

THE MINISTRY OF ENERGY

THE CONTROL BODY OF THE MINISTRY OF ENERGY

NO.270.270/CCM/11.12.2018

APPROVE

THE MINISTRY OF ENERGY

Anton ANTON

S.s. Illegible

### INFORMATION NOTE

**on the verification of the aspects notified by Note no.210023/31.05.2018 of the General Directorate for Privatization and Management of the State Participations in Energy, referring to the company CONPET SA Ploiești**

Based on Art.5, Letter a of the Government Decision no.980/2015 with regards to the organization and functioning of the Ministry of Energy, ulterior amendments and completions,

Based on Order no.440/25.05.2017 for the approval of the control Procedure of the activity carried out by the central structures and the structures falling under the authority of the Ministry of Energy, considering the attributions provided in the Organization and Functioning Rules of the Minister, as well as the control Order no.270141/CCM/08.06.2018, the control team made up of Cristian Valentin-Anghel, Sorin Bogdănescu and Răzvan Ispas, advisors of the Control Body, have conducted an audit at the company CONPET SA Ploiești, with the following objectives as thematic:

1. The verification of the aspects presented in Note no.210023/31.05.2018 of the General Directorate for Privatization and Management of the State Participations in Energy;
2. Checking the observance of the legal provisions and the internal norms with regards to the organization and functioning of the company and the comparative analysis of the economic-financial results thereof;
3. Checking the manner of organization and carry out of the procurement activity;
4. Other aspects considered relevant by the control team.

As per the Order no.270226/CCM/10.10.2018 of the Ministry of Energy, the control team mentioned above has been changed, by replacement of Mr. Cristian-Valentin Anghel and Mr. Sorin Bogdănescu, with Mrs. Mirela Tăutu and Mr. Iustin Furdui, advisors of the Control Body.

This information note was drafted following the verification of the objective no.1 referring to the aspects revealed in Note no.210023/31.05.2018 of the General Directorate for Privatization and Management of the State Participations in Energy; for the others objectives a new control report is to be drafted.

Through Note no.210023/31.05.2018 are being presented aspects from the Ordinary General Meeting of shareholders of the Company CONPET S.A. Ploiești, related

to the existence of several disputes between Mrs. Manuela-Petronela OLTEANU STAN and a part of the minority shareholders, ex-members of the Board of Administration, with regards to item 2 on the Agenda, namely “the approval of the financial statements for the year ended at 31.12.2017.” These disputes have been generated by the manner of interpretation related to the achievement of one of the performance indicators of the administrators that exercised this capacity in 2017, particularly “the decrease of the number of technical breakdowns”. These disputes generated doubts in relation to the manner of achievement of this indicator.

At the same time, one of the former administrators has also invoked the failure to establish a risk provision for the situation when the former administrators would win in court the litigation related to the failure to pay the rights due for the achievement of the performance indicators.

For the verification of the aspects signaled by way of the above-mentioned note, the control team traveled to CONPET headquarters, the company’s representatives presenting documents thereto.

## **FINDINGS**

According to the Note of General Directorate for Privatization and Management of the State Participations in Energy, drafted following the analysis of the protocol of the Ordinary General Meeting of Shareholders carried out on April 26, 2018 there have been identified inconsistencies related to the manner of interpretation with regards to the achievement of one of the performance indicators of the administrators in 2017, particularly the decrease of the total number of technical breakdowns”.

At the same time, it is being specified that, from the materials that set the grounds for the issuance of the mandate and special empowerment for the representative of the Ministry of Energy in the Ordinary General Meeting of Shareholders, published on the company’s site, there result the achievement of this performance indicator in ratio of 100%, namely the production of a number of 29 technical breakdowns in 2017, whereas, based on the discussions held in the general meeting, has resulted a number 44 technical breakdowns, aspect leading to the failure to achieve the performance indicator.

The control team has required, in first stage, the presentation of the internal procedures related to the breakdowns drafted inside the company CONPET S.A., namely the description of the types of breakdowns, of the manner of notification and remedy thereof.

