

DECISION of the COMPETITION COUNCIL
No 15 / 08.02.2005

concerning the notification of the Ministry of Public Finance regarding the financial support for S.C. Termoficare 2000 S.A. Pitesti

THE COMPETITION COUNCIL,

Based on the provisions of the Decree no. 57/2004 for the appointment of the Competition Council members,

Based on the provisions of Competition Law no. 21/1996, published in Official Journal of Romania, Part I, no. 88 on 30 April 1996, amended and completed by Emergency Government Ordinance no. 121/2003 approved by the Law no. 184/2004;

Based on the provisions of Law no. 143/1999 on state aid published in the Official Journal of Romania, Part I, no. 370 on 3rd August 1999, amended and completed by Law no. 603/2003 and by Government Ordinance no. 94/2004 on regulating some financial measures,

Taking into account the provisions of European Agreement establishing an association between Romania, and European Communities on one side and the Member States of those, on the other side, approved by Law no. 20/1993, published in Official Journal of Romania, Part I, no. 73 on 12 April 1993;

Taking into account the provisions of the Regulation on state aid in the form of compensations granted to certain undertakings entrusted with services of general economic interest.

On the following grounds,

1. PROCEDURE

- (1) By the note 109.528/08.12.2004, registered at the Competition Council with the no. RS-AS 105/13.12.2004, the Ministry of Public Finance notified to the Competition Council under Art. 6 of *Law 143/1999 on state aid, with subsequent amendments and completions*, the financial support for S.C. Termoficare 2000 S.A. Pitesti.
- (2) The notification became effective on the date the information were complete, namely on 27.12.2004.

II. DESCRIPTION OF THE FINANCIAL SUPPORT

2.1. The beneficiary of state support measure

(3) The beneficiary of the notified state measure of support is S.C. Termoficare 2000 S.A. Pitesti.

(4) The company was set up under the Decision of Pitesti City Local Council No.28/2000 by reorganizing the company R.A. REGOTRANS Pitesti in four new share companies (S.C. Apa-Canal 2000 S.A. Pitesti, S.C. Salubritate 2000 S.A. Pitesti, S.C. Publitrans 2000 S.A. Pitesti and S.C. Termoficare 2000 S.A. Pitesti).

(5) The registered capital of the S.C. Termoficare 2000 Pitesti is ROL 7,450,000 thousands, owned in totality by the Local Council of Pitesti City and divided into 74,500 shares with a face value of 100,000 ROL/share.

(6) The company is headquartered in Pitesti and registered at the Trade Registry under No. J03/186/2000, its unique registration code is R13008987.

(7) The financial and economic results, based on the balance sheets of the last 3 years (2002, 2003, and 2004 – 30.06.2004) are presented in table no. 1.

Table No.1 – *Financial and economic situation of the company in the period 2001-2004*

-thousand ROL-			
Indexes	2002	2003	2004 (06/30/2004)
Total turnover	612,576,338	1,264,249,162	772,038,173
Profit/loss	- 183,522,438	- 131,596.201	- 68,127,086

Source: Notification form

From the data presented in the table above results that during 2002-2004, the financial result of the undertaking is negative; this situation is generated mainly by the losses that the undertaking incurred due to the discharge of the service of general economic interest for the production, transport, distribution and supply of caloric energy in the conditions of regulated prices (these losses will be presented in detail in subchapter 2.4.2 of the present draft decision).

(8) The company's main line of business is discharging of the following public services of general economic interest: the production, transport, distribution and supply of heating for the population, institutions and undertakings from the Pitesti City. In accordance with its Status, the purpose of the undertaking is, according to the Romanian law, the performance of services for accomplishing its activity object. By the licenses granted by the National Agency for Regulation in the Energetic field (named from now on A.N.R.E.) the company was entrusted with the performance of public services of caloric energy production, transport, distribution and supply and electrical energy production and supply, designated for the population, institutions and undertakings. According to art. 16 align. (1) in the Law of Electrical Energy no. 318/2003 „the activities and services for which the licenses are being granted are of public interest, excepting those exclusively designated for the consumption of the license or authorization's owner”. These services can not be discharged by undertakings in normal market conditions because the rendering companies are being imposed certain compulsory conditions related to the discharge of the services.

(9) S.C. TERMOFICARE 2000 S.A.'s obligations as caloric and electrical energy producer are, according to art. 30 in the Law of Electrical Energy no. 318/2003, the following:

- to insure the electrical energy deliveries, respectively caloric energy produced in co-generation and the system technological services, with the fulfillment of the criteria imposed by licenses, contract clauses and regulations in force;
- to offer in undiscriminating conditions the whole available electrical power, as well as system technological services;
- to maintain a stock of fuel at a sufficient level or, after case, a sufficient water supply, in order to carry on the obligations to continuously produce and supply electrical and caloric energy as provisioned by the regulations in force;
- to comply from an operational point of view with the transport and system operator's demands and to establish, after case, its own operative management positions.

(10) Taking into account the above mentioned, the services of public interest entrusted to the company are:

- the production, transport, delivery and supply of caloric energy;
- the production and supply of electrical energy.

(11) The service of caloric energy production, transport, delivery and supply represents 62% from the company's total activity. The electrical energy is produced by the undertaking in a cogeneration system and is supplied to the National Energetic System, being subject to a market regulated by A.N.R.E.

(12) The company delivers the following products:

- caloric energy
- electric power.

(13) Supply of thermal energy for heating and preparation of consumption warm water is accomplished by means of the urban heating system of Pitesti City, which is entrusted for administration to the company by a concession contract issued by the Local Council of Pitesti City.

(14) In order to carry on its activity, S.C. Termoficare 2000 S.A. Pitesti owns the following equipments and installations:

- CET Sud I is equipped with: 2 steam boilers of 420t/h and 4 steam boilers of 120 t/h, steam turbines 3x12MW and 2x50MW, generators, heat exchangers, pumping stations (circulation) of the heat carrying agent, transformers, electric power stations and lines, combustible tanks.;
- CET Gavana is equipped with: 3 steam boilers of 50t/h, a steam turbine of 6 MW, generator, heat exchangers, hot water boilers 4x100Gcal/h and 1x50Gcal/h, pumping stations, transformers, electric power stations, combustible tanks;
- thermal supply network for the heat carrying agent transport, with total length of 123 km is supplying heat carrying agent from sources both to final users (those connected to the heating system) and to the heat exchanging points.
- there are 81 heat exchanging points distributed as follows: 78 in Pitesti, 2 in Bascov and 1 in Maracineni;
- thermal supply network length is of 350 km, and is carrying the secondary heat agent to the connected final users (especially population).

(15) S.C. Termoficare 2000 S.A. Pitesti has the following production capabilities for thermo-energy:

- *CET Sud I – installed thermal power is 728 MW*
- *CET Gavana - installed thermal power is 613 MW*

2.2. The market affected by the financial support granted to the company

(16) The company activates on the market of caloric energy production, transport, distribution and supply and on the market of electrical energy production and supply.

(17) The market affected by the financial support's granting, assessed in the present decision, is the market of the production, delivery, transport and supply services for the caloric energy. These services represent 62% from the company's total activity and the financial support measures granted by the State and notified by the Ministry of Public Finance aim to insure the fuel necessary for the production and supply of caloric energy designated for heating and insuring the hot water for the population and the undertakings.

