



ELECTRICITY SYSTEM COMMERTIAL OPERATOR, JSC

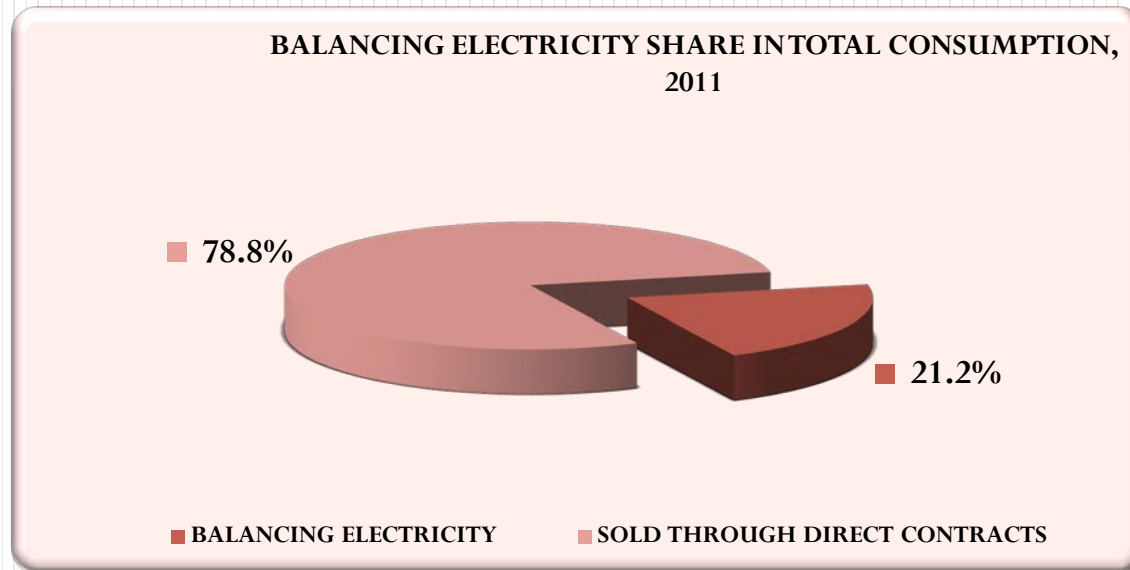
ACTIVITY REPORT, 2011

MAIN ACTIVITY DIRECTIONS

- BALANCING ELECTRICITY TRADE
- CAPACITY SYSTEM RESERVE TRADE
- ELECTRICITY IMPORT/EXPORT
- METERING CONTROL

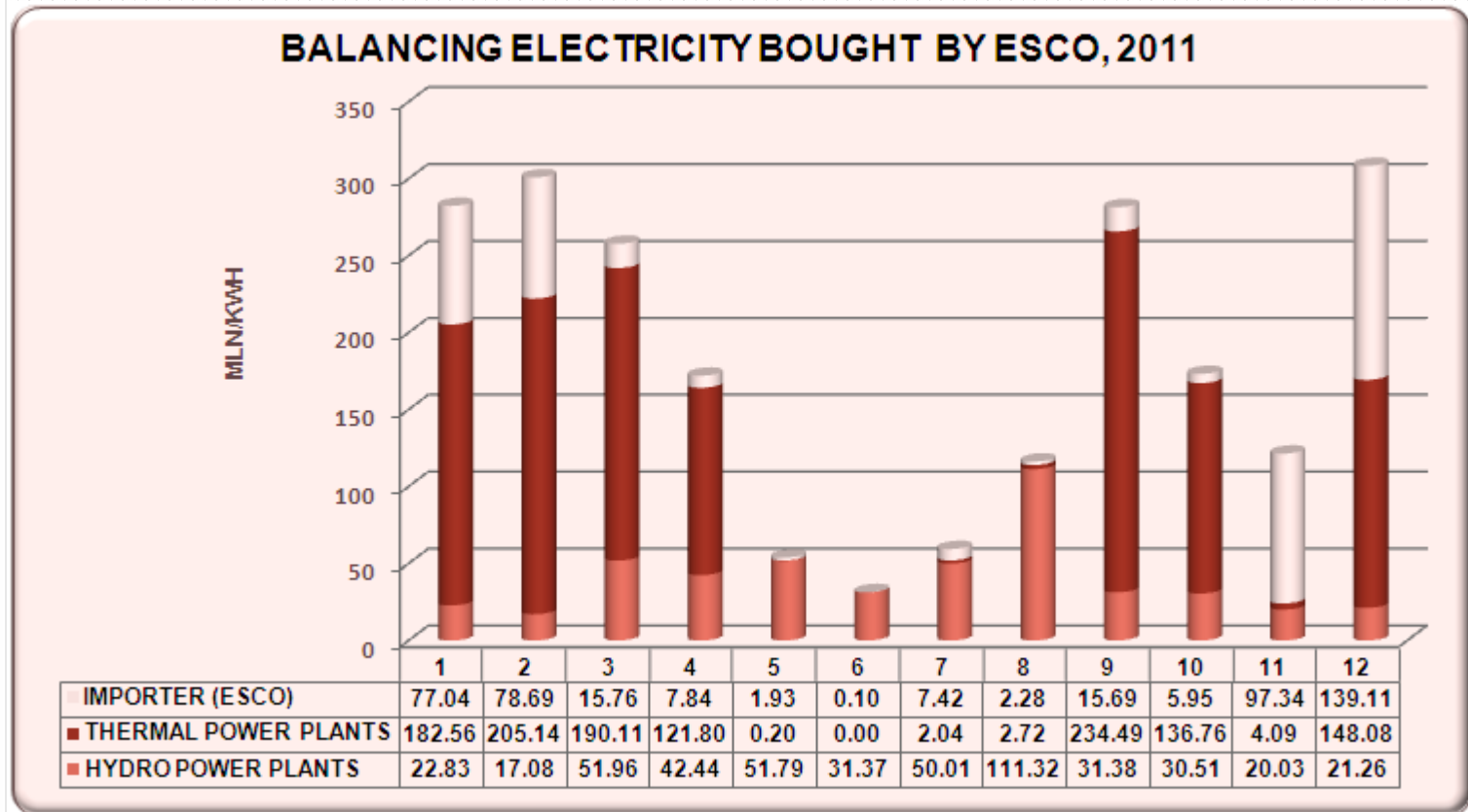
BALANCING ELECTRICITY TRADE

- BALANCING ELECTRICITY TRADE REMAINS AS ONE OF THE MAIN DIRECTIONS OF THE ESCO ACTIVITIES.
