

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

Current report according to the provisions from Law 24/2017

Date of the report: **29 June 2017**

Name of Issuer Company: **CNTEE TRANSELECTRICA SA, Company Managed in Two-tier System**

Headquarters: Bucharest 1, Blvd. Magheru no. 33

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

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

Single registration code: 13328043

Number in the Commercial Register: J40/8060/2000

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

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

**Important event to report: regulated tariffs applicable from 1 July 2017 onward**

The National Power Grid Company Transelectrica SA informs the investor public about its publishing in the Official Gazette no. 489/28.06.2017 Order 48/2017 of ANRE approving the average tariff of transmission services, the tariff for system services, the zone tariffs of transmission services and the regulated price of reactive electricity charged by the Company. Consequently the regulated tariffs of electricity transmission services and system services beginning with 1 July 2017 are as follows:

Service	Tariff applicable in between 1 July 2016 - 30 June 2017	Tariff applicable in between 1 July 2017 - 30 June 2018	Difference
	Lei/MWh	Lei/MWh	%
I. Electricity transmission	18.70	16.86	-9.8%
II. Functional system services	1.30	1.11	-14.5%
III. Technological system services	11.58	9.39	-18.9%

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

**I. Tariff for electricity transmission**

The tariff decrease (-9.8%) is mainly explained by two factors:

- Ex-post negative correction** - negative corrections applied in order to compensate the differences between the forecasted values used in the tariff calculation during previous years and the actual recorded values (final corrections for 1 July 2015 - 30 June 2016, preliminary corrections for 1 July 2016 - 30 June 2017). The contribution of ex-post corrections to the drop in the newly approved tariff compared to the valid tariff is **-5.6%**;

From among the calculation items used in the ex-post corrections applied when calculating the new approved tariff the most important are: (i) procurement price of electricity to cover one's technological consumption, (ii) inflation index, (iii) using part of the revenues obtained from the allocation of interconnection capacity as complementary source for the regulated tariff in view of covering regulated costs, (iv) increased electricity consumption above the level that ANRE forecasted when devising the tariff;

- The amount of electricity that can be billed** upon network output increased from 52 TWh to 54 TWh. Such change in the invoiceable amount contributed **-3.7%** to the decrease of the new approved tariff.

Besides such negative corrections there have also been other factors contributing to the value of the approved tariff applicable from 01.07.2017 compared to that valid until 30.06.2017:

- Forecasted inflation** used in the calculation of the new approved was higher than the forecasted inflation used in the calculation of the tariff approved for the current year (the inflation index used when calculating the new tariff is superior to the inflation index used when calculating last year's tariff). The difference in the inflation index contributed **+0.37%** to the change in the new approved tariff compared to the one in force;

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- **The annual basic revenue** calculated as sum of annual regulated costs established using a 5 years' cost forecast approved by ANRE for 01.07.2014-30.06.2019 regulatory interval is slightly higher than the annual basic revenue corresponding to the current tariff year. **The flattening of the annual revenue series** during the regulatory period led to redistributing annual revenues within the period while maintaining the total value of the revenue cumulated for 5 years, and revenues developed as a negative decreasing slope from one year to the other. These two items described in this paragraph provided **-0.92%** cumulated contribution to changing the new approved tariff compared to the applicable one.

## II. Tariff for functional system services

The tariff decrease (**-14.5%**) was determined by:

- **Ex-post negative correction** included in the new tariff was higher than the negative correction applied in last year's tariff. The ex-post correction contributed **-3.7%** to the drop of the new approved tariff compared to the applied one;
- **The annual forecast of recognised costs** in the new approved tariff is smaller than the annual cost forecast included in the current tariff. The reduced annual cost forecast contributed **-7.1%** to the decrease of the new approved tariff compared to the applicable one;
- **The amount of electricity that can be billed** from network output was increased from 52 TWh to 54 TWh. This change in the invoiceable amount contributed **-3.7%** to the decrease of the new approved tariff compared to the applicable one.

## III. Tariff for technological system services

The tariff decrease (**-18.9%**) was determined by:

- **Ex-post negative correction** included in the newly approved tariff, established according to applicable methodology for partial compensation (80%) of the profit estimated to be obtained until 30.06.2017. Profit was mainly obtained against the background of significant reduction of procurement unit prices for technological system services by bid compared to the unit prices forecasted by ANRE. In order to mitigate the impact on the regulated tariff Transelectrica requested a spread-out application of the basic correction and accordingly 50% of the total correction was applied, the other 50% were left to be applied upon later tariff reviews. The ex-post correction contributed **-4.6%** to the decrease of the new approved tariff compared to the applicable one;
- **The annual forecast of costs** recognised in the new tariff to procure technological system services during 1 July 2017 - 30 June 2018 is smaller than the cost forecast recognised in the current tariff year 1 July 2016 - 30 June 2017. The cost forecast decreased because procurement prices by bid of technological system services were lower in the current tariff year compared to the prices forecasted by ANRE, especially in the second half of 2016. The reduced annual cost forecast contributed **-10.6%** to the decrease of the new approved tariff compared to the applicable one;
- **The amount of electricity that can be billed** upon network output increased from 52 TWh to 54 TWh. This change in the invoiceable amount contributed **-3.7%** to the decrease of the new approved tariff compared to the applicable one.

**Georgeta-Corina POPESCU**

**Executive Director General  
Directorate Chairwoman**

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