medium and long term and implicitly of the dividend value, as a desideratum of any investor. The increase in the Company's value must be achieved in conditions of operational excellence, in conditions of safe operation of the SEN, against a background of a low risk profile, achieved and managed responsibly by the Company, within the profitability approved by ANRE.

The dividend policy will be responsible, prudent and predictable, appropriate to the Company's specific situation and respecting its development investment needs. The main objective of the State shareholder is to ensure a balance between the dividend policy and that of providing the necessary funds for the investment programme undertaken by the Company for development, modernisation and safe maintenance, taking into account the Company's obligations and responsibilities as a national TSO connected to the European system.

G.E.O. no. 64/2001 on the distribution of profits of national companies, national companies and companies with full or majority state capital, as well as autonomous companies, regulates the distribution of at least 50% of profits as a payment/dividend to the state or local budget.

By the OGMS Resolution no. 1/28.03.2016, the dividend distribution policy for 2015 and onwards was approved, using the indicator "Distribution rate", by applying the percentage of 75% calculated on the remaining profit to be distributed among shareholders, reserves and employees.

It is preferable to distribute as large a share of the profits as possible, but only if the sources of financing needed to carry out the investment plan have been identified, with optimal financing costs and a reasonable level of debt. The Company's directors and management will be concerned with maintaining a sound and robust structure of its financing mechanism, which keeps solvency and liquidity ratios within comfortable limits. These conditions will make it possible, as a matter of priority, to secure the funds needed to carry out the investment plan and, at the same time, to ensure the distribution of dividends in line with shareholders' expectations for this asset class.

### **VII. The investment policy applicable to the Company**



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### *VII.1. The investment and development policy for electricity transmission infrastructure in the medium and long term*

Transelectrica plans every 2 years the development of the national electricity transmission grid for the next 10 years, in full agreement with ANRE, taking into account the current state of the grid from a technical point of view, but also the forecast evolution of electricity consumption at the national level, the structure of the generation fleet, as well as electricity exchanges with neighbouring countries. Thus, the *RET Development Plan*, drawn up by Transelectrica for the period 2022 - 2031 and approved by ANRE President's Decision no. 1947/02.11.2022, provides for the implementation of investment projects to modernise and strengthen the electricity transmission network, increase energy efficiency, increase interconnection capacity with countries within ENTSO-E and those outside the European Union, with the aim of increasing the reliability of SEN operation, export opportunities and overall improve the operational and financial performance of the company, being correlated with the *European Ten-Year Network Development Plan (TYNDP)* developed at ENTSO-E level.

As a national transmission system operator (TSO), Transelectrica is currently facing the following problems:

#### **1. *The physical and moral wear and tear on RET equipment:***

Transport installations have standard operating lives (correlated with the depreciation lives of linear depreciation). Physical and moral wear and tear negatively influences maintenance costs, reliability, incident behaviour, environmental impact, parameter measurement accuracy, etc. Also, the inferior characteristics of equipment installed in the past do not allow the implementation of remote control in stations. Numerous machines still have a high degree of physical and moral wear and tear, having a PFI year before 1990 (more than 20 years old), being based on outdated technological solutions. Under these circumstances, a large part of the SEN installations need to be repaired and, where justified, upgraded/modernised and even replaced with modern solutions.

#### **2. *The developments in the level and/or location of electricity consumption and production in the SEN and cross-border exports/imports***

Changes in the level and/or location of consumption and generation result in changes in flows through network elements, which can lead to overloads or voltage instability and voltage outside the permissible limits in certain areas. The increase in electricity exchanges between power systems in the region, due to the development of the electricity market, is another element leading to grid loading.

#### **3. *Change of the electricity market rules***

The introduction of new market instruments in the electricity sector requires the appropriate development of system monitoring and control facilities and electricity metering systems to be implemented. This allows for the compliance with updated transmission and system performance standards and the phased implementation of the smart grid concept in the SEN (smart grid).





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### **4. *The change of the technical characteristics of the SEN installations and users***

The rapid increase in the volume of intermittently operating power plants, especially wind power, requires new tools to forecast the production in the SEN Wind Power Plants, to integrate it into the operational scheduling of the plants and to quickly control the production/consumption in case of need. The integration of a large volume of intermittently operating power plants into the system requires equipping electricity transmission and distribution networks with specific elements associated with the smartgrid concept: high-performance telecommunications infrastructure, intelligent electricity metering systems, intelligent electrical devices and equipment, with dedicated IT applications, enabling networks to be transformed from a passive area of the power system into active areas capable of detecting changes in important status parameters and modifying their configuration and parameters to respond optimally to new conditions. C.N.T.E.E. Transelectrica S.A. has started the process of consolidating the strategy on the implementation of the smart grid concept - *C.N.T.E.E. Transelectrica S.A. Strategy on Research and Innovation (2018-2027)* and *C.N.T.E.E. Transelectrica S.A. Policy on SMART GRID (period 2018-2027)*.

As a result of these issues, **Transelectrica has to implement an extensive programme of upgrading and modernising the existing RET and build new lines and stations to ensure:**

1. Security of electricity supply,
2. Reinforcement of RET, correlated with the evolution of some areas of surplus production (e.g. Dobrogea with surplus and integration of production from new renewable sources) and with the insufficiency of production in deficit, consumption areas,
3. Strengthening RET to increase cross-border exchange capacity,
4. Transport of surplus production from the Porțile de Fier-Reșița area to consumption centres.
5. Against the background of the sharp increase in investment in intermittent RES in recent years, market balancing has become essential, especially as coal-fired generators can only respond quickly to fluctuations in wind and solar radiation in a narrow band. The main categories of generators with fast response to balancing requirements are hydropower plants and gas-fired generators. Balancing in a regional market requires increased interconnection capacity.

In accordance with the Electricity and Natural Gas Law No 123/2012 as amended, the RET Development Plan must ensure the long-term planning of the investment needs in transmission capacity in order to cover the electricity demand of the system and to ensure deliveries to customers, in line with the current state and future evolution of energy consumption and sources, including energy imports and exports, under the conditions of the applicable legislation.

Knowing as accurately as possible the volume and geographical location of consumption, production and trade is very important for optimal sizing of the network, so that on the one hand resources can be allocated for development where they will be needed and on the other hand costs for unjustified reinforcements can be avoided.



