

**DECISION of the COMPETITION COUNCIL**  
**No. 23/14.02.2005**

**concerning the notification of the Ministry of Public Finance regarding  
the financial support for S.C. CET S.A. Bacau**

**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 3<sup>rd</sup> 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 no. 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. CET S.A. Bacau .

(2) As the data from the notification were not complete, supplementary information was requested by address DAAS/1049/15.12.2004, to which

has been answered by addresses no. DAAS/1054/16.12.2004 and DAAS 1102/30.12.2004. The notification became effective on the date the information were complete, namely on 29.12.2004.

## 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. CET S.A. Bacau. The company was set up on 01.06.2003, according to the Romanian legislation, as stock company, having as unique shareholder the Local Council of Bacau city, on the basis of G.D. no. 104/2002 and E.G.O. no. 78/2002 regarding the separation of Electrocentrale Bacau Subsidiary from SC Termoelectrica SA Bucuresti.
- (4) On the basis of G.D. no. 104/2002 regarding the transfer of some electrical heating power-stations from the private property of the State and from the *SC Termoelectrica SA patrimony into the public property of some territorial administrative units and into the administration of the local councils of thereof*, the electrical heating power-station Bacau was transferred, without payment, into the public property of the city Bacau.
- (5) The Local Council of Bacau city, on the basis of E.G.O. no. 78/2002 *regarding the assurance of the functioning conditions for the heating power-stations and electrical heating power-stations in the administration of the local and county councils*, has registered the company under the name of SC CET SA Bacau.
- (6) The company is headquartered in Bacau and registered at the Trade Registry under No. J04/320/2002, its unique registration code is 14639374. The registered capital of the company is ROL 389,422,106.60 thousand.
- (7) The financial and economic results, based on the balance sheets of the last 3 years are the following:

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

-thousand ROL-				
Indexes	2001	2002	2003	2004 (June)
Total turnover	265,110,943	369,517,329	701,075,695	483,216,270

Profit/loss	-248,388,965	-286,786,759	-33,802,457	-18,613,178
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*Source: Notification form*

It can be noticed that, between 2001-2004, although the turnover is increasing, the company registers losses incurred mainly due to the discharge of the service of general economic interest for the production and supply of heating energy in the conditions of regulated prices (these losses will be presented in detail in point 2.5.2 of the present draft decision).

(8)The company's main line of business is the production, transport, delivery and supply of heating energy for the population, institutions and undertakings from the Bacau 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 heating energy and electricity production, transport, distribution and supply, designated for the population, institutions and undertakings. According to art. 16 align. (1) from 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 delivered 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. CET S.A. Bacau'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 indiscriminating 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 55% 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. The market share of S.C. CET S.A. Bacau on the electricity market is 0.7%.

(12) The company delivers the following products:

- caloric energy as:
  - hot water;
  - steam;
- electric power.

(13) Supply of urban heating energy for heating and preparation of hot water is accomplished by means of the urban heating system of Bacau City, which is *entrusted for administration to the company by an administration contract issued by the Local Council of Bacau City.*

(14) The company owns the electrical heating power-station and administrates the industrial heating system from the area and the urban heating system of the city Bacau. The urban heating system comprises the following:

- The primary transport network for hot water – 22 km;
- 55 heating units in the area;
- Secondary transport network for hot water – appreciatively 300 km.

(15) SC CET Bacau is a classical cogeneration power-station, which owns the following installations:

- energetic boiler of 420 t steam/h functioning with lignite and as support fuel uses natural gases;
- turboaggregate of 50 Mw with steam turbines DSL 50
- hot water boiler of 100 Gcal/h functioning with a mix fuel of natural gases and black oil;
- industrial steam boiler of 100 t steam/h.

## **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, delivery 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. 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. SC CET SA Bacau must assure the supplying of caloric energy to all 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, transport, delivery 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 Bacau city, therefore is a market of local interest.

(21) SC CET SA Bacau is the sole producer and supplier of heating energy in the area it serves. From the total thermal energy produced by the company, 90 % is sold to the population and 10 % 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 governmental guarantees for 2 external credits in order to co-finance the acquisition of the energetic resources for the winter of 2002 – 2003, as well as for 2004 – 2005.

(23) The legal base for granting this financial support is the GD no. 1006/2002 and GD no. 1367/2004.

(24) The State guaranteed credit for 2002 amounts to USD 4,000 thousand. The credit shall be repaid in 7 equal half -yearly installments, with a grace

period of 2 years. The interest shall be paid half-yearly and it is Libor + 3.75% a year.

(25) The credit that the State intends to guarantee for the winter 2004-2005 amounts to USD 3.000 thousand. The credit shall be repaid in 4.5 years from the expiry date of the grace period of 2 years. The interest for this credit is Libor + 1% a year.

(26) As the company is in a difficult economical and financial situation, registering losses each year between 2001-2004, it has been considered that the value of the financial aid under the form of guarantee is equal to the value of the two credits, respectively USD 7,000 thousand, the equivalent of ROL 202,104,000 thousand<sup>1</sup>.