(18) The caloric energy market is a regulated market, the prices for caloric energy being set by ANRE, both for household consumers as well as undertakings. S.C. Termoficare 2000 S.A. Pitesti must assure the supplying of the caloric energy to all the consumers connected to the network, without discrimination. These consumers are captive consumers as they don't have the possibility to choose their caloric energy supplier.

(19) The services of caloric energy production, distribution, transport and supply function in centralized system and are organized under the management of the local public administration authorities' control, based on the local autonomy principle.

(20) The relevant geographical market is represented only by the area of Pitesti city (the city of Pitesti and the suburbs such as Stefanesti, Maracineni and Bascov), therefore is a market of local interest.

(21) S.C. Termoficare 2000 S.A. Pitesti is the sole producer and supplier of heating energy in the area it serves covering 84% from the local market in the field. From the total heating energy produced by the company, 70% is sold to the population and 30% to the undertakings and budgetary institutions.

2.3. Ways of granting the financial support

(22) The financial support notified by the Ministry of Public Financial consists in a 100% governmental guarantee for 2 external long term credits in order to permit financial completion for energetic resources supply in the winter of 2002 – 2003, as well as for 2004 – 2005, as follows:

- governmental guarantee for an external credit with total amount of 9,000 thousand USD, equivalent to ROL 259,848,000 thousand¹ according to Government Decision No. 1006/2002. [...] ²

¹ The credit was contracted in USD, the exchanging rate ROL/USD on 15.12.2004 was 28,872 ROL/USD

² confidential data

- governmental guarantee for an external credit with total amount of 4,000 thousand USD, equivalent to ROL 115,488,000 thousand³, according to Government Decision No.1376/2004. [...] ⁴

(23) We note that according further information issued by the beneficiary, in completion to the notification form, it stays that he benefited of a former governmental guaranteed credit (in 2003) in order to support combustible acquisition for the winter 2003 - 2004. The credit total amount was of 7,000 thousand USD equivalent to ROL 202,104,000 thousand⁵ [...] ⁶

(24) The total amount of the financial support in form of guarantees for S.C. Termoficare 2000 S.A. Pitesti is of ROL **577.440.000** thousand. We would like to mention that in quantifying this financial support the entire value of the contracted external loans was taken into account, given the difficult economic and financial position of the undertaking when the guarantees were issued.

(25) According to the supplementary information in completion to the notification form, S.C. Termoficare 2000 S.A. Pitesti is the beneficiary of some financial aids within the period 2001 – 2005. Those financial subsidies consisted in subsidies granted in order to cover the difference between the national reference price⁷ and the local delivery price of caloric energy⁸.

Table No.2 – Subsidies related to 2001-2005

Type of financial support	-thousand ROL-					
	2001	2002	2003	2004	2005	Total
Subsidy for covering the difference between the national reference price and the local delivery price for heating energy	80,515,039	128,387,581	319,182,066	386,056,451	499,883,377	1,414,024,514

Source: supplementary information

As it can be noticed from Table no. 2, the company received during 2001-2005 subsidies totalling ROL 1,414,024,514 thousand.

(26) The total amount of the financial support for SC Termoficare 2000 SA Pitesti granted in 2001-2005 is ROL 1,991,464,514 thousand.

³ The credit was contracted in USD, the exchanging rate ROL/USD on 15.12.2004 was 28,872 ROL/USD

⁴ confidential data

⁵ The credit was contracted in USD, the exchanging rate ROL/USD on 15.12.2004 was 28,872 ROL/USD

⁶ confidential data

⁷ The national reference price is further defined in 2.4.1.1.

⁸ The local delivery price of the caloric energy is further defined in 2.4.1.2.

2.4. Costs arising from the operation of the service of general economic interest

(27) The public service of caloric energy production, transport, delivery and supply to the captive consumers, entrusted to the company, is regulated by A.N.R.E. In order to perform the public service, the company registers costs with raw materials (fuels), materials, personnel, environmental, repairing and investments, contouring costs and others.

(28) S.C. Termoficare 2000 S.A. Pitesti maintains management accounting where the company's activities are registered separately. The activity of caloric energy production, transport, delivery and supply towards the captive consumers, which represents the public service obligation, is presented separately from its other activities. The separation of the financial records for the activities representing the service of general economic interest is a compulsory condition imposed to the undertaking by the license entrusting the discharge of the service.

Table no. 3 shows the economic and financial results of the company related to the delivery of the public service of production, transport, delivery and supply of caloric energy under the form of hot water:

Table no. 3 – Economic and financial results of the company related to the delivery of the public service of production, transport, delivery and supply of caloric energy during 2001-2004

- ROL thousand -

Indicators	2001	2002	2003	2004
Incomes form the delivering the public service of production, transport, delivery and supply of the heating energy under the form of hot water (public service)	308.631.470	188.421.852	666.688.461	719.624.656
Expenses form the delivering the public service of production, transport, delivery and supply of the heating energy under the form of hot water (public service)	394.975.665	237.783.188	807.577.603	891.889.559
Financial result form the delivering the public service of production, transport, delivery and supply of the heating energy under the form of hot water (public service)	- 86.344.195	-49.361.336	-140.889.142	-172.264.903

Source: supplementary information

Data presented in table no. 3 shows that the loss related to the discharge of the public service of general economic interest to produce, transport, delivery and supply of caloric energy as hot water has an ascending trend.

(29) The company has the obligation to submit to A.N.R.E., at the end of each year, the justifying documents for showing the real costs related to the public service performed in that year and the quantities of caloric energy produced and sold in each month. Starting with the input data, the standard methodology is applied to determine the costs for the caloric energy production, transport, delivery and supply activity. Therefore, at the beginning of each financial exercise S.C. S.C. TERMOFICARE 2000 S.A Pitesti is drafting its revenues and expenditure budget. In the same time, the justification of the prices to be used is submitted for approval by A.N.R.E., which establishes the national reference price and the local delivery price.

2.4.1 Difference between national reference price and local delivery price of caloric energy

2.4.1.1. THE NATIONAL REFERENCE PRICE

(30) The national reference price for heating energy supplied to the population through centralized systems with the purpose of heating and to preparing hot water was instituted by GEO no. 162/1999.

(31) The national reference price is set in order to achieve equilibrium between the affordability degree for the population and the state budget subsidizing possibilities. Regarding the social dimension, this price is determined considering the percentage of thermal energy cost in the budget of an average income family.

(32) The level of the national reference price of the thermal energy is set in advance through Government decision (the political aspect), proposed by A.N.R.E. (the technical aspect), as an average of the local prices of the producers using the same type of fuel, added with the related distribution tariffs, taking into account subsidizing possibilities from the state budget.

(33) The standard methodology of calculating this price is established through an order of A.N.R.E. Among the factors influencing the modification of the national reference price are the price of natural gas, the price of electric energy, consumer price index, the exchange rate (ROL/USD or ROL/EURO, as the case may be). The national reference price for 2001-2004 was regulated by the following administrative decisions:

Table no. 4 - *Administrative decisions establishing the level of the national reference price for 2001-2004*

	2001	2002	2003	2004
The legal act establishing the national reference price	Government Decision no. 724/26.07.2001	Government Decision no. 1303/27.12.2001; -Government Decision no.	- Government Decision no. 686/03.07.2002	Government Decision no. 1155/23.07.2004

		340/04.04.2002 -Government Decision no. 686/03.07.2002		
National reference price (ROL/GCAL)	550,000	575,000 600,000 800,000	800,000	896,000

Source: National legislation in force

Data presented in the table above lead to the conclusion that the national reference price is set in advance, on a timely basis by government decisions.