Therefore, the internal procedures of CONPET S.A. that regulate the activity and the collaboration with the authorities in case of occurrence of several breakdowns are the followings:

- the communication in terms of environment, health and occupational security, code SP-MI-08 Ed, 7 Rev.1;
- the communication of the provoked breakdowns, code OP-60-08, Ed.2, Rev.2;
- the common mode of action in case of technical and provoked breakdowns registered in the National Transport System via Pipelines. (Rom. SNTC)

In these procedures are being defined two types of breakdowns, as follows: the provoked breakdown, which represents the action of destruction of the pipelines or the installations related to the National Transport System administered by CONPET SA and

the technical breakdown representing the event due to which the operation process of the National Transport System operated by CONPET S.A. no longer functions properly, following shortcoming or technical deterioration. It was specified that the Order no.256/2014 of the Ministry of Environment, at Art.3, Item 5, defines the breakdown as follows: “Breakdown/incident – event that does not generate major consequences on the population health and/or on the environment, but has the potential to produce a major accident, event affecting the functioning/normal operation of an installation/activity causing random air pollutant emissions in the environment”.

As per the procedures, following the identification of the breakdown, a breakdown sheet is being drawn-up, comprising the following elements: the technical breakdown or criminal behavior, identification of the pipeline, the place of breakdown, the manner to deliver guard services to the pipeline, the breakdown notification, receipt of information, mobilization and intervention CONPET S.A, the intervention team, the firms involved in remediation, the breakdown description, the solving method, the operations performed in view of defect remediation, the insulation recovery technology, the consequences on the environment, product losses, restore to operation under normal parameters, the documents concluded with the Police or the control bodies, the map out of the affected area, as well as other observations of the operator. All these stages are being followed by the preparation of the statement of findings concluded between a company’s representative and a representative of the Gendarmerie or the Police.

Concurrently, it was revealed that, in case of production of a breakdown on the crude oil, condensate and rich gas National Transport System via pipelines, CONPET personnel is ready to perform a series of actions for the remediation of the respective breakdown, mitigation of the impact on the environment and rapidly restore to operation the damaged pipeline, all these actions starting with the notification of the breakdown by the persons noticing the occurrence of such an event.

The notification of the breakdown, that can be made by CONPET personnel with attributions in network checking, the persons within the gendarmerie or the persons who identify it, is a regulated process, as per Annex 2 of the Procedure “Communication in environment, health and occupational safety domain” and includes 2 stages: internal communication incurring the circulation of the information between the entities of the organization involved at different level inside thereof (hierarchically up to the Director General) and the external announcement, meaning the circulation of information to competent authorities on environmental Protection, Urban Management Service (Ro. SGU), Emergency Situations Inspectorate (Ro. ISU), County Gendarmerie and Police Inspectorates.

As per the procedures, and according to the legal bindings, on the production of a breakdown are being notified the environmental protection authorities, the territorial Gendarmerie Inspectorate and the local Police post. After the telephonic notification, the intervention teams organized at the level of each operation sector intervene for the actual remediation of the breakdown.

After the remediation of the breakdown, the head of the sector where the breakdown took place completes the “breakdown sheet”, which he submits as certified true copy to the Production Management Department and, after the remediation thereof, under the coordination of the Central Dispatch, the respective pipeline is being restored to operation, resuming the established program. Further on, the Transport Operations Directorate, by

way of a “Monthly activity report”, centralizes the breakdowns and the related remedy expenses and, following centralization, the report is being submitted to the Controlling and Budgeting Department in order to be integrated in the monthly report addressed to the Board of Administration.

Along the verified period, the company CONPET S.A. was managed by the following non-executive administrators:

Radu BUGICĂ – administration contract no.12516/04.04.2014, Cristiana CHIRIAC – administration contract 12501/04.04.2014, Roxana GHEORGHE- administration contract 12520/04.04.2014, Dragoș-Lucian DIMA – administration contract 12524/04.04.2014 replaced starting 17.12.2015 with Răzvan Ștefan LEFER – administration contract 6523/17.12.2015, Darius Dumitru MEȘCA – administration contract 15503/04.04.2014, Dan WEILER – administration contract 12497/04.04.2016 and Liviu ILAȘI the mandate Contract no.1 from 06.12.2013, to whom, by Decision no.17/06.12.2013 of the Board of Administration have been delegated the attributions of administration, organization, representation and management of the company’s business, being empowered to represent the company in relation with third parties and adopt all the measures necessary to the management thereof.