- IN 2011, THE SHARE OF BALANCING ELECTRICITY IN WHOLESALE TRADE WAS 21.2%.



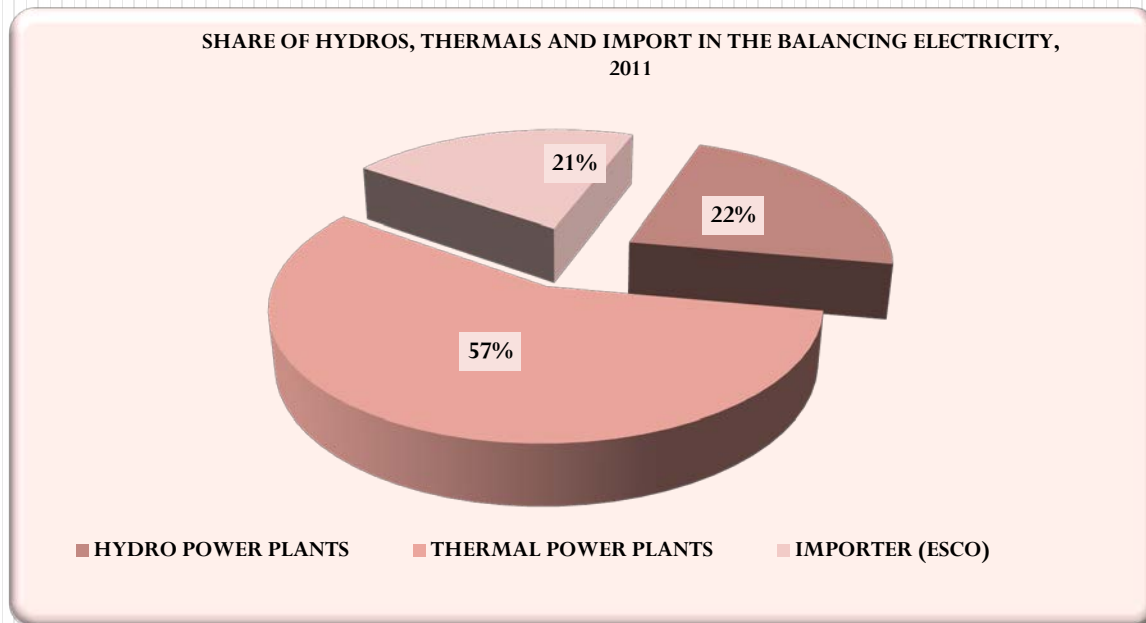
BALANCING ELECTRICITY SUPPLIERS

IN 2011, BALANCING ELECTRICITY, PURCHASED BY ESCO CONSISTS OF THE POWER, GENERATED BY THERMAL AND HYDRO POWER PLANTS AND IMPORTED BY ESCO. THEIR SHARE BY MONTHS IS GIVEN IN THE DIAGRAM .