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Investments for the development of RET are the main component of the Fixed Assets Investment Plan of C.N.T.E.E. Transelectrica S.A., ensuring the refurbishment/modernization of physically and morally worn out substation equipment and increasing the transmission capacity of the network. These investments are complemented by investments in RET associated systems, which ensure that the requirements for monitoring and control of the grid and SEN, metering of electricity quantities, protection of critical infrastructures are met at the established performance level. RET development projects are carried out with a view to increasing energy efficiency and the results of the company's research and innovation activities.

### **The RET development strategies are as follows:**

- EMS/SCADA-DEN dispatcher operational management system development strategy - Correlation with RET power station refurbishment programme, modernization of data acquisition and exchange;
- Strategy for the development of the IT platform that ensures the functioning of the markets managed by Transelectrica;
- Strategy for the development of electricity metering and power quality monitoring systems;
- Telecommunications system development strategy;
- Critical Infrastructure Protection Development Strategy.

### *VII.2. Joint electricity trading platforms*

Transelectrica also participates under European regulations in a number of common European system services trading platforms. The company will invest the necessary resources for training and maintaining the necessary capacity (professional capacity, technological capacity, material capacity) in order to continue the process of implementing the provisions of the European network codes approved as European regulations.

Thus, based on EU Regulation 1222/2015 establishing guidelines for capacity allocation and congestion management, C.N.T.E.E. Transelectrica S.A. participates in the following electricity trading platforms:

- The SIDC platform for continuous intraday trading of electricity across the European Union, operated by Deutsche Börse AG, is implementing the SIDC project - "Single IntraDay Coupling".
- The financial settlement of the products traded cross-border on the SIDC trading platform is carried out through the function of Shipper - "Transfer Agent", assigned to Transelectrica, to the partner Shippers in Hungary - MAVIR and Bulgaria - IBEX, as well as to OPEED - "Designated Electricity Market Operator" in Romania, S.C. Opcom S.A.
- The SDAC platform for day-ahead electricity trading in the European Union, operated at the Romanian state level by S.C. Opcom S.A. through the Euphemia function, implemented within the SDAC project - "Single DayAhead Coupling".

The financial settlement of the products traded cross-border on the SDAC trading platform is carried out through the function of Shipper - "Transfer Agent", assigned to Transelectrica, to the



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partner Shippers in Hungary - MAVIR and Bulgaria - IBEX, as well as to OPEED - "Designated Electricity Market Operator" in Romania, S.C. Opcom S.A.

### *VII.3. Policy for accessing non-reimbursable European funds*

#### *VII.3.1. National context*

Currently, the European funds available to Romania through the EU Multiannual Financial Framework, the Recovery and Resilience Mechanism and the Modernisation Fund amount to €76.14 billion, as follows:

- EU Multiannual Financial Framework 2021-2027 - €30.5 billion
- National Recovery and Resilience Plan 2022-2026 - €29.2 billion
- REPowerEU 2023-2026 - €1.44 billion
- Modernisation Fund - 2022-2030 - €15 billion.

They provide funding for investment projects in infrastructure, education, health, public systems, agriculture, environment and energy that will transform Romania's entire economy and create opportunities and jobs.

These funds support the recovery and transformation of Romania's economy in the long term, and therefore public companies in which the state is a majority shareholder, such as Transelectrica, must implement sustainable investment programmes for development and modernisation, taking into account current market opportunities and trends, as well as socio-economic standards. The Government expects public enterprises to implement projects that focus on research and innovation, long-term development and implement investment projects aimed at green transition, digital transformation, smart, sustainable and inclusive economic growth.

Of the total €76.14 billion, the energy sector benefits from an unprecedented and generous allocation of €19.88 billion of EU funds for investments in renewable energy, energy infrastructure, gas-fired power plants, nuclear energy, cogeneration, energy efficiency and biofuel production.

The main geopolitical events and uncertainty factors that have influenced and continue to influence the Romanian energy sector are:

1. The military conflict in the Black Sea region, which has had the effect of making the construction and energy materials market volatile, leading to a dramatic increase in prices and therefore in the budgets and estimates of energy infrastructure investment projects financed by non-reimbursable European funds;
2. The amendment of the legislation in the field of price adjustment of contracts in the framework of projects financed by non-reimbursable European funds, in order to rebalance the contracts, has generated uncertainties related to the application of the adjustment formulas and different interpretations for the different types of contracts concluded or to be concluded, which has led to synergy in the implementation of the projects and in the respect of the work execution plans, with an effect on the implementation deadlines. Last



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but not least, the price adjustment has had the effect of increasing project budgets and, consequently, the value of the companies' contribution to their financing.

### *VII.3.2. European context*

At EU level, the European Commission manages a number of funding programmes dedicated to the energy sector. Innovative projects that lead to lower greenhouse gas emissions can be financed through the Innovation Fund. With a budget of €10 billion, the Innovation Fund runs two types of calls: calls for small-scale projects (under €7.5 million) and calls for large-scale projects (over €7.5 million).

The CEF-Energy programme (Energy Interconnection Facility, Energy component) is another programme managed by the European Commission, dedicated to financing projects that lead to the objectives of energy market integration, increased renewable energy production and decarbonisation. The Connecting Europe Facility (CEF) 2021-2027 programme was approved by the European Commission in July 2021, with an allocation of €5.84 billion for the energy component.

The crisis caused by the military conflict in the Black Sea region, which erupted in February 2022, has affected the construction market throughout the European Union, as Ukraine is the main supplier and producer of steel and raw materials for the European construction market. The immediate consequence was a significant increase in material prices, leading to increases of even more than 40% for some materials used in infrastructure projects, which were reflected in the total construction cost index, as well as a significant increase in the price of equipment, machinery and stand-alone fittings delivered as part of projects financed by non-reimbursable external funds.

The SARS-CoV-2 crisis has in turn caused an increase in the total construction cost index of about 18%, of which 60% was generated by the increase in the cost of construction materials and 40% by the increase in the cost of labour. This price increase has been reflected in the total construction cost index by the National Institute of Statistics since March 2021. The price increase generated by the SARS-CoV-2 crisis in construction materials has affected the firm price of procurement contracts.

There have also been increases in fuel prices, but also significant increases in the price of natural gas and electricity, which in turn have a major impact on the growth in the value of infrastructure projects.