The administration plan for the period 2013-2017 was elaborated by the members of the board of administration made up of:

1. Dan WEILER
2. Liviu ILAȘI
3. Cristiana CHIRIAC
4. Roxana Elena GHEORGHE
5. Dragoș-Lucian DINU
6. Dumitru-Darius MEȘCA
7. Radu BUGICĂ.

Within this administration plan have been proposed the performance criteria and indicators for the period 2014-2017.

One of the performance objectives/indicators is the decrease of the total number of technical breakdowns and the performance objective is the reduction of the number of technical breakdowns in average by 4% per year as compared to the level of 116 breakdowns registered in 2013.

The share thereof represents 10% of the total indicators, the reporting interval is annual and the measuring unit is % YoY.

The administration plan for the period 2014-2017 was submitted to analysis of the Ordinary General Meeting of Shareholders SC CONPET SA, being approved by Decision no.3/27.03.2014.

The calculation grounds to which the performance indicator relates with regards to the decrease of the total number of technical breakdowns has been four times successively amended determined by the total number of breakdowns produced during the year it relates to, as follows:

By Decision no.5/02.09.2014 of the Ordinary General Meeting of Shareholders has been approved the income and expenses budget on the year 2014 and has been approved the amendment of Annex 1 related to the administration Plan in what concerns the performance indicator which refers to the number of technical breakdowns. The amendment refers to the number of technical breakdowns considered in view of setting the achievement of the performance indicator. Consequently, there have been established, for 2014, a number of 111 breakdowns, for the year 2015 a number of 107 breakdowns, for the year 2016 a number of 103 breakdowns and for the year 2017 a number of 99 breakdowns.

By Decision no.3/10.06.2015 of the Ordinary General Meeting of Shareholders was approved the income and expenditure budget for the year 2015 and has been approved the amendment of Annex 1 related to the administration Plan in what concerns the performance indicator which refers to the number of technical breakdowns.

The amendment refers to the number of technical breakdowns considered in view of setting the achievement of the performance indicator. Therefore, in 2014 a number of 79 breakdowns occurred, fact that has triggered the settlement, for the year 2015 of a number of 76 breakdowns, for the year 2016 a number of 73 breakdowns and for the year 2017 a number of 70 breakdowns.

By Decision no.1/17.03.2016 of the Ordinary General Meeting of Shareholders has been approved the income and expenditure budget for the year 2016, being approved the amendment of annex 1 related to the administration Plan in what concerns the performance indicator referring to the number of technical breakdowns. The amendment refers to the number of technical breakdowns considered when setting the achievement of the performance indicator. Therefore, in 2015 a number of 56 breakdowns occurred, fact that has triggered the settlement, for the year 2016 of a number of 54 breakdowns, and for the year 2017 a number of 52 breakdowns.

By Decision no.1/07.07.2017 of the Ordinary General Meeting of Shareholders has been approved the income and expenditure budget for the year 2017, being approved the amendment of annex 1 related to the administration Plan in what concerns the performance indicator referring to the number of technical breakdowns. The amendment refers to the number of technical breakdowns considered when setting the achievement of the performance indicator. Therefore, in 2016 a number of 30 breakdowns occurred, fact that has triggered the settlement for the year 2017 of a number of 29 breakdowns.

The administration contracts of the non-executive members and the Director General have been amended by way of addenda according to the above-mentioned OGMS Decisions.

The statement of the breakdowns in 2017, as per the documents made available to the control team by CONPET SA reveals the followings:

- 44 technical breakdowns, due to pipelines corrosion,
- 11 provoked breakdowns;
- 5 technical breakdowns that have occurred following the performance of operations of inline inspection of the transport pipelines (intelligent pigging).