(27) According to the supplementary information to the notification form, S.C. CET S.A. Bacau receives/will receive within the period July 2004 – December 2005 subsidies to cover the negative difference between the national reference price and the local delivery price of heating energy in the amount of ROL 287,469,968 thousand.

#### **2.4. State aids previously received by the company**

(28) The Competition Council has authorized through the decision no. 300/2004 the state aid for S.C. CET S.A. Bacau in total amount of ROL 429,276,873.45 thousand, as follows:

- exemption from payment of the budgetary obligations in total amount of ROL 91,543,787.54 thousand, based on E.G.O. no. 37/2004 *regarding measures for reducing the arrears in the economy*;
- exemption from payment of the delays penalties for the tax on salaries, according to the Public Finance Ministry's Order no. 1551/2001, in the amount of ROL 170,332 thousand;
- write-off of debts towards the State budget, according to G.E.O. no. 151/2001, in the amount of ROL 1,190,026 thousand;
- exemption from payment of the increases and delays penalties for the budgetary obligations, according to E.G.O. no. 152/2001, in the amount of ROL 3,065,908 thousand;
- exemption from payment of the interests and delays penalties for the debts toward the Social and Health Insurance Found, according to EGO. no. 40/2002 on the recovery of the budgetary arrears, in the amount of ROL 10,336,873.9 thousand, for 2002-2003;

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<sup>1</sup> The amounts in ROL have been calculated at BNR rate from the issuing date of the decision, respectively 1USD=28.872 ROL

- subsidies for covering the difference between national reference price and local delivery price of heating energy, in the amount of ROL 322,969,946 thousand:

- 2001: ROL 11,539,787 thousand;
- 2002: ROL 51,016,491 thousand;
- 2003: ROL 154,019,877 thousand;
- January-June 2004: ROL 106,393,791 thousand.

(29) This aid has been evaluated by the Competition Council as compatible aid as it represents a necessary compensation for delivering in safety and continuity conditions of the general economic interest service of producing and supplying heating energy.

#### **2.4. Costs arising from the delivering the service of general economic interest**

(30) The public service of heating energy production, transport, delivery and supply for 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.

(31) S.C. CET S.A. Bacau keeps a management accounting where the company's activities are registered separately. The activity of heating 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 recording 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.

Thus, S.C. CET S.A. Bacau registers in the period 2001-2004 only from the delivering the public service of production, transport, delivery and supply of the heating energy under the form of hot water the following economical-financial situation:

Table no. 2 – *Economic-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-*

	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)	102,409,450	179,415,223	346,703,836	357,533,450
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)	173,376,036	296,512,816	406,338,687	438,820,648
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)	-70,966,526	-117,097,593	-59,634,851	-81,287,198

*Source: Supplementary information*

Data presented in table no. 2 shows that the company register during the analyzed period losses related to the discharge of the public service of general economic interest to produce, transport, delivery and supply of caloric energy as hot water.



(32) The company has the obligation to submit to A.N.R.E., at the end of each year, the justifying documents for presenting the real costs related to the public service performed in that year and the quantities of heating energy produced and sold in each month. Starting with the input data, the standard methodology is applied to determine the costs for the heating energy production, transport, delivery and supply. Therefore, at the beginning of each financial exercise S.C. CET S.A. Bacau 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.

## **2.5.1 Difference between national reference price and local delivery price of caloric energy**

### **2.5.1.1. THE NATIONAL REFERENCE PRICE**

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

(34) The national reference price is set out in order to achieve an 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 heating energy cost in the budget of an average income family.

(35) The level of the national reference price of the heating energy is set in advance through Government decision, proposed by A.N.R.E., 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. 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. 3** - *Administrative decisions establishing the level of the national reference price for 2001-2004*

	2001	2002	2003	2004
The legal act	Government	Government	- Government	Government

establishing the national reference price	Decision no. 724/26.07.2001	Decision no. 1303/27.12.2001; -Government Decision no. 340/04.04.2002 -Government Decision no. 686/03.07.2002	Decision no. 686/03.07.2002	Decision no. 1155/23.07.2004
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.

**(36)** 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 heating 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 heating energy which were produced and sold in each month of the year.

**(37)** 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.

**(38)** 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 heating 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 heating energy as hot water;
- determining unit costs;
- redistributing of expenses related to own consumptions by activities;
- allocation of financial expenses by regulated services;
- determining total expenses for the regulated services.

### 2.5.1.3. CONCLUSIONS

(39) 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.

(40) 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 G.E.O. 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.

(41) During 2001-2004, the national reference price was lower than the local delivery price for the heating energy settled for S.C. CET S.A. Bacau. In the year 2005 there 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 the amount of ROL 610,439,914 thousand out of which:

- ROL 322,969,946 thousand, subsidy for 2001- June 2004, authorized through Competition Council's decision no. 300/2004;
- ROL 287,469,968 thousand, subsidy for July 2004 - December 2005, which is the object of the present decision.