2.4.1.2. THE LOCAL DELIVERY PRICE

(34) The local delivery price for the heating energy is established by A.N.R.E., both for the population as well as for the undertakings. The methodology of establishing the local delivery price is being applied by A.N.R.E. to all thermal energy co-generation producers. Thus, the undertaking has the obligation to submit to A.N.R.E., at the end of each fiscal year, justifying documentation outlining the costs related to the discharged public service in the respective year and the quantities of thermal energy which were produced and sold in each month of the year.

(35) Prices are set separately for each activity/service, the local delivery price resulting from adding the production price, the transport service tariff and the tariff for the distribution and supply service.

(36) Local delivery prices are set at the beginning of each year and adjusted at the beginning of each second half of the year.

The following stages are pursued:

- identification of regulated activities and services;
- identification of production sources for caloric energy (separate sources and/or cogeneration);
- estimation of quantities delivered to final consumers based on the undertaking's previous year figures, taking into account the losses in the transport networks and of produced quantities, taking into account the own consumptions of the power plant;
- assignment of technological fuel expenses;
- allocation of direct expenses, excluding fuel expenses, broken down by activities/services and producing sources;
- allocation of indirect, general and administration expenses by services, on a pro rata basis with the value of direct expenses, excluding fuel;
- determining total expenses with the production of thermal energy as hot water and steam;
- determining unit costs;
- redistributing by activities of expenses related to own consumptions;
- allocation of financial expenses by regulated services;
- determining total expenses for the regulated services.

2.4.1.3. CONCLUSIONS

(37) The national reference price is regulated on grounds related of social protection. Thus, if the local price for producing and supplying the heating energy is higher than the national reference price, the population will only pay the latter.

(38) If the local price of the gig calorie (GCAL) is higher than the national reference price, the difference incurred by the supplier is subsidized as follows, according to the GEO no. 162/1999:

- a) by the state budget, up to the ceilings approved through the budget law, allocated for this purpose;
- b) by the local budgets, for the part left uncovered through the state budget.

(39) During 2001-2004, the national reference price was lower than the local delivery price for the heating energy settled for S.C. Termoficare Pitesti S.A. In the next year 2005 will be the same situation. For covering this difference, the company benefits during 2001 - 2005, according to G.E.D no. 162/1999, of subsidies in amount of ROL 1,414,024,514 thousand (see paragraph 25).

Tabelul nr. 5 - *Quantity delivered to the population and the value of the subsidies granted to the company to cover the difference between the national reference price and the local delivery price in 2001-2005*

Period	Volume delivered to the population	Subsidy value
	Gcal	thousand „ROL,,
total year 2001	529,245	80,515,039
total year 2002	423,450	128,387,581
total year 2003	437,015	319,182,066
total year 2004	412,670	386,056,451
total year 2005	412,370	499,883,377
General total	2,223,450	1,414,024.514

Source: supplementary information

The ROL 1,414,024,514 thousand subsidies cover exclusively the company losses determined by the difference between the national reference price and the local delivery price of the caloric energy in relation to the total quantity of caloric energy delivered to the population. The calculation of the subsidy is provided in Table no. 7 from the Annex presenting in detail for each month the evolution of the national reference price, of the local delivery price, of the negative difference between these and the subsidies granted to cover these differences.

2.4.2. Costs in excess of the local delivery price

(40) When analyzing the measures of support for S.C. Termoficare 2000 S.A. Pitesti one must consider that, for the services of production, transport, distribution and supply of heating energy, the company registers costs higher than the local price for supplying heating energy established by A.N.R.E., this situation resulting from the management accounting of the undertaking, in which expenses are separately recorded.

(41) The operating cost of the service of production, transport, distribution and supply of heating energy in form of hot water was calculated based on effective expenses recorded by the company in each year of the analyzed period, respectively expenses for raw materials, materials, personnel, environment, repairs, investments, metering of the real production of thermal energy delivered in the respective year.

(42) Actually, the local delivery price established by ANRE does not cover all costs due to the fact that fuel price increase estimates are not considered. Subsequent to the fuel price increase during the year, ANRE is adjusting the energy price only when the increase is more than 5% and the adjustment refers only to the fuel, without taking into account the raw materials and materials' prices that increase chain effect. This increase is not considered when adjusting but only when prices are reviewed, once a year. Thus, there is a gap during the year between the costs of the energy operator and the local delivery price.

(43) The high operating costs of S.C. Termoficare 2000 S.A. Pitesti are due mainly to the following causes:

- technological fuel, raw materials and materials are purchased at comparable prices with those operated with internationally. In turn, the caloric energy is sold on the local market at a price agreed by A.N.R.E., which is lower than the average price operated with internationally;
- proposals of price increasing are submitted to local authorities and to A.N.R.E. after the sub suppliers already increased their product prices and considering that until the company gets the A.N.R.E. certifying documents and decision uncovered costs shall be record.
- because of disconnecting (16%) and production activities diminishing, the quantity of supplied energy decreased. in turn A.N.R.E. calculated the energy price considering the former energy needs.
- A.N.R.E. agreed technological loss are lower as the real loss which are higher because of old transport and distribution pipe line networks which require high maintenance costs. Those costs are not considered when the reference price is estimated by A.N.R.E;
- the population pays a national reference price for the caloric energy, approved by Government Decision and established mainly according to the purchasing power of the population, the difference between this and the production and distribution costs of thermal energy being subsidized. This subsidy hardly reaches the producer, because the Local Council budget which ensures a significant percentage of it (55%) does not have the liquidities required to pay in due time. As a result of the delays in providing the subsidies, the financial costs of the company increase because the real value of the subsidies is significantly diminished by the inflation rate; thus, a part of the real costs remains not covered.

(44) In Table no. 8 presented in the Annex, the evolution of the local delivery price for caloric energy as hot water and the real costs of production and supply of it during 2001-2005. As it may be noticed, during analyzed period, most of the times, the operating cost for

producing and supplying heating energy - hot water - is higher than the local delivery price settled by A.N.R.E., both for the population and for the undertakings.

(45) The differences between the local delivery price and the real cost of production and supply of caloric energy lead to company losses from operating the service, losses which are shown in Table no. 6

Table no. 6 – *Losses incurred by the company in 2001-2005 as a result of the difference between the local delivery price and the real cost of production and supply of caloric energy as hot water*

PERIOD	QUANTITY DELIVERED			LOSSES CAUSED BY FAILURE TO COVER THE REAL COST OF HEATING ENERGY IN FORM OF HOT WATER
	TOTAL	Of which:		
		POPULA TION	UNDERTAKI NGS	
	Gcal	Gcal	Gcal	Thousand ROL
TOTAL YEAR 2001	572,118	529,245	42,873	86,344,195
TOTAL YEAR 2002	472,382	432,451	39,931	49,361,336
TOTAL YEAR 2003	523,826	437,010	86,816	140,889,142
TOTAL YEAR 2004	445,437	412,365	33,072	172,264,903
TOTAL YEAR 2005	445,437	412,365	33,072	134,934.393
GENERAL TOTAL	2,459,200	2,233,436	235,764	583,793,969

Source: supplementary information

From Table no. 6 results that the difference between the real cost of the service of general public interest of production, transport, distribution and supply of heating energy in form of hot water and the local delivery price of caloric energy leads to a company loss of ROL **583,793,969 thousand**, related to the activity of performing the public service. We mention that the calculation of these losses is presented in Table no. 9 from the Annex presenting in detail in each month the evolution of the difference between the local delivery price and the real cost of production, transport, distribution and supply of caloric energy separately for population and undertakings.