Out of the verifications performed, the control team has found that the five breakdowns produced during the carry out of the intelligent pigging have not been considered usual technical breakdowns/provoked, resulting from the company's current business, the named breakdowns being the result of the transport pipelines inline inspection operations.

For the substantiation of this classification it is being specified that the maintenance of transport pipelines is an operation necessary to the good performance of the business. In this respect has been drafted the Report no.4715/21.11.2017 of the Transport Operations Unit – Production Management Department, by which has been proposed to the Board of Administration that these breakdowns should not be ranged in the category of usual technical/provoked breakdowns and they should not be reported for the calculation of the performance indicator of the administrators “the decrease of the total number of technical breakdowns” and by way of decision no.17/27.11.2017 it has approved this report.

At the same time, out of the analysis of the reporting manner of the technical breakdowns produced by Quarter I 2017, the control team has acknowledged that they have been individually emphasized, therefore totalizing a number of 12 technical breakdowns, as follows:

- in January 2017 have been registered and reported 3 breakdowns produced on different pipelines and different areas;
- in February 2017 have been registered and reported 4 breakdowns produced on different pipelines and different areas;
- in March 2017 have been registered 5 breakdowns and reported 4 breakdowns, the 5th being reported in April, 2017.

By the internal Memo 3486/30.01.2018 drafted at the level of the Production Management System endorsed by the director of the Transport Operations Unit, the monthly report on the production activity for December has been submitted to the Economic Directorate, added to the year 2017. At item 1.5 of this report have been reported cumulatively in 2017 a total general of 40 breakdowns (technical and provoked). Along with this note was also submitted the statement of the costs registered following the breakdowns produced in 2017 where are to be found the costs related to a total number of 45 breakdowns, out of which 29 technical breakdowns, 11 provoked breakdowns and 5 breakdowns produced following the performance of transport pipelines inline inspection operations (intelligent pigging).

Subsequently, the same department, respectively the Production Management Department, drafts the Internal Memo no.10617/19.03.2018 endorsed by the director of the Transport Operations Unit, by which it is communicated to the Economic Directorate the fact that item 1.5 “registered breakdowns” submitted along with the Internal Memo 3486/30.01.2018 has been redone in what concerns the change of the number of breakdowns produced during 2017, resulting a total number of 60 breakdowns, out of which 44 technical

breakdowns, 5 breakdowns produced following the performance of transport pipelines inline inspection operations (intelligent pigging), and 11 provoked breakdowns.

The control team, out of the analysis of the Memo no.3486/30.01.2018 of the Production Management Department – Transport Operations Unit including the monthly Report on the production activity for the month of April and cumulated 2017, has acknowledged the followings:

At **position 1** of the summary table are being included two technical breakdowns cumulated in a single breakdown (marked 1.1, 1.2), although they occurred on 26.01.2017 and 07.07.2017 on the pipeline Constanța-Petromidia, Constanta County, having different costs – 4,170.49 RON, respectively 2,747.10 RON, as follows:

- The breakdown sheet no.1/26.01.2017 to the pipeline with the indicative 24” – Y003-013-24-40. According to the findings Statement no.3525/30.01.2017 signed also by the representative of the MU 04060 Constanta, have been performed verification works of the 24” pipeline following the occurrence of a crude oil contamination spot on a surface of 2 sqm.
- Breakdown sheet no.16/07.07.2017 to the pipeline with indicative 24” – Y003-013-24-40. The flaw is corrosion on the inferior generator of the pipeline 24” with a corrosion crater of about 18 mm in the area of Lumina locality milepost 48 cathodic protection - Control bodies involved in the ascertainment procedure: The Environment Protection Agency (RO APM), The Gendarmerie Inspectorate (RO IJJ), The National Environment Guard – Teleorman County Commissariat (RO GNM – CJT).