### *VII.3.3. The approach of accessing European funds process*

In view of the following:

- the complexity of the process of accessing European funds, which requires, on the one hand, the initiation of projects for the development of energy transport infrastructure and, on the other hand, the provision of the necessary institutional framework for the process of accessing European funds,



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- the existence of substantial European funds dedicated to electricity transmission infrastructure at national and European level,
- the needs imposed by Romania's energy sector policy documents which aim to develop energy infrastructure at an accelerated pace and to high quality standards,
- the process of accessing European funds requires an integrated approach of two dimensions:
  - ensuring the institutional capacity to initiate and implement electricity transmission infrastructure development projects,
  - ensuring the absorption of European funds dedicated to electricity transmission infrastructure at the highest possible level in order to generate a substantial contribution to the national process of absorption of European funds.

In this context, the process of accessing European funds involves linking the needs for the development of electricity transmission infrastructure imposed by the obligations assumed by Romania at European level, with the existing funding opportunities at national and European level, as follows:

- identifying funding opportunities from European funds on the basis of projects established and initiated at Company level,
- analysis of funding opportunities from European funds, leading to the initiation of projects in the Company's area of competence, innovative and in line with European development trends and prospects in the field.

Taking into account the above-mentioned aspects, in order to ensure the fulfilment of the obligations assumed by the Company at national level, as an OTS, access to European funds requires the existence and strengthening of the necessary institutional capacity and capabilities of the Company:

- access to European funds in direct correlation with the process of initiating projects that can be financed by European funds,
- the implementation of projects financed by European funds, in accordance with the obligations assumed in the financing contracts (financial and technical conditions, completion deadlines, etc.),
- ensuring the sustainability of EU-funded projects.

Transelectrica, in its capacity as TSO and given its importance in the modernization of the Romanian and European energy sector, aiming to strengthen the electricity transmission infrastructure, has launched one of the largest and most important investment programs, most of which is financed by non-reimbursable European funds. Financing large investment projects by accessing non-reimbursable European funds is one of the solutions that Transelectrica has used and will continue to use in order to achieve a solid electricity transmission capacity throughout Romania, thus ensuring both the requirements of maintaining the competitiveness of the Romanian economy and regulatory requirements. Easy access to capital ensures the robustness of capital for large, strategic investments, which the Company is required to make at an accelerated pace.





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In this respect, the Company is currently carrying out a series of financing contracts from non-reimbursable European funds for strategic investment objectives which result in relieving the transmission tariff paying customers of the costs related to these strategic investments, thus being an efficient and handy means of network development.

Transelectrica, as TSO, is essentially the "heart" of the energy sector, in terms of the obligations assumed and the internal and external interdependencies of the national energy system. The complexity and diversity of the Company's activities, from a technical point of view, but also in relation to the obligations assumed and the national and European context, require a multidimensional approach to the development needs of the electricity transmission infrastructure. From this perspective, the process of accessing European funds is an important dimension of this type of approach and, at the same time, an end in itself, given the intrinsic obligation to access European funds dedicated to the Company's activities, generated by the funding opportunities available to the Company at national level. At the same time, ensuring a high level of quality (required by rapid and complex technological developments) in line with European standards, required by the role assumed by Transelectrica within ENTSO-E, as part of the European energy system, is a necessity, which can be addressed by accessing European funds at national and European level.

Given the complexity and diversity of funding opportunities dedicated to electricity transmission infrastructure, the process of accessing European funds requires strengthening and developing the Company's capacity and capabilities to:

- initiate projects to develop electricity transmission infrastructure in all dimensions: investment, human resources, innovation and research, etc.
- access available national and European funds,
- implement projects financed by European funds, respecting the deadlines and the obligations undertaken within them,
- ensure the sustainability of projects financed by European funds,
- develop innovative projects with a transnational dimension, with an impact on the Company's activity.

### ***VII.4. RET maintenance policy***

The maintenance policy is a component of the Corporate Strategy set out in the strategic documents: the Management Plan, the Management Plan and the RET Development Plan.

Transelectrica applies modern managerial principles to the electricity transmission activity, starting from the operation and maintenance of existing facilities, with the aim of optimising costs and maximising performance, with the aim of increasing profitability in the medium and long term, while ensuring the quality of the electricity transmission service at European standards, under acceptable risk conditions.

In C.N.T.E.E. Transelectrica S.A., maintenance services/work is carried out on electrical installations, as appropriate:



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- corrective - after detection of the fault, including all actions intended to restore a facility to a condition that allows it to perform its specified function;
- preventive - prophylactic, to prevent defects, i.e. to reduce the likelihood of failure or degradation, with the aim of optimising the objectives proposed in the RET:
  - safety in operation;
  - availability;
  - efficiency;
  - compliance with the Performance Standard.

In carrying out its maintenance activity, Transelectrica is subject to the obligations and responsibilities of the national and European regulatory framework: the Electricity and Natural Gas Law, ANRE Licence no. 161/2000 and the general and specific conditions associated with the licence for the provision of the electricity transmission service, for the provision of the system service and for the administration of the balancing market, the Electricity Transmission Service Performance Standard, the RET Technical Code, the Technical Code of the Electricity Transmission Network (RET) and the ENTSO-E requirements.

The maintenance activity is coordinated and managed as a unit within the Company by the organisational entity empowered by decision of the Company's management.

Interfaces with territorial entities are coordinated and managed in a unified way. In this way, actions are carried out to centrally coordinate the work of the territorial entities in the field of maintenance by levelling (standardising) the criteria and the way of planning and carrying out actions at RET level.

**The maintenance strategy is updated with the RET Development Plan. Within Transelectrica the maintenance activity is carried out on the basis of its own Maintenance Assurance Programme (MAP), developed according to ANRE regulations.** The MAP applies to all components of the maintenance activity (technical, economic-financial, relational, organisational) carried out on all the assets of the Transmission Grid (RET).

### *VII.4.1. The management of maintenance costs. Efficiency of maintenance actions*

*The costs* of maintenance services/work shall be recorded and analysed regularly. In establishing the budget allocated to maintenance activities, the aim shall be to structure the budget by type of service/work/project in such a way as to ensure that the installations are maintained in an appropriate technical state while keeping within the approved costs.

The calculation of costs by maintenance activities and projects is carried out in accordance with the legislation in force and allows the identification of costs by maintenance activities/projects and their reporting. In accordance with the above, the STT reports monthly and centralises for the whole of the RET the costs incurred, broken down for minor and major maintenance and the specific installations to which maintenance is applied.



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Periodically, the *results of the maintenance activity* are analysed and reported to the Company's management:

- valuable achievements;
- physical achievements (stage of completion);
- the situation of overdue contracts;
- status of completed works, etc. and measures are taken to keep within the allocated budget.