3. ANALYSIS OF THE STATE MEASURE OF SUPPORT

3.1. Object of the decision

(46) On the basis of the notification to the Competition Council by the Ministry of Public Financial, the object of the present decision refers to state aids mentioned at chapter 2.3), amounting to ROL 1,991,464,514 thousand. These state aids are analyzed in the context of meeting the public service of general economic interest of production, transport,

distribution and supply of heating energy by the S.C. Termoficare 2000 S.A.Pitesti during the period 2001-2005⁹.

3.2. Obligation of service of general economic interest

(47) The financial support granted to a company entrusted with a service of general economic interest is not considered state aid for the purposes of Art. 2 of Law 143/1999 on state aid with subsequent amendments and completions, if the following conditions are cumulatively met:

- a) the obligation to discharge a service of general economic interest is entrusted through a government/administrative act and is clearly defined;
- b) the parameters based on which the compensation is calculated must be established in advance, in an objective and transparent way, in order to avoid granting an economic advantage to the beneficiary;
- c) the compensation must not exceed the amount necessary to totally or partially cover the costs incurred through the service of general economic interest, taking in consideration the relevant incomes and a reasonable profit in performing these obligations;
- d) if the undertaking entrusted with the service of general economic interest was not selected through open public tender which would have allowed the selection of an bidder able to discharge this public service at the lowest costs, then the level of compensation must be set based on a comparative analysis of the company's costs and the costs of well-managed and profitable enterprise which meets all the conditions set for the performance of the particular public service, given the relevant incomes and a reasonable profit from the meeting of the service of general economic interest obligations.

3.3. The condition from par. 3.2. a):

(48) S.C. Termoficare 2000 S.A. Pitesti is entrusted with the production, transport, distribution and supply of heating energy for the population, institutions and heating agents, under the A.N.R.E. licenses no.150/2000 and 151/2000, 521/2002. In the licenses are mentioned, among other, the obligations specific to undertakings discharging services of general economic interest regarding: continuity in supplying heating energy, ensuring access to heating networks for new customers, achieving performance standards. Also, by GEO no.162/1999, producers and suppliers of thermal energy are under the obligation to sell thermal energy to the population at a fixed price which regularly is lower than the costs incurred by the discharge of the service (national reference price).

(49) According to the *Law on town management no. 326/2001*, the supply of heating energy which is centralized produced is a public use service.

(50) According to Law no. 326/2001, public services must fulfill the following main conditions:

- a) Continuity both in quality and quantity, according to the conditions stipulated in the contract;

⁹ The year of 2005 has been considered due to the fact that the loan contracted at the end of 2004 is aimed at covering expenses related to public service to be borne in 2005.

- b) Adaptability to consumers' requests;
- c) Equal access to the public service, in the conditions stipulated in the contract;
- d) Ensuring the public health and life quality.

(51) Organization, operation and functioning of public services must ensure:

- a) Meeting the quantity and quality demands of users, according to the contract provisions;
- b) The optimal operation in safety, profitability and economic efficiency conditions of buildings, equipments, installations and all assets, according to the projected technological parameters and in compliance with the requested conditions, operation guidelines and organization and functioning regulations;
- c) Protecting the public estate and environment by observing the legal provisions;
- d) Informing and consultation the citizens with the purpose of protecting the health of the population benefiting from these services.

(52) The obligations of the operators which are suppliers/providers of public services towards the consumer are mainly the following:

- a) to serve all users in the area for which they were authorized/certified;
- b) to comply with all the performance parameters settled by the local public authorities and the national regulating authority, respectively A.N.R.E.;
- c) to supply the information requested by the local public administration and the national regulating authority and to enable the access to the documentation of the respective utilities, according to the conditions of the operating contract.

(53) The supply of town heating energy for heating and preparing hot water for consumption is made through the heating energy system of the Municipality of Pitesti and is part of the technical- municipal infrastructure of the town. The City Council of Pitesti Municipality provides to the Company the heating system needed for accomplishing services of general economic interest through concession contract.

(54) Thus, to summarize, S.C. Termoficare 2000 S.A. Pitesti by these provisions is under the obligation to ensure the effective functioning of services relating to the production, transport, distribution and supply of heating energy that are essential for the population, institutions and undertakings of Pitesti City. It is furthermore required to provide these services at a regulated price that is intended to ensure the affordability for the consumer. Consequently one can conclude that S.C. Termoficare 2000 S.A. Pitesti by licenses is entrusted with the discharging of a service of general economic interest.

3.4. Condition from point 3.2. b):

(55) According to this criterion the compensation of the public service obligation must be calculated on pre-established objective and transparent parameters and may not grant an economic advantage to the beneficiary.

(56) The two parameters based on which the level of the compensation is calculated are the national reference price, established by ANRE, and the local delivery price established by ANRE. These parameters are set in advance by Government decision, at the proposal of ANRE. The methodology used to establish the national reference price is based on the following:

- price of fuel used for the production of caloric energy;

- the electric energy price;
- the consumer price index;
- the USD/ROL exchange rate.

The local delivery price is set based on the methodology of establishing regulated prices for purchase/sale, transport and distribution tariffs for caloric energy issued by ANRE .

The producers of caloric energy submit to the regulatory authority the own price calculation; this contains the costs incurred in the previous 12 months, fixed and variable, as well as estimated costs for the following 12 months of operation.

The regulatory authority analyses the variable costs (price of fuel, specific consumptions related to the production of caloric energy, losses of caloric energy in the transport and distribution networks), as well as fixed costs and approves the local delivery price of the caloric energy, resulting different local delivery prices specific to each company.

(57) The information submitted to the Competition Council prove the fact that the procedure mentioned at paragraph 56 is carried out based on the criteria of *ex-ante* calculation, the parameters based on which the compensation for the service of general economic interest is established are usually set up in advance.

3.5. Condition in 3.2. c):

(58) Condition 3.2.c) requires in essence that the compensation must not exceed the costs incurred through the service of general economic interest.

(59) According the Table no.7 from Annex, the amounts received as subsidies by S.C. Termoficare 2000 S.A. Pitesti are of **ROL 1,414,024,514** thousand, and cover exclusively the difference between the reference national price and the local delivery price for energy.

(60) Furthermore, from Tables no.6, it turns out that during the analyzed period S.C. Termoficare 2000 S.A. Pitesti registered a loss of ROL 583,793,969 thousand, caused by the difference between the local delivery price established by A.N.R.E. for the heating energy supplied as hot water and the real cost of production and delivery.

(61) The total financial support from which the company benefits in the period 2001-2005 is in amount to ROL 1,991,464,514 thousand, from which:

- ROL 1,414,024,514 thousand represents subsidies exclusively used to cover the difference between the national reference price and the local delivery price for thermal energy;
- ROL 577.440.000 thousand represents guarantees.