At **item 5** from the summary table are registered four technical breakdowns cumulated into a single breakdown (marked 5.1, 5.2, 5.3, 5.4) although they occurred on 09.02.2017, 09.05.2017, 10.05.2017 and 12.05.2017 on the pipeline Baraganu – Calareti, Calarasi County. At the same time, different costs are reported, namely 3,256.57 RON, 4,492.91 RON, 6,220.18 RON and 2,663.18 RON, as follows:

- Breakdown sheet no.2/09.02.2017 to the pipeline with indicative Y-007-009-24-89. According to the findings statement no. 6607/17.02.2017, the pipeline has been uncovered over an area of about 24 square meters, after that a metal patch of 250x250 mm was welded over the pierced corrosion. The location of the breakdown is 50 m in front of the concrete road silo from Dragalina locality. Control bodies involved in the ascertainment procedure: GNM – CJT.
- Breakdown sheet no.8/09.05.2017 to the pipeline with indicative Y-007-009-24-89. The flaw is corrosion of the pipeline wall on the inferior generator - corrosion crater pierced by about 2 mm. The location of the breakdown is 40 m from milepost 12 after crossing the Bucharest – Constanta railway, Dragos Voda area. Control bodies involved in the ascertainment: GNM – CJT.
- Breakdown sheet no. 10/10.05.2017 to the pipeline with indicative Y-007-009-24-89. The flaw is corrosion of the pipeline wall on the inferior generator - corrosion crater pierced by about 2 mm. Location of the breakdown: Dragalina area, Biochen silo, about 220 m upstream of the concrete road – section T3 of CR. Control bodies involved in the ascertainment: GNM – CJT.
- Breakdown sheet no. 12/12.05.2017 to the pipeline with indicative Y-007-009-24-89. The pipeline has been uncovered and a corrosion pierced on the 2 mm inferior generator was

found. Location of the breakdown is at about 25 m from B12 to Baraganu, Ivanesti locality, Dragos Voda. Control bodies involved in the ascertainment: GNM – CJT.

At **item 8** from the summary table are recorded three technical breakdowns cumulated into a single breakdown (marked 8.1, 8.2, 8.3), although they occurred on 22.02.2017, 22.03.2017 and 13.04.2017 at Urziceni – Albesti pipeline 5/8, Armenesti locality, Ialomita county. Also, different costs are reported, respectively, 4,503 RON, 2,233 RON and 3,345 RON as follows:

- Breakdown sheet no. 052402/22.02.2017 to the pipeline with indicative D-080-090a-6-47. According to the findings statement no. 7195/22.02.2017 on the inferior side of the pipeline  $\varnothing$  6 was discovered a corrosion on the exterior side of the  $\varnothing$ 5 mm pipeline generating crude oil leaking. Location of the breakdown – agricultural field area between Motel 4+1 and Jilavele parking lot. Control bodies involved in the ascertainment: Ialomita National Environment Guard and Ialomita Gendarmerie Inspectorate.
- Breakdown sheet no. 052404/22.03.2017 to the pipeline with indicative D-080-090a-6-47. It was discovered a corrosion of  $\varnothing$  1 mm. Location of the breakdown - agricultural field between Motel 4+1 and Jilavele parking lot, Armenesti locality, Ialomita. Control bodies involved in the ascertainment: GNM Ialomita and IJJ Ialomita.
- Breakdown sheet no. 052405/13.04.2017 to the pipeline with indicative D-080-090a-6-47. It was discovered a corrosion on the exterior side of the pipeline of  $\varnothing$  5 mm. Location of the breakdown - agricultural field between Motel 4+1 and Jilavele parking lot, Armenesti locality, Ialomita. Control bodies involved in the ascertainment: GNM Ialomita, Ialomita Water Management Service (RO SGA) and IJJ Ialomita.

At **item 9** from the summary table are submitted two technical breakdowns cumulated into one breakdown (marked 9.1, 9.2), although they occurred on 23.02.2017, 04.06.2017 to the pipeline Cartojani – Ploiesti. Also, different costs are reported, respectively, 34,068.70 RON and 2,434.98 RON, as follows:

- Breakdown sheet no.1/23.02.2017 at the pipeline with indicative D-040-055b-12-33. According to the findings statement no. 10027/13.03.2017 a corrosion in 8 cm diameter was discovered, provided with an orifice of 8 mm in diameter by which was leaking crude oil, on the right sided inferior generator of the pipeline. Location of the breakdown – Crevedia Mica village, Islaz at about 500 m distance from the overcrossing of Neajlov stream, right bank. Control bodies involved in the ascertainment: GNM – CJT Giurgiu, APM and IJJ Giurgiu.
- Breakdown sheet no. 4/04.06.2017 to the pipeline with indicative D-040-055b-12-33. According to the findings statement no.25398/26.06.2017 it was discovered a corrosion having inside an orifice of approximately 1 mm in diameter by which was leaking crude oil, on the left side of the pipeline. Location of the breakdown – Islaz, Crevedia Mare. Control bodies involved in the ascertainment: GNM – CJT Giurgiu, APM, Roata de Jos Fireman Team Giurgiu and IJJ Giurgiu.



At **item 15** from the summary table are recorded two technical breakdowns cumulated into a single breakdown (marked 15.1, 15.2), although they occurred on 04.04.2017 and 23.04.2017 at the Calareti – Ploiesti pipeline, Livedea locality, Ialomita county. Also, different costs are reported, respectively, 5,306 RON and 22,396 RON, as follows:

- Breakdown sheet no. 2/04.04.2017 to the pipeline with indicative Y-009-017-24-58. Description of the breakdown – oil product contamination spot on agricultural arable land – infestation approximately 70 sqm. Location of the breakdown Livedea locality 1,2 km to DN 2 Bucuresti – Urziceni. Control bodies involved in the ascertainment: GNM – CJT Ialomita.
- Breakdown sheet no. 7/23.04.2017 to the pipeline with indicative Y-009-017-24-58. Description of the breakdown – oil product contamination spot on agricultural arable land – infestation approximately 500 sqm.
- Location of the breakdown Livedea locality 1,2 km to DN 2 Bucuresti – Urziceni. Control bodies involved in the ascertainment: GNM – CJT Ialomita, APM Ialomita.

At **item 16** from the summary table are recorded four technical breakdowns cumulated into one breakdown (marked 16.1, 16.2, 16.3 and 16.4) although they occurred on 05.04.2017, 05.05.2017, 09.05.2017 and 12.05.2017 at pipeline Baraganu – Calareti, Calarasi county. Also, different costs are reported, respectively 3,209.64 RON, 2,501.14, 1,507.2 and 6,362.69, as follows:

- Breakdown sheet no. 4/05.04.2017 to the pipeline with indicative Y-007-009-24-89. Description of the breakdown – corrosion of the pipeline wall on the inferior generator – of a corrosion crater pierced of about 5 mm. Location of the breakdown – 20 m from the potential milepost 12, section CR 15 Ivanesti Calarasi. Control bodies involved in the ascertainment: GNM – CJT Calarasi.
- Breakdown sheet no. 6/05.05.2017 to the pipeline with indicative Y-007-009-24-89. Description of the breakdown – corrosion pierced on the inferior generator. A piece of steel of 300x250 mm was welded for the remedy of the corroded area. Location of breakdown – 200 m from the rail crossing Bucuresti Constanta, section RK T5 Ivanesti Calarasi locality. Control bodies involved in the ascertainment: GNM – CJT Calarasi.
- Breakdown sheet no. 8/09.05.2017 to the pipeline with indicative Y-007-009-24-89. Description of the breakdown – a corrosion of the pipeline wall on the inferior generator, with a pierced crater of about 2 mm. A piece of steel of 150x150 mm was welded for the remedy of the corroded area. Location of the breakdown – Dragos – Voda area at about 40 m to milepost 12. Control bodies involved in the ascertainment: GNM – CJT Calarasi.
- Breakdown sheet no. 12/12.05.2017 to the pipeline with indicative Y-007-009-24-89. Description of the breakdown - a corrosion of the pipeline wall on the inferior generator of about 2 mm. A piece of steel of 100x100 mm was welded for the remedy of the corroded area. Location of the breakdown – approximately 25 m to B 12 towards Baraganu, Ivanesti locality, Dragos – Voda area. Control bodies involved in the ascertainment: GNM – CJT Calarasi.