**Table no. 4** *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	Quantity supplied to the population	Subsidy value
	Gcal	thousand ROL
<b>total year 2001</b>	229,382	11,539,787
<b>total year 2002</b>	208,466	51,016,491

<b>total year 2003</b>	267,257	154,019,877
<b>total year 2004</b>	254,561	175,101,358
<b>total year 2005</b>	280,000	218,762,401
<b>General total</b>	1,239,666	<b>610,439,914</b>

*Source: supplementary information*

The ROL 610,439,914 thousand subsidy covers exclusively the company losses determined by the difference between the national reference price and the local delivery price of the heating energy in relation to the total quantity delivered to the population. The calculation of the subsidy is provided in Table no. 6 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.

### **2.5.2. Costs higher than the local delivery price**

(42) When analyzing the measures of support for S.C. CET S.A. Bacau one must consider that, for the services of production, transport, delivery 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.

(43) The operating cost of the service 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 and of the real production of thermal energy delivered in the respective year.

(44) However, in reality the local delivery price established by A.N.R.E. 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.

(45) The high operating costs of S.C. CET S.A. Bacau 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 heating energy is sold on the local market at a price agreed by A.N.R.E., which is lower than the international average price;
- proposals of price increasing are submitted to local authorities and to A.N.R.E. after the other suppliers have already increased their product prices and until the company gets the A.N.R.E. certifying documents and decision, the company already bears uncovered costs by the tariffs.
- A.N.R.E. agreed technological loss are lower as the real loss which have increased due to the old transport and distribution pipe line networks which require high maintenance costs. Those costs are not always reflected in the reference price estimated by A.N.R.E;
- the population pays a national reference price for the heating 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 heating 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 uncovered.

(46) In Table no. 7 from the Annex, are presented the evolution of the local delivery price for heating energy as hot water and the real costs of production, transport, delivery and supply of it during 2001-2005. As it may be noticed, during analyzed period, most of the times, the operating cost for producing, transport, delivery and supply heating energy in the form of hot water is higher than the local delivery price settled by A.N.R.E., both for the population and for the undertakings.

(47) The differences between the local delivery price and the real cost of production, transport, delivery and supply of heating energy lead to losses from operating the service, losses which are shown in Table no. 5.

Table no. 5 – *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 heating energy as hot water*

PERIOD	QUANTITY DELIVERED		LOSSES CAUSED BY FAILURE TO COVER
	TOTAL	Of which:	

		POPULATION	UNDERTAKINGS	THE REAL COST OF HEATING ENERGY IN FORM OF HOT WATER
	Gcal	Gcal	Gcal	Thousand ROL
<b>TOTAL YEAR 2001</b>	247,833	229,382	18,451	70,966,526
<b>TOTAL YEAR 2002</b>	229,522	208,466	21,056	117,097,593
<b>TOTAL YEAR 2003</b>	293,311	267,257	26,054	59,634,851
<b>TOTAL YEAR 2004</b>	277,411	254,561	22,850	81,287,198
<b>TOTAL YEAR 2005 (forecast)</b>	305,000	280,000	25,000	52,587,360
<b>GENERAL TOTAL</b>	<b>1,357,077</b>	<b>1,239,666</b>	<b>113,411</b>	<b>381,573,528</b>

*Source: supplementary information*

From Table no. 5 it results that the difference between the real cost of the service of general public interest and the local delivery price of heating energy leads to loss of ROL 381,573,528 thousand, related to the activity of performing the public service of production, distribution, delivery and supply of heating energy in form of hot water. We mention that the calculation of these losses is shown in Table no. 8 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 and supply of heating energy separately for population and undertakings.

### 3. ANALYSIS OF THE STATE MEASURE OF SUPPORT

#### 3.1. Object of the decision

(48) 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 489,573,968 thousand. As the objective for granting state guarantees is to co finance the current consumption of the population and undertakings during the cold season, and the subsidies are granted in order to cover the difference between the two regulated prices for the production and supply of heating energy, these financial aids shall be analyzed in the context of meeting the public service of general economic interest by the S.C. CET S.A. Bacau during the period 2001-2005<sup>3</sup>.

<sup>3</sup> The year of 2005 has been considered due to the fact that the loan contracted at the end of 2004 aims to cover expenses incurred by the public service during 2005.

### **3.2. Obligation of service of general economic interest**

(49) 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):**

(50) S.C. CET S.A. Bacau is entrusted with the production, transport, distribution and supply of heating energy for the population, institutions and undertakings, under the A.N.R.E. licenses no. 506/2002, 507/2002 respectively 508/2002. 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 G.E.O. no.162/1999, producers and suppliers of heating energy are under the obligation to sell heating energy to the population at a fixed price which usually is lower than the costs incurred by the discharge of the service (national reference price).