(62) Taking into account the losses of ROL 583,793,969 thousand, that the company incurred by the performance of the public service of production, transport, distribution and supply of heating energy, it can be seen that the remaining other facilities in form of guarantees, amount ROL 577,440,000 thousands, does not fully cover the company losses and it can therefore be concluded that the financial support the company received did not exceed the total costs incurred by the performance of the public service of production, transport, distribution and supply of heating energy in form of hot water.

(63) Under these circumstances, it is considered that the financial support granted to the company in the period 2001-2005 represents only a compensation for the costs related to performing the service of general economic interest of production, transport, distribution and supply of heating energy in form of hot water in the area of Pitesti city.

3.6. Condition in 3.2. d):

(64) Entrusting of public interest service to S.C. Termoficare 2000 S.A. Pitesti, for thermal energy production, transport, delivery and supply, was not done by public auction.

(65) The public service to produce, transport, distribute and supply heating energy was entrusted to S.C. Termoficare 2000 S.A. Pitesti by a license from ANRE. Thus, in order to establish the compensation level, it is necessary to analyze the costs that another well-run undertaking would have had, in providing the same service. On the Romanian heating energy market there are acting other producers and suppliers as well (e.g. Termoelectrica, CET Govora, CET Bacau, Electrocentrale etc.). Still, a comparison with these companies would not be relevant, as they are also public undertakings receiving aid from the state for discharging the public service obligation. However, making a comparative analysis with other undertakings producing and supplying heating energy, it can be noticed that their situation is similar to the situation of the analyzed undertaking, respectively the real costs of the service exceed local delivery prices set by ANRE, and causes leading to this are in fact similar.

(66) Considering the above, one can conclude that the four conditions under point 3.2. are not met cumulatively, mainly the condition under par. 3.2. (d) was not proved. Therefore, the measures of state support for S.C. Termoficare 2000 S.A. Pitesti, notified by the Ministry of Public Finance, constitute state aid for the purposes of *art. 2 of Law 143/1999 on State aid, with subsequent modifications and completions* and of the *Regulation on state aid in the form of compensations granted to certain undertakings entrusted with services of general economic interest*.

3.7. The assessment of the state aid

(67) The state aid for S.C. S.C. TERMOFICARE 2000 S.A. Pitesti for the period 2002 – 2005 is granted under the form of subsidies to cover the difference between the national reference price and the local delivery price and under the form of guarantees granted by the State for external credits contracted by the company.

(68) The state aid under the form of subsidies, for the period 2001-2005, amounts ROL **1,414,024,514** thousand. The state aid under the form of guarantees amounts ROL **577,440,000** thousand. The quantifying of the aid under the form of guarantees took into consideration the fact that the loans are obtained 100% with the State's guarantee and the company registers losses, for the assessed period, no bank would grant guarantees for the contracted credits. This way, according to art.3.2.2 in the Guidelines on the state aid under the form of guarantees, the value of the state aid under the form of guarantees, is equal to the value of the external credits contracted.

(69) Point 1.1. in the Guidelines on the state aid under the form of guarantees stipulates that usually the beneficiary of a 100% guarantee is the borrower because it enables the latter – as has been demonstrated above – to obtain a loan it would not have obtained in the absence of such a guarantee.

(70) According to point 2.2. of the *Guidelines on the state aid granted under the form of guarantees*, in certain circumstances also the lender will benefit from the guarantee granted by the State, for example may be the case where the guarantee is given ex-post related to a loan, in this case the guarantee can be a state aid for the lender.

(71) The guarantees granted by the Ministry of Public Finances for the contracted credits, represent a ex-ante condition for entering into force of these credits. The guarantees were issued before using any money from this credit. The guarantees were not granted for an existing loan before these were issued by the state.

(72) The Government Decisions approving the state guarantees for external credits which are to be contracted by the company, establish the maximum credit values which are to be guaranteed (together with the interests and related commissions), the purpose of the credit and the guarantor (Ministry of Public Finances). Based on these G.D.s, the company established in advance with Ministry of Public Finances the credit parameters (the granting period/maturity, the grace period, withdrawal period and the way of reimbursement). Thereafter, standard offer requests were issued addressed to prime international banks.

(73) The offer request contained the necessary information so that the interested banks could create a competitive price structure: the type of the loan, the beneficiary of the loan, the 100% state guarantee (by mentioning the GD's number), the credit value, the maturity of the loan, withdrawal period, the grace period, the way of reimbursement, the reply form, the deadline for the offers and any other data necessary to make a pertinent offer. As the offer is standard, all banks received the same information, being equally treated, in conditions of transparency and free access for transmitting the offers.

(74) After analyzing all offers received until the date mentioned in the offer request, the best offer was chosen. As all the banks are first rank banks and the criteria of the credit being the same, the main criterion for choosing was the cost of the credits (interest and the corresponding fees).

(75) Taking into account all the above, it is considered that the financing banks have offered their facilities at competitive pricing conditions thereby excluding any potential advantage deriving from the state guarantee. Consequently, the Competition Council comes to the conclusion that the state guarantees do not give any advantage to the lender but only to the borrower, S.C. TERMOFICARE 2000 S.A Pitesti.

(76) The total amount of the state aid granted to S.C. TERMOFICARE 2000 S.A. Pitesti during 2001- 2005, is of ROL 1,991,464,514 thousand.

4. Compatibility of The State Aid

(77) According to the *Regulation on state aid in the form of compensations granted to certain undertakings entrusted with services of general economic interest* compensations granted in view of discharging the service of general economic interest may constitute state aid compatible with a normal competition environment if the following conditions are met:

- a) the state aid is necessary for discharging a service of general economic interest;
- b) the state aid does not unduly affect the trade between Romania and the EU Member States.

4.1. State aid necessary for discharging a service of general economic interest

(78) In order to be able to assess the necessity of the aid with respect to the discharging of the service the following conditions should be observed:

- the beneficiary needs to be officially entrusted with discharging a clearly defined service of general economic interest; and
- the compensation should not exceed what is necessary to discharge the service of general economic interest, taking into account the revenues arising from its performance.

(79) As discussed under point 3.3., S.C. Termoficare 2000 S.A. Pitesti is exercising a service of general economic essential for the population, institutions and undertakings of Pitesti city interest that is clearly defined by license.

(80) S.C. Termoficare 2000 S.A. Pitesti is operating according to its A.N.R.E. licences No. 150/2000, 151/2000 and 521/2002. The licenses in conjunction with the relevant law clearly define the obligations of the service that the company is supposed to discharge. Therefore it can be concluded that S.C. Termoficare 2000 S.A. Pitesti has been officially entrusted with the public service that it discharges.

(81) It follows, from the assessment under point 3.5. above, that under the conditions of a regulated market for discharging this service the company can not impose on its consumers a price that is sufficient to cover its operating costs. This is the main cause for which the company has annual losses. Furthermore, the compensation granted to the company does not fully cover all the costs that are currently being incurred by the provision of the public service.

(82) Therefore, one can conclude that the state aid granted to S.C. Termoficare 2000 S.A. Pitesti does not exceed what is necessary to discharge under normal conditions of continuity, safety and comfort the public service of production, transport, distribution and supply of heating energy within the city of Pitesti.

(83) Without the compensation the company would have to cease its activity which would consequently lead to the termination of the public service. This fact would have serious repercussions on the population and the undertakings from the Pitesti City, who would be deprived of the indispensable heating energy, especially in the cold season.

