

MEMORANDUM

Between

NATSIONALNA ELEKTRICHESKA KOMPANIA EAD
5, Vesletz Str., Sofia 1040, Bulgaria
(hereinafter "NEK EAD"),

and

TRANSELECTRICA - S.A.
33 Gen. Gh. Magheru Blvd, Bucharest, Romania
(hereinafter "TRANSELECTRICA")

for the period January 1st, 2006 - December 31st, 2006
(both of which are hereinafter referred to as the "parties")

Whereas

- a. NEK in its role of Transmission System Operator (TSO) is responsible for the operation, maintenance and development of the Bulgarian transmission system and its interconnections with other systems in order to guarantee the security of supply at the standard level.
- b. TRANSELECTRICA is the Transmission System Operator (TSO) responsible for the operation, maintenance and development of the Romanian transmission system and its interconnections with other systems in order to guarantee the security of supply at the standard level.
- c. NEK and TRANSELECTRICA agree to apply the ETSO and the UCTE rules and recommendations for cross-border power exchanges. NEK and TRANSELECTRICA observe the European "Regulation (EC) No. 1228/2003 of the European Parliament and of the Council of 26 June 2003 on the Conditions for Access to the Network for Cross-Border Exchanges of Electricity".
- d. NEK and TRANSELECTRICA provide common evaluation of the available transfer capacity between the power systems of Bulgaria and Romania.

The parties to this Memorandum agree to the following:

- The transfer capacity between the power systems of Bulgaria and Romania for commercial contracting for the period January 1, 2006 (0:00 h CET) - December 31, 2006 (24:00 h CET) shall be evaluated on yearly and monthly basis. The yearly NTC value means the maximum Network Transmission Capacity, which is guaranteed by NEK and TRANSELECTRICA all over the year independently of the network maintenance program. The yearly NTC values shall

be evaluated by NEK EAD and TRANSELECTRICA according to ETSO and UCTE methodologies taking into account the most unfavourable maintenance program period of the year. Both parties agreed that the guaranteed NTC values for 2006 shall be 150 MW in both directions.

- The monthly NTC values shall be calculated based on the actual operational conditions of the electrical power systems. According to the maintenance program of the transmission network of each party, the monthly period could be divided into few sub-periods and the NTC values will be defined for each sub-period. The parties will try to minimize the number of the sub-periods.

The monthly ATC values shall be evaluated by NEK and TRANSELECTRICA by the 5th calendar day of the previous month and shall apply from the first calendar day of the month (0:00 h CET) till the last day of the month (24:00 h CET).

- The timetable for ATC evaluation and harmonization that will apply is presented in Appendix 1.
- The proposed methodology for ATC evaluation is presented in Appendix 2. The parties will study and compare the results obtained by it to the results of the methodologies applicable by now and will decide about its future implementation by the end of January 2006.
- In case of results discrepancies, the lower value is in force.
- The ATC values in both directions shall be divided in equal shares (50%/50%) between NEK and TRANSELECTRICA.
- NEK will allocate its quota of ATC among the market participants under consideration of the Bulgarian laws and rules and TRANSELECTRICA will allocate its quota of ATC among the market participants under consideration of the Romanian laws and rules.
- In addition to the ATC quotas each TSO may apply "netting" when:
 - One and the same trader has transactions in both directions summarizing per hour to zero, or
 - Several traders have transactions in both directions summarizing per hour to zero.
- The TSO applying "netting" shall be responsible for matching the relevant schedules.
- The parties are obliged to inform each other on the results of ATC allocation or changes in capacity use not later than five working days before the beginning of the new capacity right use. Reserved capacity use right

transfer or changes in capacity use can be made only for a whole calendar week. Only contact persons listed in Appendix 3 can sign the information exchange document.

- NEK and TRANSELECTRICA will notify each other about the allocated ATC values among the market participants and about the supplying-receiving partners at both sides of the Bulgarian-Romanian border.
- The parties agree to inform each other immediately about any unplanned disconnection of transmission-components in their own grid, provided that these disconnections have an essential impact on the grid of the other party.
- When after the ATC allocation significant changes occur in the network topology, which cause transmission constraints, the security of the grid operation will be checked through the DACF model. If the operational conditions do not meet the security criteria, power redispatch will be provided or each TSO will reduce the schedule in accordance with its own rules.
- TRANSELECTRICA and NEK shall fully accept the result of the individual allocation procedures held by the other party and shall carry out the transmission services according to the respective allocation results in compliance with the legal requirements of grid access, possible electricity import restrictions and applicable market rules.
- The actual version of Bulgarian Rules for capacity allocation shall be published on the website of NEK - www.nek.bg.
- The actual version of Romanian Rules for capacity allocation shall be published on the website of TRANSELECTRICA - www.transelectrica.ro or www.ope.ro.
- NEK and TRANSELECTRICA shall cooperate in investigation of the possibility for applying a common auction method for the next years in line with European regulation No. 1228/2003 and its guidelines. Parties intend to discuss the possibility of having daily capacity auctions and to discuss the possibility to integrate the results of daily auctions.
- The organisational procedure between NEK and TRANSELECTRICA related to the scheduling and accounting activities shall be in conformity with the Policy 2 "Scheduling and Accounting" of the UCTE "Operational Handbook". The contact persons and parties for the scheduling and accounting are listed in Appendix 3. The parties agree to inform each other in advance about all changes in the list.

- The provisions of this Memorandum could be amended by mutual agreement of the parties in order to follow any changes of their respective legislation.

Signed in Sofia on October 31, 2005

For NEK-EAD:

For TRANSELECTRICA:

Angel Sotirov
Manager of NDC

Bogdan Popescu-Vifor
Director