*The Identification and control costs follow:*

- the correlation between the planned volume of activities and the allocated funds;
- avoidance of exceeding estimated/approved values;
- ensuring the possibility of reporting;
- knowing the starting point for planning expenditure on maintenance services/work in future budgets.

### *VII.4.2. The evaluation and analysis of maintenance activity results*

This activity underpins the optimisation of the maintenance strategy and is done systematically by:

- identifying and tracking expenditure to control economic efficiency;
- tracking of performance indicators, including from the analysis of accidental events associated with maintenance;
- establishing corrective measures.

According to the provisions of NTE 004/05/00, at STT and Executive level, accidental events occurring in RET installations are recorded and analysed in order to track *weaknesses and trends*, as well as *accidental events causing deficiencies in the performance of maintenance activities*. Depending on the situation, the analyses are carried out together with the maintenance service/work provider/executor or the equipment supplier. For command - control - protection - automation systems (SCCPA) detailed analyses are carried out in case of accidental events.

On the basis of the analysis of accidental events, it is therefore possible to know how maintenance actions are carried out and to determine the measures to remedy and improve the activity and to increase the reliability of the installations. On the other hand, it is a source of primary data for the application of the MBF methodology.

Operating performance shall be monitored over sufficiently long periods of time to obtain statistically significant information and indicators and to ascertain the effectiveness of measures to improve operations.

Various criteria/indicators are used to assess the results of the maintenance activity, both at STT and RET level as a whole, such as:

- technical criteria: availability coefficient over time, accidental and planned unavailability at OPL and transformer;
- economic criteria: expenditure on corrective maintenance / total volume of installations, or degree of achievement of the maintenance programme;



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- quality of service criteria: specific incident rates or the number of extensive failures or undelivered energy due to incidents in the RET (and obviously, on this basis, the performance indicators required by the RET Technical Code and the Performance Standard are calculated).

### VIII. Research and Innovation

The operational management of electricity grids requires a consolidated vision of long-term objectives and the ability to test, learn and implement the most effective technologies and concepts in the application of strategic options.

Utilities are of particular interest to the Romanian State. In order to adapt their business model and to respond quickly to the dynamics of opportunities and threats in the environment in which they operate (their workforce evolves, their customers' expectations change), operators providing this type of services must be flexible and promote innovative technological solutions.

Looking macro, at the European level, the trend in the energy sector is manifesting itself in a paradigm shift in the focus of power generation from conventional fuel plants to renewable generation.

Also, EU plans to integrate wholesale markets across all timeframes (forward, day-ahead, intraday and balance) dominate the EU agenda, with a structured framework for network operating systems to enable storage, for example, but also the trend towards smart grids.

Therefore, the main challenges for electricity transmission system operators and for Romania, from a research perspective, concern:

- increase technical and human capabilities to develop methodologies and tools to use the network at full capacity, but without jeopardising its security;
- use of new materials and technologies to increase network flexibility and identify data mining and HPC (High Performance Computing) techniques to better manage the network and get closer to full capacity safely.

C.N.T.E.E Transelectrica S.A.'s Research and Innovation strategy supports the Company's vision and ambition to remain the most innovative and efficient national grid operator.

The RET Development Plan 2022 - 2031 incorporates and details the general and specific objectives in the field of smart grids and Research and Innovation.

The research within the company will focus on developing the following pillars:

- national and international partnerships in basic research and technological research (observation of basic principles, formulation of concepts for technologies, experimental demonstration of concepts, validation of technologies in laboratories);
- Partnerships with solution and equipment providers for product/technology demonstrations (technology validation in relevant environments and operational environments);



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- partnerships in competitive procedures (for delivery and commissioning of products and solutions).

C.N.T.E.E Transelectrica S.A.'s portfolio of projects in the field of Research and Innovation - DigiTEL positions the company among the most innovative transmission operators at European level, materializing concepts, methodologies and high performance standards in the field:

- Digitization of electrical transformer stations (**DigiTEL** pilot project "Upgrading the 220/110/20 kV Alba Iulia station to 100% digital concept");
- Sustainable technologies (**DigiTEL Smart Vision** pilot project "Increasing safety in operation and maintenance activities in Domnesti station by using augmented reality and digital twin technologies", **DigiTEL Green** "Retrofitting 220/110/20 kV Mostistea station in a digital and low environmental impact, SF6 free concept")
- Advanced technologies (Digital Twin, Augmented Reality, Virtual Reality);
- Laboratory for testing new technologies in partnership with Polytechnic University of Bucharest;
- Technical condition monitoring for critical assets of RET (**DigiTEL Trafo Vision** "Purchase and installation of 21 integrated monitoring systems for transformer units in Transelectrica substations", **DigiTEL Smart Lines** "Optimization of the operation of existing 400 kV OPLs in the SEN by installing on-line monitoring systems and Dynamic Line Rating", **DigiTEL 3D Line Vision** "Lidar and 3D scanning of Transelectrica targets using drones").

C.N.T.E.E Transelectrica S.A. is recognized for its partnerships in the field of Research - Innovation with leaders in industry, academia and civil society, actively contributing to the adoption, testing and validation of the latest solutions required for an operational performance required in compliance with the objectives at European level (European Green Deal, EU Digitalization etc.) development of staff skills.

The shareholder, the Romanian State, through the General Secretariat of the Government, and the other shareholders of the company want C.N.T.E.E. Transelectrica S.A., in the next four years, to have in mind the development of technical and human capabilities in the field of research and innovation and to promote, as a priority, at the management level, actions, studies, development and research programs aimed at "digitalization" as the main resource for a sustainable development.

### **IX. The desiderata of the General Secretariat of the Government and the shareholders regarding communication with the Supervisory Board and the Management Board of C.N.T.E.E. Transelectrica S.A.**

The shareholder, the Romanian State through the General Secretariat of the Government, and the other shareholders of the Company, wish to support the Company's activity in a constructive and transparent way and to work closely with the members of the Supervisory Board and Transelectrica's Management Board to identify ways to improve the Company's performance and to manage its resources efficiently in order to achieve the set objectives.





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Moreover, both the Company's shareholders and the members of the Company's management and governing bodies are committed to fulfilling the strategic objectives that C.N.T.E.E. Transelectrica S.A., as National Transmission and System Operator, must meet, to contribute to strengthening the strategic responsibility that the Company has, to the development, modernisation and improvement of the Company's asset management, to the provision by the Company of a quality public service, in full safety. In order to meet these requirements, communication will need to be carried out in both directions, for a good understanding of shareholders' priorities and expectations, government priorities related to Transelectrica, alignment with the Company's strategic priorities and not least of some issues that may arise during the 4 years. Mutual information on any issues impacting on the Company's business and on identified risks that may influence the fulfilment of the obligations assumed in the Management Plan is extremely important.