PARTICIPATION OF THE ELECTRICITY SUPPLIERS IN FORMING OF THE BALANCING ELECTRICITY

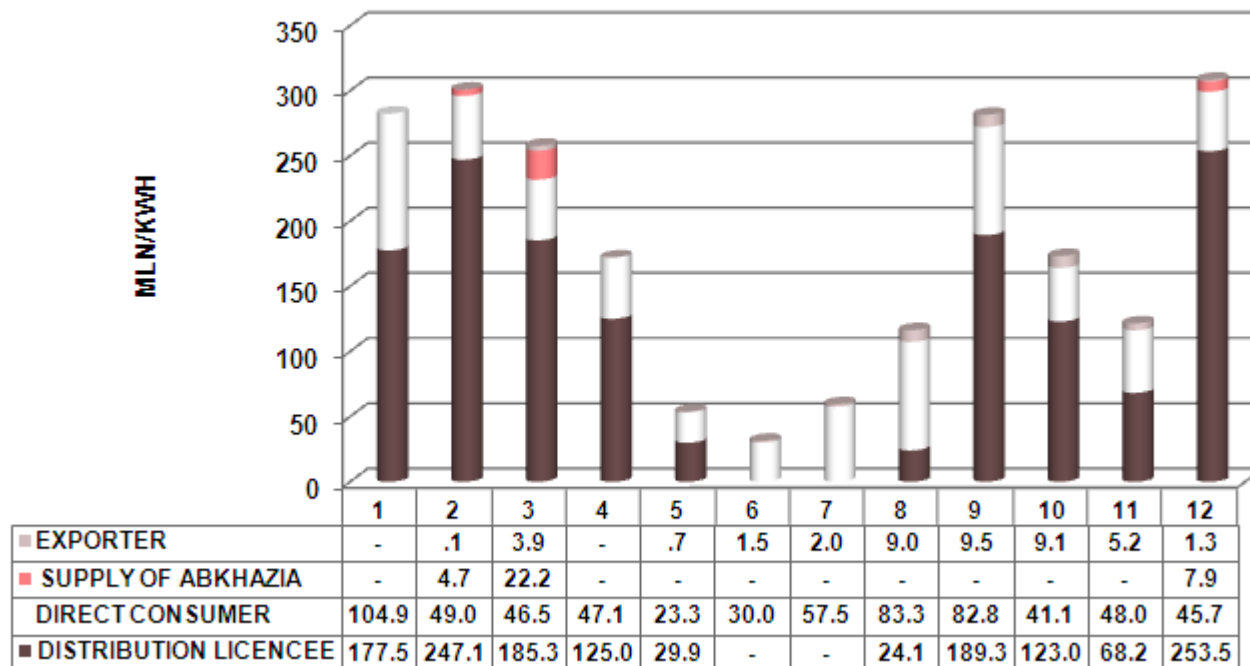
ELECTRICITY SELLERS	2011	
	KWH	SHARE, %
HYDRO POWER PLANTS	481 982 987	22%
THERMAL POWER PLANTS	1 228 001 253	57%
IMPORTER (ESCO)	449 167 616	21%
TOTAL	2 159 151 857	100%



BALANCING ELECTRICITY BUYERS

IN 2011, THE DISTRIBUTION COMPANIES, DIRECT CUSTOMERS AND EXPORTERS WERE THE MAIN BUYERS OF BALANCING ELECTRICITY. THE SHARE OF BALANCING ELECTRICITY BUYERS BY MONTHS IS GIVEN IN THE DIAGRAM.