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

**(52)** 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;
- 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.

**(53)** 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.

**(54)** 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.

**(55)** The supply of town heating energy for heating and preparation of hot water for consumption is achieved through the heating energy system of the Municipality of Bacau and is part of the technical infrastructure of the town. The Local Council of Bacau city entrusts to the company the heating system needed for accomplishing services of general economic interest through management contract.



(56) Thus, to summarize, S.C. CET S.A. Bacau 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 Bacau City. Moreover, it is 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. CET S.A. Bacau, by licenses, is entrusted with the discharging of a service of general economic interest.

### **3.4. Condition from point 3.2. b):**

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

(58) 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.

(59) The information submitted to the Competition Council prove the fact that the procedure mentioned at paragraph 58 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):**

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

**(61)** The total financial support from which the company benefits in the period 2001-2005 is in amount to ROL 918,850,841.45 thousand, from which:

- ROL 429,276,873.45 thousand represents state aid authorized through the Competition Council's decision no. 300/2004 designated to deliver the general economic service of production and supply of heating energy, in safety and continuity conditions in the city of Bacau during 2001- June 2004 (see point 2.4.);

- ROL 489,573,968 thousand represents guarantees and subsidies, object of the present decision.

**(62)** According the Table no.6 from Annex, the amount received as subsidies by S.C. CET S.A. Bacau during 2001-2005 are of **ROL 610,439,914** thousand, and covers exclusively the difference between the reference national price and the local delivery price for heating energy.

**(63)** Furthermore, from Tables no. 5, it turns out that during the analyzed period S.C. CET S.A. Bacau registered a loss of ROL 381,573,528 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 of thereof.

**(64)** If the company would have not received subsidies to cover the difference between the reference national price and the local delivery price established by A.N.R.E., then the losses between 2001-2005 would have been of: ROL 610,439,914 thousand + ROL 381,573,528 thousand = ROL 992,013,442 thousand.

**(65)** This loss of ROL 992,013,442 thousand was partially compensated by the state aid authorized through the Decision no. 300/2004, in the amount of ROL 429,276,873.45 thousand. It results that ROL 562,736,568.55 thousand have lost uncovered. Taking into consideration this situation, it can be noticed that the financial support measures, object of the present decision, in the amount of

ROL 489,573,968 thousand, under the form of guarantees and subsidies, does not fully covers the company's losses related to the public service of production, transport, delivery and supply of heating energy; in conclusion, the financial support received by the company does not exceeds the total costs incurred in delivering the public service.

(66) Under these circumstances, it is considered that the financial support subject of the present decision represents only a compensation for the costs related to performing the service of general economic interest of producing, transporting, distributing and delivering heating energy in the town of Bacau.

### **3.6. Condition in 3.2. d):**

(67) Entrusting of public interest service to S.C. CET S.A. Bacau, for heating energy production, transport, delivery and supply, was not achieved by public auction.

(68) The public service of production, transport, delivery and supply of heating energy was entrusted to S.C. CET S.A. Bacau by ANRE license. Thus, in order to establish the compensation level, it is necessary to analyze the costs that another well-run undertaking would have had, in delivering the same service. On the Romanian heating energy market there are acting other producers and suppliers as well (e.g. Termoelectrica, CET Govora, Uzina Electrica Zalau, 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 to 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.

(69) 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. CET S.A. Bacau, 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**

(70) The state aid for S.C. S.C. CET S.A. which is the object of the present decision is granted under the form of subsidies to cover the difference between

the national reference price and the local delivery price during July 2004-December 2005 and under the form of State guarantees for external credits contracted by the company.

(71) The state aid under the form of subsidies, for the period July 2004-December 2005, amounts ROL 287,469,968 thousand. The state aid under the form of guarantees amounts ROL 202,104,000 thousand. In calculating the aid under the form of guarantees it took into consideration the fact that, as the loans are contracted with 100% State guarantee and the company registers losses, for the assessed period, no bank would have granted guarantees for the contracted credits. Thus, 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.

(72) 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.

(73) 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.

(74) 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.

(75) 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.

(76) 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.

(77) 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).

(78) 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. CET S.A. Bacau.

(79) The amount of aid subject of the present decision is ROL 489,573,968 thousand.

#### **4. Compatibility of the State Aid**

(80) 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 delivering 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 delivering a service of general economic interest**

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

- the beneficiary needs to be officially entrusted with delivering a clearly defined service of general economic interest; and

- the compensation should not exceed what is necessary to deliver the service of general economic interest, taking into account the revenues arising from its performance.

(82) S.C. CET S.A. Bacau delivers a service of general economic essential for the population, institutions and undertakings of Bacau city and it is clearly defined by license.

(83) S.C. CET S.A. Bacau is operating according it's A.N.R.E. licenses No. 506/2002 and 508/2002. The licenses in conjunction with the relevant law clearly define the obligations of the service that the company is supposed to deliver. Therefore it can be concluded that S.C. CET S.A. Bacau has been officially entrusted with the public service of general economic interest that it discharges.