The expectations of the General Secretariat of the Government and the shareholders are in line with the provisions of the Emergency Ordinance no. 109/2011 on corporate governance of public companies, with subsequent additions and amendments, as well as with the requirements of the capital market legislation, as the company's shares are listed on the Bucharest Stock Exchange. The frequency of reporting of information is as required by the applicable regulations and, where applicable, by the need to assess the activity of the members of the Supervisory Board and the members of the Management Board pursuant to GEO no. 109/2011 or by the importance of the event to be communicated to shareholders.

Transelectrica's Supervisory Board must cooperate closely with the State shareholder, through the General Secretariat of the Government, to ensure timely information and constant communication on the strategic directions of the Company's management, in compliance with the principles of corporate governance specific to a company listed on the Bucharest Stock Exchange.

Any possible deviation from the performance indicators set out in the mandate contract to be concluded must be communicated to all shareholders as soon as possible, as soon as the Supervisory Board finds that such deviation is likely.

The Cabinet Office expects managers to carry out a careful quantification of risks and to consult shareholders in a timely manner if deviations from projected targets are expected.

### **X. The conditions relating to the quality and safety of the services provided**

C.N.T.E.E. Transelectrica S.A. is the sole national operator that provides the electricity transmission service, the operational technical management of the National Electricity System through the National Energy Dispatcher and the administration of the electricity market through its subsidiary, OPCOM S.A.

The electricity transmission service consists mainly of ensuring the transmission of active electricity between two or more points of the NES's transmission system, while respecting continuity, safety and quality standards.



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The transmission service is a public service *according to the Transmission and Dispatching Licence no.161/2000* issued by ANRE and must be provided by the Company under non-discriminatory conditions for all RET users. The beneficiaries of the electricity transmission service are all licence holders who respectively introduce or extract electricity into/from the NES, including for import/export activities. The transmission service provided by C.N.T.E.E. Transelectrica S.A. consists of ensuring the technical conditions and maintaining the operating parameters of the RET under the conditions of injection/extraction of electricity into/from it, in compliance with the quality conditions laid down in the Technical Code of the RET and the ENTSO - E requirements.

Transelectrica provides quality and performance indicators for the electricity transmission service and system service in accordance with the provisions of *ANRE Order no.12/2016 on "Performance standard for the electricity transmission service and system service", as amended and supplemented.*

The mission of the National Energy Dispatcher, in accordance with the *Law on Electricity and Natural Gas*, with the *Licence No 161/2000* and with the *Conditions associated with the licence for the provision of the electricity transmission service, for the provision of the system service and for the administration of the balancing market*, as subsequently amended and supplemented, granted by ANRE and the *Constitutive Act of C.N.T.E.E. Transelectrica S.A.* is represented by: the management through the dispatcher of the operation of the National Electricity System in conditions of safety and quality of electricity, as well as the realization of international cooperation at operational and operative level.

All the activities carried out within the DEN have direct implications on the safe operation of the SEN and electricity markets, on the interconnected operation, on the income and expenditure budget, but also on the image of the Company and its international representation.

The new European market model is geared towards renewable generation, aggregation of generation sources, consumers and storage facilities (battery banks), unification of regional and European electricity markets (for all market segments including balancing reserves), coordinated operation of interconnected systems, procurement of system technology services, increasing cross-border capacities, development of common methodologies for risk and adequacy analyses at European and regional level.

In this respect, the fundamental trend is towards operational coordination at European and regional level, through the establishment of numerous coordination bodies at ENTSO-E and regional level, which requires the involvement of all transmission system operators, as well as the development of methodologies and sets of procedures, operational agreements or service agreements, and the development of common IT and communication tools.

In the context of the geopolitical crisis triggered in 2022, operational cooperation has been extended through the emergency interconnection of the power systems of Ukraine and the Republic of Moldova to the continental European system. This involves harmonising procedures



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and working methods in areas such as technical, dispatching, market, coordinated operation, real-time and non-real-time data exchange, monitoring of interconnected operation. As neighbours of Ukraine and the Republic of Moldova we have an essential active role in the establishment and implementation of procedures arising from the interconnected operation of the ES Ukraine and the ES Republic of Moldova to the European energy system.

Transelectrica plans to upgrade the dispatcher management infrastructure, develop the process IT infrastructure, upgrade the EMS - SCADA system, implement new functions in the EMS - SCADA system, upgrade the Balancing Market platform, hardware and related applications, implement 15-minute market settlement, development of the communication infrastructure at the European platforms that manage the applications used in the coordinated operation, those within the CORE market region, but also those in the South-East European area, the exchange of data in time at ENTSO-E level as well as with the Republic of Moldova, the development of an emergency operational communication system (backup) at SEN level, etc.

C.N.T.E.E. Transelectrica S.A. operates in accordance with the requirements of ANRE licence no. 161/22.12.2000, as subsequently supplemented and amended, for the transmission of electricity and the provision of system service.

The certification of the Integrated Management System, according to the requirements of SR EN ISO 9001:2015, SR EN ISO 14001:2015 and SR ISO 45001:2018 standards, is required to maintain the ANRE license according to the conditions associated with it in art.105 - Quality assurance where it is stated: "The licensee shall establish an integrated quality and environmental management system for the activities covered by the license, which shall be subject to certification by an accredited body".

The certificates of conformity awarded to the Company by the external certification body provide evidence of recertification and surveillance of the integrated quality, environment, occupational health and safety management system according to SR EN ISO 9001:2015, SR EN ISO 14001:2015 and SR ISO 45001:2018. The majority shareholder, the Romanian State, through the General Secretariat of the Government, together with the other shareholders, want the priority of the Company's management to be the achievement of performance indicators in compliance with European standards, for the electricity transmission service and for the system service provided by the TSO.

Specifically we are referring to:

- Using RET;
- System service and coordination of SEN operation;
- Continuity of electricity transmission service;
- Technical quality of electricity;
- Commercial quality of electricity transmission service and system service.



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Similarly, for electricity market participants, compliance with minimum technical rules and requirements aimed at achieving safe and reliable operation of the SEN will be taken into account at all times.

The degree of achievement of the performance indicators set by the Performance Standard for Electricity Transmission Service and System Service is monitored annually and is part of the category of non-financial key performance indicators. Annually, a report will be prepared on the progress of the performance monitoring process at the Company level.