4.2. No unduly affect the trade between Romania and the EU Member States

(84) It needs to be noted that the activity of the company is restricted to a limited geographical area and S.C. Termoficare 2000 S.A. Pitesti is the only operator. The company is not involved in export activities. Under these circumstances it is considered that the commerce with the Member States is not unduly affected.

4.3 There is no over-compensation

(85) The state aid granted to S.C. Termoficare 2000 S.A. Pitesti in the form of guarantees and subsidies (see pars. 22 - 25) do not represent an over-compensation because it does not exceed the costs which are absolutely necessary in order to perform the service of general economic interest.

(86) Thus, the two conditions mentioned at par. 77, conditions provided in the *Regulation on state aid in the form of compensations granted to certain undertakings entrusted with services of general economic interest* are cumulatively met.

(87) The total amount of state aid granted to S.C. Termoficare 2000 S.A. Pitesti amounting to ROL 1,991,464,514 thousands is compatible to the competition environments.

DECIDES

Art. 1. The measures of financial support granted during 2001-2005 to S.C. Termoficare 2000 S.A. Pitesti constitute state aid for the purposes of Art. 2 of *Law 143/1999 on State aid modified and completed by Law 603/2003 and GO 94/2004 on regulation of financial measures*.

Art. 2. The notified state aid represents a necessary compensation to achieve, under normal conditions of safety and continuity the service of general economic interest to produce, transport, distribute, and supply heating energy, and this compensation does not affect the trade between Romania and the EU Member States in an unjustified way.

Art. 3. Pursuant to Art. 12 art. 2 (b) read in conjunction with Art. 14 par. 1 (j) of *Law 143/1999 regarding state aid with subsequent modifications and completions*, we authorize the state aid for to S.C. Termoficare 2000 S.A. Pitesti as aid to achieve under conditions of safety and continuity the service of general economic interest.

Art. 4 Pursuant to Art. 24 of *Law 143/1999 with subsequent modifications and completions*, suppliers shall annually convey to the Competition Council information regarding the state aid granted to S.C. Termoficare 2000 S.A. Pitesti in view of monitoring the aid.

Art.5. This decision is applicable as of its date of communication.

Art. 6. Pursuant to Art. 29 of *Law 143/1999 regarding state aid with subsequent modifications and completions*, this decision may be appealed by the interested persons before the Bucharest Court of Appeal, the administrative section, within 30 days from its communication.

Art. 7. This Decision shall be communicated by the General Secretariat of the Competition Council to:

- The Ministry of Public Finance Strada Apolodor, Nr. 17, sector 1, Bucuresti ;
- S.C. Termoficare 2000 S.A. Pitesti, Strada calea Bucurewsti, Bl. U4, Pitesti, jud. Arges.

Art. 8 The Secretariat-General and the Directorate for State Aid Authorization of the Competition Council shall pursue the fulfillment of the present Decision.

PRESEDINTE

MIHAI BERINDE

ANNEX

Table no. 7–Evolution of the local delivery price, of the reference price and of the subsidy granted in order to cover the difference between them, during 2001-2005

Period	Local delivery price to the population without VAT	Local delivery to the population with VAT	Reference price without VAT	Reference price with VAT	Difference between reference price and local delivery price without VAT	Difference between reference price and the local delivery price with VAT	Volume delivered to the population	Subsidy value
	ROL/Gcal	ROL/Gcal	ROL/Gcal	ROL/Gcal	ROL/Gcal	ROL/Gcal	Gcal	Thousands ROL
1	2	3	4	5	6=4-2	7=3-5	9	10=6*9
Jan.01	418,547	498,071	294,118	350,000	-124,429		100,352	12,486,716
Feb.01	421,962	502,135	294,118	350,000	-127,844		78,771	10,070,384
Mar.01	422,108	502,309	294,118	350,000	-127,990		63,773	8,162,314
Apr..01	422,228	502,451	294,118	350,000	-128,110		42,770	5,479,270
MaY.01	422,156	502,366	294,118	350,000	-128,038		19,695	2,521,699
June. 01	422,155	502,364	294,118	350,000	-128,037		9,777	1,251,816
July.01	506,982	603,309	294,118	350,000	-212,864		15,172	3,229,566
Aug.01	584,703	695,797	294,118	350,000	-290,585		13,547	3,936,556
Sept.01	584,538	695,600	462,185	550,000	-122,353		12,868	1,574,443
Oct.01	597,038	710,475	462,185	550,000	-134,853		17,635	2,378,126
Nov.01	651,098	774,807	462,185	550,000	-188,913		73,612	13,906,261
Dec.01	653,120	777,213	462,185	550,000	-190,935		81,273	15,517,888
Total year 2001							529,245	80,515,039

Jan.02	671,659	799,274	483,193	575,000	-188,466		88,151	16,613,468
Feb.02	671,726	799,354	483,193	575,000	-188,533		52,988	9,989,998
Mart.02	671,124	798,638	483,193	575,000	-187,931		39,932	7,504,445
Apr..02	694,399	826,335	483,193	575,000	-211,206		36,113	7,627,297
May.02	696,685	829,055	504,202	600,000	-192,483		14,552	2,801,012
June. 02	696,015	828,258	504,202	600,000	-191,813		10,386	1,992,170
July.02	865,560	1,030,016	504,202	600,000	-361,358		9,473	3,423,148
Aug.02	876,497	1,043,031	672,269	800,000	-204,228		8,911	1,819,875
Sept.02	1,021,103	1,215,113	672,269	800,000	-348,834		10,028	3,497,938
Oct.02	1,124,710	1,338,405	672,269	800,000	-452,441		24,376	11,028,696
Nov.02	1,124,403	1,338,040	672,269	800,000	-452,134		53,815	24,331,594
Dec.02	1,123,245	1,336,662	672,269	800,000	-450,976		83,725	37,757,940
Total year 2002							432,450	128,387,581
Jan.03	1,184,815	1,409,930	672,269	800,000	-512,546	609,930	79,173	48,290,040
Feb.03	1,198,909	1,426,702	672,269	800,000	-526,640	626,702	74,313	46,571,891
Mart.03	1,204,411	1,433,249	672,269	800,000	-532,142	633,249	68,290	43,244,804
Apr..03	1,260,952	1,500,533	672,269	800,000	-588,683	700,533	26,754	18,741,883
May.03	1,230,933	1,464,810	672,269	800,000	-558,664	664,810	11,263	7,487,453
June. 03	1,231,339	1,465,293	672,269	800,000	-559,070	665,293	8,629	5,740,703
July.03	1,231,097	1,465,005	672,269	800,000	-558,828	665,005	7,586	5,044,718
Aug.03	1,230,370	1,464,140	672,269	800,000	-558,101	664,140	7,562	5,022,490
Sept.03	1,280,532	1,523,833	672,269	800,000	-608,263	723,833	8,539	6,181,131
Oct.03	1,444,724	1,719,222	672,269	800,000	-772,455	919,221	24,160	22,208,002
Nov.03	1,443,235	1,717,450	672,269	800,000	-770,966	917,450	54,065	49,602,309
Dec.03	1,441,599	1,715,503	672,269	800,000	-769,330	915,503	66,681	61,046,643
Total year 2003							437,015	319,182,066
Jan.04	1,442,694	1,716,806	672,269	800,000	-770,425	916,806	85,000	77,928,968