(84) In case 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 registers annual losses. Furthermore, the compensation granted to the company does not fully cover all the costs that are currently being incurred by the delivery of the public service of production, transport, delivery and supply of heating energy.

(85) Therefore, one can conclude that the state aid granted to S.C. CET S.A. Bacau 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 Bacau.

(86) 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 consequences for the population and the undertakings from the Bacau City, who would be deprived of the heating energy, especially in the cold season.

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

(87) It needs to be noted that the activity of the company is restricted to a limited geographical area and S.C. CET S.A. Bacau is the only operator. The company is not involved in export activities. Under these circumstances it is considered that the trade with the Member States of the European Union is not unduly affected by the granting of the state aid.

### 4.3 There is no over-compensation

(88) The state aid granted to S.C. CET S.A. Bacau in the form of guarantees for contracting external loans and subsidies for the period July 2004-December 2005 in the amount of ROL 489,573,968 thousand do not represent an over-compensation because, cumulated with other forms of state aid received by the company for the production and supply of heating energy between 2001-2005 (in total amount of ROL 429,276,873.45 thousand), it does not exceed the costs for delivering the service of general economic interest.

(89) Thus, the two conditions mentioned at par. 80, 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.

(90) The total amount of state aid granted to S.C. CET S.A. Bacau subject of the present decision is in the amount of ROL 489,573,968 thousands, out of which ROL 202,104,000 thousand represent state aid under the form of guarantees and ROL 287,469,968 thousand state aid under the form of subsidies for covering the difference between the national reference price and the local delivery price for the heating energy between July 2004- December 2005.

### DECIDES

**Art. 1.** The measures of financial support notified by the Ministry of Public Finances granted to S.C. CET S.A. Bacau constitute state aid for the purposes of Art. 2 of *Law 143/1999 on State aid, with further modifications and completions*.

**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, delivery and supply of 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 amendments and completions*, we authorize the state aid for to S.C. CET S.A. Bacau 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 amendments s and completions*, suppliers shall annually convey to the Competition Council information regarding the state aid granted to S.C. CET S.A. Bacau 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. CET S.A. Bacau** ,. Chimiei Street no. 6, city Bacau

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

**PRESIDENT**

**MIHAI BERINDE**



## ANNEX

Table no. 6 – *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						Gcal	ROL Thousand
Jan-01	298,370						43,365	
Feb-01	298,370						45,754	
Mar-01	298,370						34,900	
Apr-01	298,370						12,700	
May-01	298,370						0	
Jun-01	298,370						0	
Jul-01	298,370						0	
Aug-01	298,370						0	
Sep-01	586,720						0	
Oct-01	586,720		462,185		124,535		2,947	367,005
Nov-01	586,720		462,185		124,535		34,680	4,318,874
Dec-01	586,720		462,185		124,535		55,036	6,853,908
<b>TOTAL YEAR 2001</b>							<b>229,382</b>	<b>11,539,787</b>
Jan-02	604,271		483,193		121,078		45,587	5,519,583
Feb-02	604,271		483,193		121,078		25,891	3,134,830
Mar-02	604,271		483,193		121,078		28,853	3,493,464
Apr-02	604,271		483,193		121,078		16,508	1,998,756

May-02	629,049		504,202		124,847		5,671	708,007
Jun-02	629,049		504,202		124,847		0	0
Jul-02	1,025,800		672,269		353,531		0	0
Aug-02	1,025,800		672,269		353,531		0	0
Sep-02	1,025,800		672,269		353,531		0	0
Oct-02	1,025,800	1,220,702	672,269	800,000	353,531	420,702	11,480	4,829,658
Nov-02	1,025,800	1,220,702	672,269	800,000	353,531	420,702	26,954	11,339,599
Dec-02	1,025,800	1,220,702	672,269	800,000	353,531	420,702	47,522	19,992,595
TOTAL YEAR 2002							208,466	51,016,491
Jan-03	1,025,800	1,220,702	672,269	800,000	353,531	420,702	44,604	18,764,987
Feb-03	1,025,800	1,220,702	672,269	800,000	353,531	420,702	44,448	18,699,358
Mar-03	1,158,500	1,378,615	672,269	800,000	486,231	578,615	41,547	24,039,713
Apr-03	1,158,500	1,378,615	672,269	800,000	486,231	578,615	17,892	10,352,578
May-03	1,158,500	1,378,615	672,269	800,000	486,231	578,615	7,760	4,490,052
Jun-03	1,158,500	1,378,615	672,269	800,000	486,231	578,615	7,363	4,260,341
Jul-03	1,158,500	1,378,615	672,269	800,000	486,231	578,615	5,702	3,299,262
Aug-03	1,158,500	1,378,615	672,269	800,000	486,231	578,615	3,164	1,830,738
Sep-03	1,158,500	1,378,615	672,269	800,000	486,231	578,615	4,473	2,588,144
Oct-03	1,283,600	1,527,484	672,269	800,000	611,331	727,484	16,038	11,667,387
Nov-03	1,283,600	1,527,484	672,269	800,000	611,331	727,484	34,868	25,365,908
Dec-03	1,283,600	1,527,484	672,269	800,000	611,331	727,484	39,398	28,661,410
TOTAL YEAR 2003							267,257	154,019,877
Jan-04	1,283,600	1,527,484	672,269	800,000	611,331	727,484	35,426	25,771,844
Feb-04	1,283,600	1,527,484	672,269	800,000	611,331	727,484	43,801	31,864,522
Mar-04	1,283,600	1,527,484	672,269	800,000	611,331	727,484	34,688	25,234,961
Apr-04	1,283,600	1,527,484	672,269	800,000	611,331	727,484	21,321	15,510,684
May-04	1,283,600	1,527,484	672,269	800,000	611,331	727,484	5,669	4,124,106
Jun-04	1,283,600	1,527,484	672,269	800,000	611,331	727,484	5,344	3,887,674
Jul-04	1,283,600	1,527,484	672,269	800,000	611,331	727,484	3,232	2,351,228
Aug-04	1,283,600	1,527,484	752,941	896,000	530,659	631,484	4,092	2,584,033
Sep-04	1,283,600	1,527,484	752,941	896,000	530,659	631,484	4,279	2,702,120