### **XI. Ethics, integrity and corporate governance**

In the context of the general principles of good practice found in Community legislation, accepted internationally and in the European Union, C.N.T.E.E. Transelectrica S.A. has adopted, designed, implemented, continuously adapted and maintained an internal managerial control system, as well as an active corporate governance policy in accordance with the Emergency Ordinance no. 109/2011 on corporate governance of public companies and the Corporate Governance Code of the Bucharest Stock Exchange.

Building a sound internal control system in accordance with the applicable legislation has started since the establishment of C.N.T.E.E. Transelectrica S.A. and has been a process that has required and still requires significant efforts from all the staff of the Company.

Currently, Transelectrica maintains an internal management control system in accordance with Government Ordinance no. 119/1999, republished, with subsequent amendments and additions and the Code of Internal Management Control of Public Entities - the latest form approved by the Government General Secretariat Order no.600/2018. The Managerial Internal Control Standards define a minimum set of management rules, which all organisational entities in the Company must follow.

In order to maintain and effectively operate the integrated management system C.N.T.E.E. Transelectrica S.A. has established, documented and implemented an integrated quality, environment, health and safety management system which it continuously improves by monitoring its effectiveness in accordance with the requirements of international standards SR EN ISO 9001:2015, SR EN ISO 14001:2015 and SR ISO 45001, performing:

- a) defining the management policy in the field of quality, environment, occupational health and safety, as an integral part of Romania's policy in the energy sector, achieving compliance with the requirements of the standards declared as applicable and demonstrating this compliance to the authorised bodies and/or customers;
- b) determination of the processes necessary for the functioning of the integrated management system, the criteria and methods necessary to ensure the effectiveness of the operation and supervision processes set out in the RET Technical Code, energy requirements, applicable legislation, operational procedures, standards, etc., which are translated into the specifications and contracts concluded with product suppliers, contractors or service providers;



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- c) dealing with risks and opportunities by continually assessing the avoidance, elimination or reduction of risks;
- d) identification of the environmental aspects resulting from the activities carried out within Transelectrica S.A., also taking into account the development and refurbishment activities, which it can control and influence in order to determine the aspects with a significant impact on the environment and the implementation of the necessary measures;
- e) identification of hazards, assessment and control of occupational health and safety risks and implementation of the necessary control measures;
- f) identification of the applicable legal and other requirements to which the Company has subscribed and determining how these requirements apply to its environmental aspects and to the risk factors for injury and occupational illness of personnel;
- g) establishment of programmes to achieve objectives and targets;
- (h) emergency and accident preparedness;
- i) assessment of compliance with applicable legal requirements and other requirements to which the Company has subscribed;
- j) training of C.N.T.E.E. Transelectrica S.A. personnel with the requirements of the applicable intercompany management system and the Company's policy in the field of quality, environment, occupational health and safety.

To this end, the Board of Directors and employees of the Company are aware of and uphold the ethical values and values of the organization, and comply with and enforce regulations on ethics, integrity, avoidance of conflicts of interest, prevention and reporting of fraud, corruption and whistleblowing. To this end, the Board of Directors has adopted *the "Code of Ethics and Professional Conduct for the Staff of C.N.T.E.E. Transelectrica S.A."* and the *Declaration of adherence to the Anti-Corruption Strategy* assumed by the company. The management of inside information must be carried out ensuring equal treatment for all Company shareholders.

The Code is binding and applies to all organisational and functional structures within C.N.T.E.E. Transelectrica S.A. as well as to the personnel seconded or delegated within the Company, each employee having the obligation to master the set of rules and principles contained therein.

The deviations from the code are submitted to the Disciplinary Committee of the Company, which will order disciplinary measures in accordance with Law no.53/2003 - Labour Code, with subsequent amendments and additions as well as with the Organisational and Functioning Regulations of C.N.T.E.E. Transelectrica S.A. - against those responsible for such deviations, where it will be considered necessary, to protect the interests of the company and in relation to the provisions of the legislation and rules in force - measures that may go as far as the termination of the employment contract.





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In order to ensure transparency and for a better understanding of the requirements imposed, the Code of Ethics and Professional Conduct of C.N.T.E.E. Transelectrica S.A. Staff can be accessed on the intranet or on the company's website.

Since the management of C.N.T.E.E. Transelectrica S.A. adopts a zero tolerance policy towards corruption and fraud, a policy that it is obliged to apply continuously and unabated, and the powers of the position held by an employee shall not be used for purposes other than those relating to the performance of the duties of the position, each employee shall complete an affidavit of compliance with the "Code of Ethics and Professional Conduct of Personnel of C.N.T.E.E. Transelectrica S.A.". At the same time the Company has undertaken an anti-corruption declaration in accordance with the provisions of the Code of Ethics.

Through the Human Resources Department, as soon as the employment contract is signed, each new employee of the Company is informed of the "Code of Ethics and Professional Conduct of the Personnel of C.N.T.E.E. Transelectrica S.A.", after which he/she signs a declaration on his/her own responsibility regarding its observance, thus becoming aware of the financial measures to which he/she is subject in case of non-compliance. Each declaration is kept in the employee's personnel file.

Thus, C.N.T.E.E. Transelectrica S.A. respects and protects the interests of its shareholders and through this measure contributes to the achievement of the objective of increasing the company's value and maximizing the profit obtained, taking into account the principles of sustainable development and the involvement of both its own employees and society. From a corporate governance perspective, C.N.T.E.E. Transelectrica S.A. has implemented, during the period of its dual system management, the principles recommended by the Bucharest Stock Exchange, being adapted to the company's profile. These have been quantified by the C.N.T.E.E. Transelectrica S.A. Corporate Governance Code. The Company's shareholders want this process to continue and the corporate governance principles to be the permanent support of the company's activity, regardless of the chosen development strategy.

At the same time, transparency in the market towards its investors and shareholders, in particular, but also towards all stakeholders, in general, is one of the principles that have been at the basis of the increased appreciation of the external environment towards C.N.T.E.E. Transelectrica S.A. Therefore, the shareholders of C.N.T.E.E. Transelectrica S.A. wish that the efforts to increase the transparency of the company will continue in the future and be aligned with the best practices, both from the perspective of the Bucharest Stock Exchange and for international considerations.