Feb.04	1,442,589	1,716,681	672,269	800,000	-770,320	916,681	72,757	66,695,087
Mar.04	1,443,073	1,717,257	672,269	800,000	-770,804	917,257	58,430	53,595,038
Apr..04	1,444,095	1,718,473	672,269	800,000	-771,826	918,473	24,767	22,747,769
May.04	1,443,829	1,718,157	672,269	800,000	-771,560	918,156	9,726	8,930,070
June. 04	1,443,734	1,718,043	672,269	800,000	-771,465	918,043	9,191	8,437,603
July.04	1,564,870	1,862,195	672,269	800,000	-892,601	1,062,195	7,811	8,296,454
Aug.04	1,564,150	1,861,339	752,941	896,000	-811,209	965,339	7,036	6,792,436
Sept.04	1,565,082	1,862,448	752,941	896,000	-812,141	966,448	8,204	7,928,386
Oct.04	1,564,757	1,862,061	752,941	896,000	-811,816	966,061	17,126	16,544,501
Nov.04	1,563,608	1,860,694	752,941	896,000	-810,667	964,694	45,641	44,029,857
Dec.04	1,561,132	1,857,747	752,941	896,000	-808,191	961,747	66,681	64,130,283
Total year 2004							412,370	386,056,451
Jan-05	1,771,614	2,108,221	752,941	896,000	1,018,673	1,212,221	85,000	103,038,785
Feb-05	1,771,614	2,108,221	752,941	896,000	1,018,673	1,212,221	72,757	88,197,563
Mar-05	1,771,614	2,108,221	752,941	896,000	1,018,673	1,212,221	58,430	70,830,073
Apr-05	1,771,614	2,108,221	752,941	896,000	1,018,673	1,212,221	24,767	30,023,078
May-05	1,771,614	2,108,221	752,941	896,000	1,018,673	1,212,221	9,726	11,790,061
Jun-05	1,771,614	2,108,221	752,941	896,000	1,018,673	1,212,221	9,191	11,141,523
Jul-05	1,771,614	2,108,221	752,941	896,000	1,018,673	1,212,221	7,811	9,468,658
Aug-05	1,771,614	2,108,221	752,941	896,000	1,018,673	1,212,221	7,036	8,529,187
Sep-05	1,771,614	2,108,221	752,941	896,000	1,018,673	1,212,221	8,204	9,945,061
Oct-05	1,771,614	2,108,221	752,941	896,000	1,018,673	1,212,221	17,126	20,760,497
Nov.05	1,771,614	2,108,221	752,941	896,000	1,018,673	1,212,221	45,641	55,326,979
Dec-05	1,771,614	2,108,221	752,941	896,000	1,018,673	1,212,221	66,681	80,832,109
Total year 2005	1,771,614	2,108,221	752,941	896,000	1,018,673	1,212,221	412,370	499,883,377
Total Amount							2,223,450	1,414,024,514

Source: Supplementary information

Table no. 8 – Evolution of local delivery price, of the heating energy cost and of the volume of **hot water** sold by catre S.C. Termoficare 2000 S.A. Pitesti

PERIOD	LOCAL DELIVERY PRICE		QUANTITY SUPPLIED			UNIT COST
			TOTAL	OF WHICH:		
	POPULATION	UNDERTAKINGS		POPULATION	UNDERTAKINGS	
	ROL/Gcal	ROL/Gcal	Gcal	Gcal	Gcal	ROL/Gcal
1	2	3	5	6	7	8
Ian.01	418,547	433,562	109,151	100,352	8,799	400,594
Feb.01	421,962	433,562	85,486	78,771	6,715	492,141
Mart.01	422,108	433,562	68,430	63,773	4,657	600,204
Apr..01	422,228	433,562	45,285	42,770	2,515	578,119
May.01	422,156	433,562	20,114	19,695	419	657,929
June. 01	422,155	433,562	9,960	9,777	183	859,919
July.01	506,982	601,343	15,503	15,172	331	762,090
Aug.01	584,703	601,343	13,876	13,547	329	933,660
Sept.01	584,536	601,343	13,146	12,868	278	999,984
Oct.01	597,038	623,302	18,800	17,635	1,165	1,193,439
Nov.01	651,098	671,302	82,366	73,612	8,754	845,006
Dec.01	653,120	671,302	90,001	81,273	8,728	800,000
Total year 2001			572,118	529,245	42,873	
Ian.02	671,659	689,511	97,321	88,151	9,170	636,609
Feb.02	671,726	689,511	58,382	52,988	5,394	695,172
Mart.02	671,124	689,511	43,881	39,932	3,949	897,692
Apr..02	694,399	715,219	39,307	36,113	3,194	882,142
May.02	696,685	715,219	15,015	14,552	463	859,481
June 02	696,015	715,219	10,799	10,386	413	1,307,781

July 02	865,560	902,670	9,797	9,473	324	1,905,814
Aug. 02	876,497	902,670	9,158	8,911	247	2,479,358
Sept.02	1,021,103	902,670	10,475	10,029	446	1,884,148
Oct.02	1,124,710	1,144,800	26,631	24,376	2,255	1,416,020
Nov.02	1,124,403	1,144,800	59,206	53,815	5,391	1,014,537
Dec.02	1,123,245	1,144,800	92,410	83,725	8,685	1,021,422
Total year 2002			472,382	432,451	39,931	
Ian.03	1,184,815	1,236,000	87,718	79,173	8,545	1,070,622
Feb.03	1,198,909	1,248,200	82,051	74,312	7,739	1,230,014
Mart.03	1,204,411	1,248,200	75,284	68,290	6,994	1,137,030
Apr..03	1,260,952	1,291,045	28,992	26,754	2,238	1,953,749
May.03	1,230,933	1,291,045	11,576	11,262	314	3,185,187
June 03	1,231,339	1,291,045	8,963	8,628	335	3,861,820
July 03	1,231,097	1,291,045	7,770	7,585	185	4,666,875
Aug. 03	1,230,370	1,291,045	7,740	7,562	178	4,424,636
Sept.03	1,280,532	1,517,989	8,756	8,539	217	4,207,758
Oct.03	1,444,724	1,517,989	26,205	24,159	2,046	2,355,832
Nov.03	1,443,235	1,517,989	105,875	54,065	51,810	1,325,803
Dec.03	1,441,599	1,517,989	72,896	66,681	6,215	1,502,658
Total year 2003			523,826	437,010	86,816	
Ian.04	1,442,694	1,517,989	93,065	85,000	8,065	1,311,429
Feb.04	1,442,589	1,517,989	79,720	72,757	6,963	1,430,256
Mart.04	1,443,073	1,517,989	63,500	58,429	5,071	1,460,061
Apr..04	1,444,095	1,517,989	26,238	24,766	1,472	2,492,254
May.04	1,443,829	1,517,989	9,950	9,726	224	4,787,645
June 04	1,443,734	1,517,989	9,489	9,190	299	4,589,008
July 04	1,564,870	1,644,850	7,933	7,810	123	3,810,340
Aug.04	1,564,150	1,644,850	7,106	7,036	70	3,925,647