Oct-04	1,283,600	1,527,484	752,941	896,000	530,659	631,484	10,947	6,912,855
Nov-04	1,283,600	1,527,484	752,941	896,000	530,659	631,484	37,176	23,476,049
Dec-04	1,283,600	1,527,484	752,941	896,000	530,659	631,484	48,586	30,681,282
TOTAL YEAR 2004							254,561	175,101,358
Jan-05	1,409,491	1,677,294	752,941	896,000	656,550	781,294	38,966	30,444,085
Feb-05	1,409,491	1,677,294	752,941	896,000	656,550	781,294	48,178	37,641,320
Mar-05	1,409,491	1,677,294	752,941	896,000	656,550	781,294	38,154	29,809,869
May-05	1,409,491	1,677,294	752,941	896,000	656,550	781,294	23,452	18,322,654
May-05	1,409,491	1,677,294	752,941	896,000	656,550	781,294	6,236	4,871,776
Jun-05	1,409,491	1,677,294	752,941	896,000	656,550	781,294	5,878	4,592,480
Jul-05	1,409,491	1,677,294	752,941	896,000	656,550	781,294	3,555	2,777,488
Aug-05	1,409,491	1,677,294	752,941	896,000	656,550	781,294	4,501	3,516,547
Sep-05	1,409,491	1,677,294	752,941	896,000	656,550	781,294	4,707	3,677,250
Oct-05	1,409,491	1,677,294	752,941	896,000	656,550	781,294	12,041	9,407,537
Nov-05	1,409,491	1,677,294	752,941	896,000	656,550	781,294	40,891	31,947,985
Dec-05	1,409,491	1,677,294	752,941	896,000	656,550	781,294	53,441	41,753,411
TOTAL YEAR 2005							280,000	218,762,401
TOTAL GENERAL							1,239,666	610,439,914

Source: Supplementary information

Table no. 7 – Evolution of local delivery price, of the heating energy cost and of the volume of **hot water** sold by S.C. CET S.A. Bacau

PERIOD	LOCAL DELIVERY PRICE		QUANTITY SUPPLIED			UNIT COST
	POPULATION	UNDERTAKINGSI	TOTAL	Of which:		
				POPULATION	UNDERTAKINGS	
	ROL/Gcal	ROL/Gcal	Gcal	Gcal	Gcal	ROL/Gcal
Jan-01	298,370	309,562	46,334	43,365	2,969	699,568
Feb-01	298,370	309,562	49,185	45,754	3,431	699,568
Mar-01	298,370	309,562	37,155	34,900	2,255	699,568
Apr-01	298,370	309,562	13,796	12,700	1,096	699,568
May-01	298,370	309,562	0	0	0	699,568
Jun-01	298,370	309,562	0	0	0	699,568
Jul-01	298,370	309,562	0	0	0	699,568
Aug-01	298,370	309,562	0	0	0	699,568
Sep-01	586,720	486,302	0	0	0	699,568
Oct-01	586,720	486,302	3,110	2,947	163	699,568
Nov-01	586,720	486,302	37,498	34,680	2,818	699,568
Dec-01	586,720	486,302	60,755	55,036	5,719	699,568
TOTAL YEAR 2001			247,833	229,382	18,451	
Jan-02	604,271	622,511	49,999	45,587	4,412	1,291,871
Feb-02	604,271	622,511	28,833	25,891	2,942	1,291,871
Mar-02	604,271	622,511	31,600	28,853	2,747	1,291,871
Apr-02	604,271	622,511	17,623	16,508	1,115	1,291,871
May-02	629,049	648,219	5,682	5,671	11	1,291,871
Jun-02	629,049	648,219	0	0	0	1,291,871
Jul-02	1,025,800	1,025,800	0	0	0	1,291,871
Aug-02	1,025,800	1,025,800	0	0	0	1,291,871