With regard to ethics, integrity and corporate responsibility, C.N.T.E.E. Transelectrica S.A. has revised both the Company's Code of Ethics and the Corporate Social Responsibility Policy in line with the corporate governance principles it has chosen to follow. However, the processes related to these documents must be constantly monitored to ensure the quality and accuracy of the topics addressed are maintained in the context of market changes, both from the perspective of the labour market and those in which the Company operates.



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The shareholders of the Company are also fully aware that C.N.T.E.E. Transelectrica S.A., part of public life, has duties towards society. Social responsibility is a management process through which C.N.T.E.E. Transelectrica S.A. wishes to contribute to the development of a sustainable and efficient Romanian society.

The Directors and management of the Company must continue to work towards the achievement of the main objectives in terms of social responsibility, namely:

- investing in the education and development of young people;
- supporting humanitarian initiatives of non-governmental associations;
- participation in community development;
- supporting employees in the event of major health problems;
- employee involvement in corporate volunteering programmes;
- investment in environmental protection.

Community involvement is necessary not only to ensure the success of the Company, but also to gain the respect of the communities in which Transelectrica operates.

With regard to corporate responsibility in general, given the trends in non-financial reporting, the Company's management needs to continue the steps taken so far, especially from the perspective of aligning with international standards and increasing the quality of the reporting process from year to year, in order to increase transparency and present relevant indicators tailored to the needs of stakeholders.

Thus, from this perspective, the expectations of the Company's shareholders are directed towards:

- to comply strictly with the obligations arising from being a listed company on the Bucharest Stock Exchange in all internal and external actions;
- promoting and respecting the principles assumed by C.N.T.E.E. Transelectrica S.A. through the Code of Ethics and the Corporate Governance Code;
- increasing interest in keeping stakeholders properly informed and increasing the transparency of the Company;
- full compliance of the current situation within C.N.T.E.E. Transelectrica S.A. with the relevant legislative requirements.

The Supervisory Board, in exercising its essential powers of control over the manner in which the Management Board manages the Company, as well as of verification of the activity carried out in the name and on behalf of the Company, has the right and the duty to determine, in relation to the Management Board and the Company, the methods of control, verification and reporting that it deems necessary to fulfil these duties.

The Nomination and Remuneration Committee and the Audit Committee are mandatory members of the Company's Supervisory Board. At least a third committee shall be set up within the Supervisory Board to deal with energy security.



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Shareholders' expectations regarding the organisation of committees, cooperation between the Board and internal or external auditors, cooperation between the Board and directors, oversight of the management control function and others will be regulated in the Supervisory Board's rules of organisation and operation to be submitted to shareholders for approval. Given that appropriate audit and internal control policies contribute significantly to the smooth running of the Company, shareholders underline the expectation that the Internal Audit structure will report directly to the Audit Committee. In this regard, the Audit Committee will assist the Supervisory Board in order to ensure that the Company maintains appropriate systems of financial reporting, internal and external audit, internal control, compliance and risk management.

The principles of corporate governance, the code of ethics, the principles governing risk management, transparency in relation to all stakeholders and the concern for increasing the Company's value must be implemented through the representative bodies of C.N.T.E.E. Transelectrica S.A. in the management of the subsidiaries, at the level of these entities. It is the duty of Transelectrica's management to analyse and establish objectives and performance criteria for these entities, to monitor and correct them if there are significant deviations from the plan, so that they contribute to increasing the Company's value for its shareholders and not to diminishing it. Thus, the management principles governing C.N.T.E.E. Transelectrica S.A. must be transposed to the level of the subsidiaries and territorial transmission branches and exercised as such, as a responsible shareholder.

### **XII. The assessment by the public supervisory authority and shareholders of the business environment in which C.N.T.E.E. Transelectrica S.A. operates, of the risks to which it is exposed and the actions already taken at the level of public undertaking**

The majority shareholder, the Romanian State, through the General Secretariat of the Government, together with the other shareholders of the Company, wish that in the next four years, C.N.T.E.E. Transelectrica S.A. will have as a priority to consolidate a *business model* based on the security of electricity supply to the SEN (National Energy System), in conditions of economic and financial efficiency and in a sustainable way, which will face the challenges of the 21st century. Security of electricity supply cannot be achieved without an adequate investment programme to address existing and future vulnerabilities, ensure increased energy independence and electricity flows. Equally, the shareholders of the Company note the importance and the need to ensure the financial independence of the Company so that any possible financier of the investment programme has greater comfort in its relationship with Transelectrica. The Company's financial results must be constantly growing, but also sustainable in the medium and long term, and the financial risk indicators must be within the risk parameters accepted by the financial-banking environment. Therefore, the shareholders' expectations are that C.N.T.E.E. Transelectrica S.A. will always give priority to developing its capacity to identify and prevent risks of any kind, and to manage and minimise their impact when they occur.



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The company has implemented the Integrated Risk Management System, required by the strategic requirements for safety and business continuity of the SEN and representing a fundamental condition for sound internal management control. The Company proactively approaches risk management, with the Board of Directors thus ensuring, in a reasonable manner, that the objectives will be achieved by managing potential threats. In this respect, the aim is to identify and treat potential losses before events that could have a negative impact occur, with prior preparation of specific technical, operational and financial solutions to mitigate or counteract these potential losses.

The Company's risk management complies with applicable legal and regulatory requirements to have risk control capabilities appropriate to the Company's risk profile for risk identification, assessment, management, monitoring, communication, consultation and reporting:

- Order of the General Secretariat of the Government no. 600/2018 on the approval of the internal managerial control of public entities.
- The requirements of the Regulator and other requirements derived from being a listed company or imposed by rating agencies or auditors.

At Transelectrica level, risks that could have a substantial impact on the achievement/fulfilment of the Company's objectives are managed in accordance with activity-specific operating procedures and in accordance with the specific operating procedure.

In 2022, the *Company-wide Risk Register - 2022* was prepared and approved by the Board of Directors, with the aim of minimising the effects of the significant risks to which the Company is exposed. *The Risk Register* has been prepared in accordance with the requirements of Standard 8 *Risk Management*, of OSGG No. 600/2018. At the same time, the *Control Measures Implementation Plan for the year 2022* was prepared and approved by the Board of Directors.

The following *strategic* risk management *objectives* have been set:

- understanding the risks to which the Company is exposed, the causes, possible deviations from budget and their costs, and the impact on general, strategic and specific objectives;
- maintaining a safe working environment for employees;
- operating equipment and installations safely, without danger to third parties and without harming the environment;
- implementation of optimal risk control measures.