At **item 17** from the summary table are recorded three technical breakdowns cumulated into one breakdown (marked 17.1, 17.2, 17.3), although they occurred on 11.04.2017, 12.04.2017,

13.04.2017 at Calareti – Ploiesti pipeline, Livedea locality, Ialomita county. Also, different costs are reported, respectively 4,751 RON, 7,123 RON, 4,339 RON, as follows:

- Breakdown sheet no. 3/07.04.2017 to the pipeline with indicative Y-009-017-24-58. Description of the breakdown – oil product contamination spot on 50 sqm surface of agricultural land cultivated with rice. Location of the breakdown – Nuci locality at approximately 1 km from DJ 101B Nuci – Lipia to Calareti. Control bodies involved in the ascertainment: GNM – CJT Ilfov.
- Breakdown sheet no. 4/12.04.2017 to the pipeline with indicative Y-009-017-24-58. Description of the breakdown – oil product contamination spot 17 sqm communal pasture. Location of the breakdown – Nuci locality, approximately 1,5 km to DJ 101B Nuci – Lipia to Ploiesti. Control bodies involved in the ascertainment: GNM – CJT Ilfov.
- Breakdown sheet no.5/13.04.2017 to the pipeline with indicative Y-009-017-24-58. Description of the breakdown – oil product contamination spot 5 sqm surface in corn crop. Location of the breakdown – Nuci locality at approximately 1,5 km to A3 Bucuresti – Ploiesti to Calareti. Control bodies involved in the ascertainment: GNM – CJT Ilfov.

At **item 20** from the summary table are recorded two technical breakdowns cumulated into one breakdown (marked 20.1, 20.2), although they occurred on 09.05.2017, 12.05.2017 at Baraganu – Calareti pipeline, Calarasi county. Also, different costs are reported, respectively 3,463.52 RON and 1,594.90 RON, as follows:

- Breakdown sheet no. 9/09.05.2017 to the pipeline with indicative Y-007-009-24-89. Description of the breakdown – corrosion of the pipeline wall on the inferior generator, a corrosion crater pierced of about 2 mm. Location of the breakdown Dragos Voda area approximately 200 m to B14 Baraganu, Ivanesti locality, Dragos Voda. Control bodies involved in the ascertainment: GNM – CJT.
- Breakdown sheet no. 13/12.05.2017 to the pipeline with indicative Y-007-009-24-89. Description of the breakdown – corrosion pierced on the inferior generator of about 2 mm. Location of the breakdown Dragos Voda at approximately 30 m after the drainage channel, (Ivanesti) Dragos Voda locality, Calarasi county. Control bodies involved in the ascertainment: GNM – CJT.

At **item 21** from the summary table are recorded two technical breakdowns cumulated into one breakdown (marked 21.1, 21.2), although they occurred on 11.05.2017, 26.08.2017 at Urlati - Ploiesti pipeline, Prahova county. Also, different costs are reported, respectively 1,433.90 RON and 3,704.23 RON, as follows:

- Breakdown sheet no. 052406/11.05.2017 to the pipeline with indicative D-071-090b-6-8. Description of the breakdown - corrosion of  $\varnothing$  1 mm situated on the inferior generator. Location of the breakdown – approximately 30 m downstream from Petrom warehouse Orzoaia de Jos, parallel with concrete road scaffold Urlati, Prahova county. Control bodies involved in the ascertainment: GNM Prahova, APM and IJJ Prahova.
- Breakdown sheet no. 052408/26.08.2017 to the pipeline with indicative D-071-090b-6-8. Description of the breakdown - corrosion of  $\varnothing$  3 mm situated on the inferior generator.

Location of the breakdown –Orzoaia de Jos on rocky road, Urlati, Prahova county. Control bodies involved in the ascertainment: GNM Prahova, APM and IJJ Prahova.