Sep-02	1,025,800	1,025,800	0	0	0	1,291,871
Oct-02	1,025,800	1,025,800	12,398	11,480	918	1,291,871
Nov-02	1,025,800	1,025,800	29,877	26,954	2,923	1,291,871
Dec-02	1,025,800	1,025,800	53,510	47,522	5,988	1,291,871
TOTAL YEAR 2002			229,522	208,466	21,056	
Jan-03	1,025,800	1,025,800	50,198	44,604	5,594	1,385,351
Feb-03	1,158,500	1,216,000	49,312	44,448	4,864	1,385,351
Mar-03	1,158,500	1,216,000	46,197	41,547	4,650	1,385,351
Apr-03	1,158,500	1,216,000	19,580	17,892	1,688	1,385,351
May-03	1,158,500	1,216,000	8,059	7,760	299	1,385,351
Jun-03	1,158,500	1,216,000	7,556	7,363	193	1,385,351
Jul-03	1,158,500	1,216,000	5,868	5,702	166	1,385,351
Aug-03	1,158,500	1,216,000	3,242	3,164	78	1,385,351
Sep-03	1,158,500	1,216,000	4,668	4,473	195	1,385,351
Oct-03	1,283,600	1,347,000	17,363	16,038	1,325	1,385,351
Nov-03	1,283,600	1,347,000	38,163	34,868	3,295	1,385,351
Dec-03	1,283,600	1,347,000	43,105	39,398	3,707	1,385,351
TOTAL YEAR 2003			293,311	267,257	26,054	
Jan-04	1,283,600	1,347,000	40,085	35,426	4,659	1,581,843
Feb-04	1,283,600	1,347,000	48,227	43,801	4,426	1,581,843
Mar-04	1,283,600	1,347,000	38,475	34,688	3,787	1,581,843
Apr-04	1,283,600	1,347,000	23,357	21,321	2,036	1,581,843
May-04	1,283,600	1,347,000	5,998	5,669	329	1,581,843
Jun-04	1,283,600	1,347,000	5,624	5,344	280	1,581,843
Jul-04	1,283,600	1,347,000	3,413	3,232	181	1,581,843
Aug-04	1,283,600	1,347,000	4,180	4,092	88	1,581,843
Sep-04	1,283,600	1,347,000	4,500	4,279	221	1,581,843
Oct-04	1,283,600	1,347,000	12,083	10,947	1,136	1,581,843
Nov-04	1,283,600	1,347,000	40,883	37,176	3,707	1,581,843
Dec-04	1,283,600	1,347,000	50,586	48,586	2,000	1,581,843
TOTAL YEAR 2004			277,411	254,561	22,850	

Jan-05	1,409,491	1,409,491	44,064	38,966	5,097	1,581,843
Feb-05	1,409,491	1,409,491	53,021	48,178	4,842	1,581,843
Mar-05	1,409,491	1,409,491	42,298	38,154	4,143	1,581,843
May-05	1,409,491	1,409,491	25,679	23,452	2,228	1,581,843
May-05	1,409,491	1,409,491	6,595	6,236	360	1,581,843
Jun-05	1,409,491	1,409,491	6,184	5,878	306	1,581,843
Jul-05	1,409,491	1,409,491	3,753	3,555	198	1,581,843
Aug-05	1,409,491	1,409,491	4,597	4,501	96	1,581,843
Sep-05	1,409,491	1,409,491	4,948	4,707	242	1,581,843
Oct-05	1,409,491	1,409,491	13,284	12,041	1,243	1,581,843
Nov-05	1,409,491	1,409,491	44,947	40,891	4,056	1,581,843
Dec-05	1,409,491	1,409,491	55,630	53,441	2,188	1,581,843
TOTAL YEAR 2005			305,000	280,000	25,000	

*Source: Supplementary information*

Table no. 8 – *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***

PERI OD	DIFFERENCE BETWEEN LOCAL DELIVERY PRICE AND REAL COST		QUANTITY SUPPLIED			LOSSES CAUSED BY FAILURE TO COVER THE COST
	POPULATIO N	UNDERTAKINGS		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	-401,198	-390,006	46,334	43,365	2,969	-18555879
Feb-01	-401,198	-390,006	49,185	45,754	3,431	- 19,694,524
Mar-01	-401,198	-390,006	37,155	34,900	2,255	-14,881,274
Apr-01	-401,198	-390,006	13,796	12,700	1,096	-5,522,661
May-01	-401,198	-390,006	0	0	0	0
Jun-01	-401,198	-390,006	0	0	0	0
Jul-01	-112,848	-213,266	0	0	0	0
Aug-01	-112,848	-213,266	0	0	0	0
Sep-01	-112,848	-213,266	0	0	0	0
Oct-01	-112,848	-213,266	3,110	2,947	163	-367,325
Nov-01	-112,848	-213,266	37,498	34,680	2,818	-4,514,552
Dec-01	-112,848	-213,266	60,755	55,036	5,719	-7,430,371
TOTAL YEAR 2001			247,833	229,382	18,451	-70,966,527
Jan-02	-687,600	-669,360	49,999	45,587	4,412	-34,298,838