*The main objectives* set include:

- improving the Company's risk profile by managing the overall process of identifying, assessing and monitoring risks and implementing the necessary controls;
- eliminating or minimizing conditions and practices that may lead to failure to meet performance indicators, disruption or limitation of Company operations;
- reducing the total cost of risk to help secure the financial resources needed for operating expenses, debt payments and investments.







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- Strengthening the level of monitoring in the execution of activity programmes, internal control and intensification of monitoring of processes in the Company;
- optimising labour productivity;
- optimal sizing of human resource requirements in relation to the real business and development needs of the Company;
- improving the quality of planning and execution of development and modernisation investment programmes, rehabilitation programmes and SEN maintenance;
- to comply with the process for approving and committing capital expenditure in accordance with legal rules and provisions, with a clear description of the purpose and benefits of each investment and with rigorous analysis and evaluation in determining the effectiveness of capital expenditure;
- have a clear strategy for reducing outstanding debts and receivables with a view to improving cash flow and protecting liquidity.

The ex-post evaluation of the performance indicators, which will be carried out by the management and governing bodies, will be carried out periodically, in an objective, transparent and verifiable manner, on the basis of clear and relevant criteria set out in the management plan, will be used as a tool for monitoring, control and continuous improvement of the activity and will be accompanied by corrective measures or sanctions in case of non-achievement or partial achievement of the performance indicators.

The performance targets and indicators to be achieved by Transelectrica's directors and management, which the Romanian State, through the General Secretariat of the Government, together with the other shareholders, are to negotiate and approve in accordance with the legal provisions.

### **XIV. The non-financial expectations of shareholders regarding Transelectrica's administrative and management bodies**

In setting non-financial expectations, the majority shareholder, the Romanian State, through the Government Secretariat General, together with the other shareholders, take into account both the obligations that Transelectrica, as an OTS, has, the expectations related to the financial performance of the Company, the improvement of profitability, the rigorous control of costs but also the fact that Transelectrica's activity is a regulated activity.

The management and governing bodies of the Company shall ensure that Transelectrica shall:

- develop a long-term programme for ensuring environmental compliance and increasing energy efficiency;
- Ensuring responsible management, sustainable strategies and maintaining Integrated Quality-Environment, Health and Safety Management certifications;
- implementation of the digital agenda associated with the Company's Digital Transformation Programme.



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- optimising the risk management process;
- increase the satisfaction of customers, business partners, suppliers and the quality of services provided;
- optimising the process of implementing corporate governance, ethics and integrity principles;
- implementing a human resources policy, with a focus on improving the process of training, education and professional development of staff, rejuvenating the average age of employees;
- implementing a modern social responsibility policy;
- strengthening and diversifying internal and external cooperation and collaboration;
- improving overall internal and external communication with capital market institutions, investors and stakeholders;

### *XIV. 1. The human resources development policy*

In order to face the continuous challenges of the labour market, Transelectrica must create an attractive, stable and motivating, safe and healthy working environment, so as to become the employer of choice for energy specialists, a laboratory for strategic thinking and action for the development of the Romanian energy sector.

As regards the human resources available at Transelectrica level, following internal analyses, it was found that there is a need to increase the motivation and involvement of employees, as well as to improve their knowledge and skills by increasing the number of training programmes, team-building programmes and professional competitions.

At the same time, it was found necessary to optimise the organisational structure to meet the current development needs of the Company.

Leadership, professionalism, collaboration, adaptability, creativity and innovation are some of the essential soft skills a company should have to create long-term value.

**Leadership.** Through its work and as a result of the experience and knowledge accumulated by senior staff, Transelectrica has leaders at both formal and informal levels. They are present among the employees, trying to create teams that perform effectively. At the same time, the Company's leaders seek and find solutions even in the most sensitive moments, especially in situations where quick reactions are needed, without which SEN would not be able to operate in optimal safety conditions.

**Professionalism.** As Transelectrica is a technical company, there is a high level of professionalism and rigour. As such, the Company's staff have varied expertise and multiple professional training. In recent years, the Company has also focused on attracting and retaining new generations of professionals.

**Collaboration.** A significant priority for organisational success is linked to interdepartmental communication and cooperation, as poor information flow between departments or poor



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collaboration slows down long-term value creation. Through consistent communication and collaboration between departments, both empathy between teams and Transelectrica's performance can increase.

**Adaptability.** A company's employees need to be adaptable and versatile to today's dynamic changes, regardless of the experience they have gained over time.

**Creativity and innovation.** Within Transelectrica, in the area of core technical activities, over the last 5 years, young graduates have been attracted through scholarship programmes and other means, the main aim being to retain and integrate as many young people as possible within the Company. As a result of implementing such measures, in the departments that have benefited from their input, there has been an increase in the creativity and innovation component, both through the solutions proposed to solve problems and the innovation projects promoted.

In line with its strategic objectives in the field of research and innovation, Transelectrica provides human, informational and financial resources to:

- innovation to be promoted as a priority for the Company's core activities, bringing added value by digitising processes, improving services and increasing staff skills;
- Company research to focus on developing the following pillars:
- national and international partnerships in basic research and technological research (observation of basic principles, formulation of concepts for technologies, experimental demonstration of concepts, validation of technologies in laboratories);
- Partnerships with solution and equipment providers for product/technology demonstrations (technology validation in relevant environments and operational environments);
- partnerships in competitive procedures (for delivery and commissioning of products and solutions)

### **XV. The legislative and regulatory intentions of the Government in relation to the field in which the public enterprise operates, if any**

The majority of Transelectrica's investment projects fall under the category of *projects of national importance and national interest*, in accordance with the provisions of Article 2, letter n) of Law no. 120/2019 on some measures necessary for the execution of works and implementation of projects of national importance on the electricity transmission network, and Article 2 para. (1) letter d) of Law no. 255/2010 on expropriation for public utility, necessary for the realization of objectives of national interest and, in this regard, normative acts are to be issued regulating the status of Transelectrica investment projects, which fall into this category.



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*Subsemnata **Astratini Irina**, interpret si traducător autorizat pentru limbile străine engleză si franceză în temeiul autorizatiei nr. 19675/2011, eliberată de Ministerul Justiției din România, certific exactitatea traducerii efectuate din **limba română în limba engleză**, că textul prezentat a fost tradus complet, fără omisiuni, si că, prin traducere, înscrisului nu i-a fost denaturat continutul si sensul.*

**INTERPRET ȘI TRADUCĂTOR AUTORIZAT**

**ASTRATINI IRINA**