Sept.04	1,565,082	1,644,850	8,348	8,204	144	3,125,478
Oct.04	1,564,757	1,644,850	18,130	17,125	1,005	2,214,658
Nov.04	1,563,608	1,644,850	49,062	45,641	3,421	1,887,129
Dec.04	1,561,132	1,644,850	72,896	66,681	6,215	1,850,000
Total year 2004		445,437		412,365	33,072	
Jan-05	1,771,614	1,858,681	93,065	85,000	8,065	1,815,930
Feb-05	1,771,614	1,858,681	79,720	72,757	6,963	1,806,100
Mar-05	1,771,614	1,858,681	63,501	58,430	5,071	1,939,745
Apr-05	1,771,614	1,858,681	26,239	24,767	1,472	2,810,759
May-05	1,771,614	1,858,681	9,950	9,726	224	3,738,991
Jun-05	1,771,614	1,858,681	9,490	9,191	299	4,054,857
Jul-05	1,771,614	1,858,681	7,934	7,811	123	3,532,767
Aug-05	1,771,614	1,858,681	7,106	7,036	70	3,636,869
Sep-05	1,771,614	1,858,681	8,348	8,204	144	2,897,458
Oct-05	1,771,614	1,858,681	18,131	17,126	1,005	1,965,472
Nov.05	1,771,614	1,858,681	49,062	45,641	3,421	1,849,257
Dec-05	1,771,614	1,858,681	72,896	66,681	6,215	1,878,748
Total year 2005		445,442		412,370	33,072	

Source: Supplementary information

Table no. 9 – *Evolution of the difference between the local delivery price and the cost of the heating energy and of the losses caused by this difference for **hot water***

PERIOD	Difference between the local delivery price and cost		QUANTITY DELIVERED			LOSSES CAUSED BY FAILURE TO COVER THE COST
	POPULATION	UNDERTAKINGS	TOTAL	Of which:		
				POPULATION	UNDERTAKINGS	
	ROL/Gcal	ROL/Gcal	Gcal	Gcal	Gcal	Thousand ROL
1	2	3	4	5	6	7=2*5+3*6
Jan.01	17,953	32,968	109,151	100,352	8,799	2,091,748
Feb.01	-70,179	-58,579	85,486	78,771	6,715	-5,921,455
Mar.01	-178,096	-166,642	68,430	63,773	4,657	-12,133,756
Apr.01	-155,891	-144,557	45,285	42,770	2,515	-7,031,029
May.01	-235,773	-224,367	20,114	19,695	419	-4,737,563
June.01	-437,764	-426,357	9,960	9,777	183	-4,358,038
July.01	-255,108	-160,747	15,503	15,172	331	-3,923,711
Aug.01	-348,957	-332,317	13,876	13,547	329	-4,836,658
Sep.01	-415,448	-398,641	13,146	12,868	278	-5,456,803
Oct.01	-596,401	-570,137	18,800	17,635	1,165	-11,181,746
Nov.01	-193,908	-173,704	82,366	73,612	8,754	-15,794,530
Dec.01	-146,880	-128,698	90,001	81,273	8,728	-13,060,654
total year 2001			572,118	529,245	42,873	-86,344,195
Jan.02	35,050	52,902	97,321	88,151	9,170	3,574,757
Feb.02	-23,446	-5,661	58,382	52,988	5,394	-1,272,921

Mar.02	-226,568	-208,181	43,881	39,932	3,949	-9,869,415
Apr.02	-187,743	-166,923	39,307	36,113	3,194	-7,313,110
May.02	-162,796	-144,262	15,015	14,552	463	-2,435,803
Iune.02	-611,766	-592,562	10,799	10,386	413	-6,598,527
Iuly.02	-1,040,254	-1,003,144	9,797	9,473	324	-10,179,345
Aug.02	-1,602,861	-1,576,688	9,158	8,911	247	-14,672,536
Sep.02	-863,045	-981,478	10,475	10,029	446	-9,093,217
Oct.02	-291,310	-271,220	26,631	24,376	2,255	-7,712,574
Nov.02	109,866	130,263	59,206	53,815	5,391	6,614,687
Dec.02	101,823	123,378	92,410	83,725	8,685	9,596,669
total year 2002			472,382	432,451	39,931	-49,361,336
Jan.03	114,193	165,378	87,718	79,173	8,545	10,454,157
Feb.03	-31,105	18,186	82,051	74,312	7,739	-2,170,733
Mar.03	67,381	111,170	75,284	68,290	6,994	5,378,971
Apr.03	-692,797	-662,704	28,992	26,754	2,238	-20,018,222
May.03	-1,954,254	-1,894,142	11,576	11,262	314	-22,603,569
June.03	-2,630,481	-2,570,775	8,963	8,628	335	-23,557,000
Iuly.03	-3,435,778	-3,375,830	7,770	7,585	185	-26,684,905
Aug.03	-3,194,266	-3,133,591	7,740	7,562	178	-24,712,819
Sep.03	-2,927,226	-2,689,769	8,756	8,539	217	-25,579,263
Oct.03	-911,108	-837,843	26,205	24,159	2,046	-23,725,685
Nov.03	117,432	192,186	105,875	54,065	51,810	16,306,118
Dec.03	-61,059	15,331	72,896	66,681	6,215	-3,976,193
total year 2003			523,826	437,010	86,816	- 140,889,142
Jan.04	131,265	206,560	93,065	85,000	8,065	12,823,431
Feb.04	12,333	87,733	79,720	72,757	6,963	1,508,197
Mar.04	-16,988	57,928	63,500	58,429	5,071	-698,839

Apr.04	-1,048,159	-974,265	26,238	24,766	1,472	-27,392,824
May.04	-3,343,816	-3,269,656	9,950	9,726	224	-33,254,357
June.04	-3,145,274	-3,071,019	9,489	9,190	299	-29,823,303
July.04	-2,245,470	-2,165,490	7,933	7,810	123	-17,803,476
Aug.04	-2,361,497	-2,280,797	7,106	7,036	70	-16,775,149
Sep.04	-1,560,396	-1,480,628	8,348	8,204	144	-13,014,699
Oct.04	-649,901	-569,808	18,130	17,125	1,005	-11,702,212
Nov.04	-323,521	-242,279	49,062	45,641	3,421	-15,594,658
Dec.04	-288,868	-205,150	72,896	66,681	6,215	-20,537,014
total year 2004			445,437	412,365	33,072	- 172,264,903
Jan-05	-44,316	42,751	93,065	85,000	8,065	-3,422,073
Feb-05	-34,486	52,581	79,720	72,757	6,963	-2,142,976
Mar-05	-168,131	-81,064	63,500	58,429	5,071	-10,234,802
Apr-05	-1,039,145	-952,078	26,238	24,766	1,472	-27,136,924
May-05	-1,967,377	-1,880,310	9,950	9,726	224	-19,555,898
Jun-05	-2,283,243	-2,196,176	9,489	9,190	299	-21,639,660
Jul-05	-1,761,153	-1,674,086	7,933	7,810	123	-13,960,518
Aug-05	-1,865,255	-1,778,188	7,106	7,036	70	-13,248,407
Sep-05	-1,125,844	-1,038,777	8,348	8,204	144	-9,386,008
Oct-05	-193,858	-106,791	18,130	17,125	1,005	-3,427,143
Nov.05	-77,643	9,424	49,062	45,641	3,421	-3,511,465
Dec-05	-107,134	-20,067	72,896	66,681	6,215	-7,268,519
total year 2005			445,437	412,365	33,072	- 134,934,393
Total general						- 583,793,969

Source: Supplementary information