**Following the verification of the list containing the 44 technical failures, it was found that in 20 items are recorded 20 breakdowns individually reported, and in 9 positions have been cumulated 24 technical breakdowns.**

As shown, at the date of signing the management contracts, the indicator “decrease in the total number of technical breakdowns” is as follows:

Reference year 2013	Year 2014 (n+1)		Year 2015 (n+2)		Year 2016 (n+3)		Year 2017 (n+4)	
	estimated	achieved	estimated	achieved	estimated	achieved	estimated	achieved
<b>116</b>	<b>111</b>		<b>107</b>		<b>103</b>		<b>99</b>	
n+1	111		107		103		99	
		79						
n+2	111		76		73		70	
		79		56				
n+3	111		76		54		52	
		79		56		30		
n+4	111		76		54		29	
		79		56		30		44

Determined by the established and approved measurement unit, respectively the reduction by 4% of the number of breakdowns YoY, the number of breakdowns set for the years following the reported one has been amended.

The specification in the administration contracts subsequently modified by addenda of the number of breakdowns for the years n + 1, n + 2, n + 3 contradicts the measurement unit, since the number of breakdowns that may occur in the reference year cannot be predicted. This has led to the diversion of the role and purpose of the performance objective revealed.

Concerning the matters subject to verification, out of the analysis of the documents made available to the control team it results that at the level of the CONPET there are different approaches on how to classify the technical breakdowns. One approach reveals that, although the damage occurred on a small area of a pipeline section, within the same repair program and at different dates, it should be considered as a single breakdown generically called “cumulated breakdown”.

Another approach reveals that the breakdowns, occurring at different time intervals, in different places, having individual costs, cannot be cumulated into one breakdown.

The control team proceeded to analyze the documents prepared for every breakdown, revealing the followings:

- there were prepared “Breakdown sheet”; internal command based on which the costs for repair were individualized and the Reception Protocol of the works for each breakdown;
- for each breakdown, the intervention and carry-out of procedures were performed in accordance with the internal procedures of CONPET, which regulate the activity and collaboration with the authorities in the event of breakdown production, respectively Communication in the field of environment, health and occupational safety, code System Procedure-MI-08 Edition 7, Revision 1, Communication of provoked breakdowns, code Operational Procedure-06-08 Edition 2, revision 2 and the common action manner in case of technical and provoked breakdowns registered in the National Transport System via pipelines.

In conclusion, the approach by which the breakdowns were merged is wrong and in the opinion of the control team the objective pursued is fulfillment the indicator’s provisions “Decrease of the number of breakdowns”.

Moreover, in order to achieve this indicator, starting April 2017, highlighting and reporting the number of technical breakdowns produced was carried out cumulatively when the breakdowns were produced on the same pipeline, in the same administrative – territorial areas, at different time intervals and individually in case of breakdowns produced on pipelines and different areas.

At the same time, also the measure adopted for taking into consideration that the breakdowns produced during the intelligent pigging should not be considered usual technical/provoked breakdowns resulting from the current business of the company, in the opinion of the control team is wrong.

Both technical breakdowns and those produced as a result of **intelligent pigging occur on sections of pipelines which are not subject to repairs/replacement due to severe degradation.**

This aspect is highlighted in Note no. 10617 from 19.03.2018, drafted by the Production Management Department approved by the director of Transport Operations Unit, which stipulates that in the areas where the breakdowns occurred, although they faced pipeline repairs/replacement works, the respective works were not finalized in due time.

Another aspect that arises from the analysis of the performance indicators set by the company CONPET SA is the lack of some indicators for the verified period that should ensure the measurement of the investment level and the degree of realization of the investment plan assumed by the management of the company.

*Conclusions:*

**In relation to those specified, it results that the performance indicator on the number of technical breakdowns proposed as objective for 2017, respectively 29 breakdowns was not achieved, this year recording a number of 44 technical breakdowns.**

**Considering the findings and conclusions presented the Control Body advances the following:**

**MEASURE:**

**Falling under the attributions of the General Directorate for Privatization and Management of the State Participations in Energy (RO DGPAPSE).**

**Information of the General Meeting of Shareholders of CONPET SA on the findings of the Control Body of the Minister of Energy referring to the manner of achievement of the performance indicators for the year 2017 by the executive and non-executive administrators of the company.**

**In charge: Director General of DGPAPSE**

**Deadline: 15 days from the receipt of the note**

**Head of Control Body**

**Ion-Daniel POPESCU**