Feb-02	-687,600	-669,360	28,833	25,891	2,942	-19,771,909
Mar-02	-687,600	-669,360	31,600	28,853	2,747	-21,678,055
Apr-02	-687,600	-669,360	17,623	16,508	1,115	-12,097,237
May-02	-662,822	-643,652	5,682	5,671	11	-3,765,944
Jun-02	-662,822	-643,652	0	0	0	0
Jul-02	-266,071	-266,071	0	0	0	0
Aug-02	-266,071	-266,071	0	0	0	0
Sep-02	-266,071	-266,071	0	0	0	0
Oct-02	-266,071	-266,071	12,398	11,480	918	-3,298,748
Nov-02	-266,071	-266,071	29,877	26,954	2,923	-7,949,403
Dec-02	-266,071	-266,071	53,510	47,522	5,988	-14,237,459
<b>TOTAL YEAR 2002</b>			<b>229,522</b>	<b>208,466</b>	<b>21,056</b>	<b>-117,097,593</b>
Jan-03	-359,551	-359,551	50,198	44,604	5,594	-18,048,741
Feb-03	-226,851	-169,351	49,312	44,448	4,864	-10,906,797
Mar-03	-226,851	-169,351	46,197	41,547	4,650	-10,212,461
Apr-03	-226,851	-169,351	19,580	17,892	1,688	-4,344,683
May-03	-226,851	-169,351	8,059	7,760	299	-1,811,000
Jun-03	-226,851	-169,351	7,556	7,363	193	-1,702,989
Jul-03	-226,851	-169,351	5,868	5,702	166	-1,321,617
Aug-03	-226,851	-169,351	3,242	3,164	78	-730,966
Sep-03	-226,851	-169,351	4,668	4,473	195	-1,047,728
Oct-03	-101,751	- 38,351	17,363	16,038	1,325	-1,682,698
Nov-03	-101,751	- 38,351	38,163	34,868	3,295	-3,674,220



Dec-03	-101,751	- 38351	43,105	39,398	3,707	-4,150,953
<b>TOTAL YEAR 2003</b>			<b>293,311</b>	<b>267,257</b>	<b>26,054</b>	<b>-59,634,851</b>
Jan.04	-298,243	-234,843	40,085	35,426	4,659	-11,659,690
Feb.04	-298,243	-234,843	48,227	43,801	4,426	-14,102,757
Mar.04	-298,243	-234,843	38,475	34,688	3,787	-11,234,804
Apr.04	-298,243	-234,843	23,357	21,321	2,036	-6,836,979
May.04	-298,243	-234,843	5,998	5,669	329	-1,768,003
Jun.04	-298,243	-234,843	5,624	5,344	280	-1,659,567
Jul-04	-298,243	-234,843	3,413	3,232	181	-1,006,428
Aug-04	-298,243	-234,843	4,180	4,092	88	-1,241,077
Sep-04	-298,243	-234,843	4,500	4,279	221	-1,328,082
Oct-04	-298,243	-234,843	12,083	10,947	1,136	-3,531,648
Nov-04	-298,243	-234,843	40,883	37,176	3,707	-11,958,045
Dec-04	-298,243	-234,843	50,586	48,586	2,000	-14,960,120
<b>TOTAL YEAR 2004</b>			<b>277,411</b>	<b>254,561</b>	<b>22,850</b>	<b>-81,287,199</b>
Jan-05	-172,352	-172,352	44,064	38,966	5,097	-7,594,449
Feb-05	-172,352	-172,352	53,021	48,178	4,842	-9,138,208
Mar-05	-172,352	-172,352	42,298	38,154	4,143	-7,290,110
May-05	-172,352	-172,352	25,679	23,452	2,228	-4,425,868
May-05	-172,352	-172,352	6,595	6,236	360	-1,136,743
Jun-05	-172,352	-172,352	6,184	5,878	306	-1,065,891
Jul-05	-172,352	-172,352	3,753	3,555	198	-646,839
Aug-05	-172,352	-172,352	4,597	4,501	96	-792,338
Sep-05	-172,352	-172,352	4,948	4,707	242	-852,868
Oct-05	-172,352	-172,352	13,284	12,041	1,243	-2,289,499
Nov-05	-172,352	-172,352	44,947	40,891	4,056	-7,746,688
Dec-05	-172,352	-172,352	55,630	53,441	2,188	-9,587,859
<b>TOTAL YEAR</b>			<b>305,000</b>	<b>280,000</b>	<b>25,000</b>	<b>-52,587,360</b>

2005						
<b>GENERAL TOTAL</b>			<b>1,357,077</b>	<b>1,239,666</b>	<b>113,411</b>	<b>-381,573,528</b>

*Source: Supplementary information*