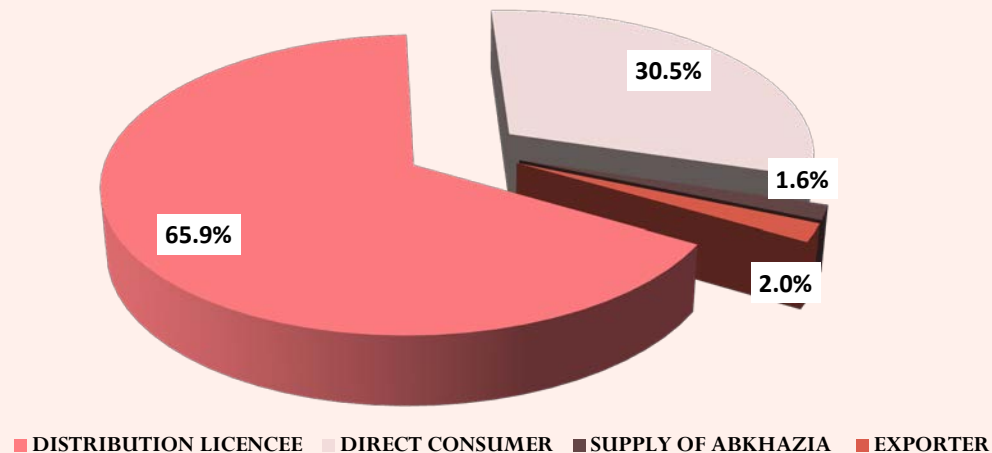
BALANCING ELECTRICITY SOLD BY ESCO, 2011



PARTICIPATION OF ELIGIBLE ENTERPRISES IN THE PURCHASE OF BALANCING ELECTRICITY

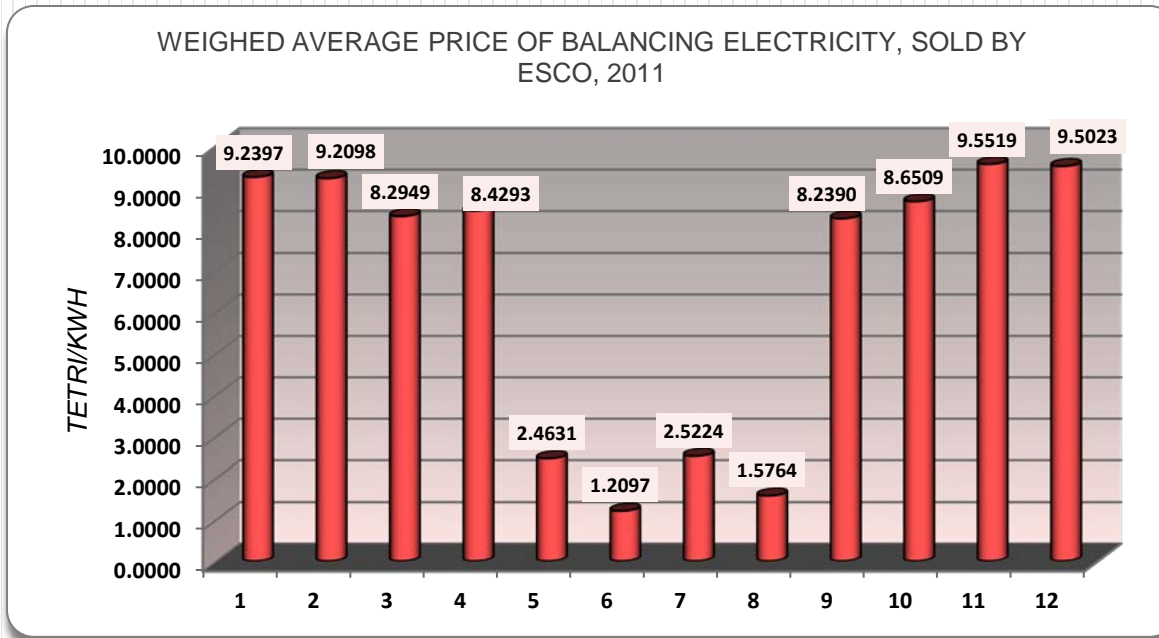
ELECTRICITY BUYERS	2011	
	KWH	SHARE, %
DISTRIBUTION LICENSEE	1 422 922 833	65.9%
DIRECT CONSUMER	659 134 104	30.5%
SUPPLY OF ABKHAZIA	34 821 423	1.6%
EXPORTER	42 273 496	2.0%
TOTAL	2 159 151 857	100%

SHARE INDICATORS OF BALANCING ELECTRICITY PURCHASE BY
THE DIRECT CUSTOMERS, DISTRIBUTION LICNECEES AND THE
EXPORTERS, 2011



PRICE FORMATION OF THE BALANCING ELECTRICITY FOR SALE

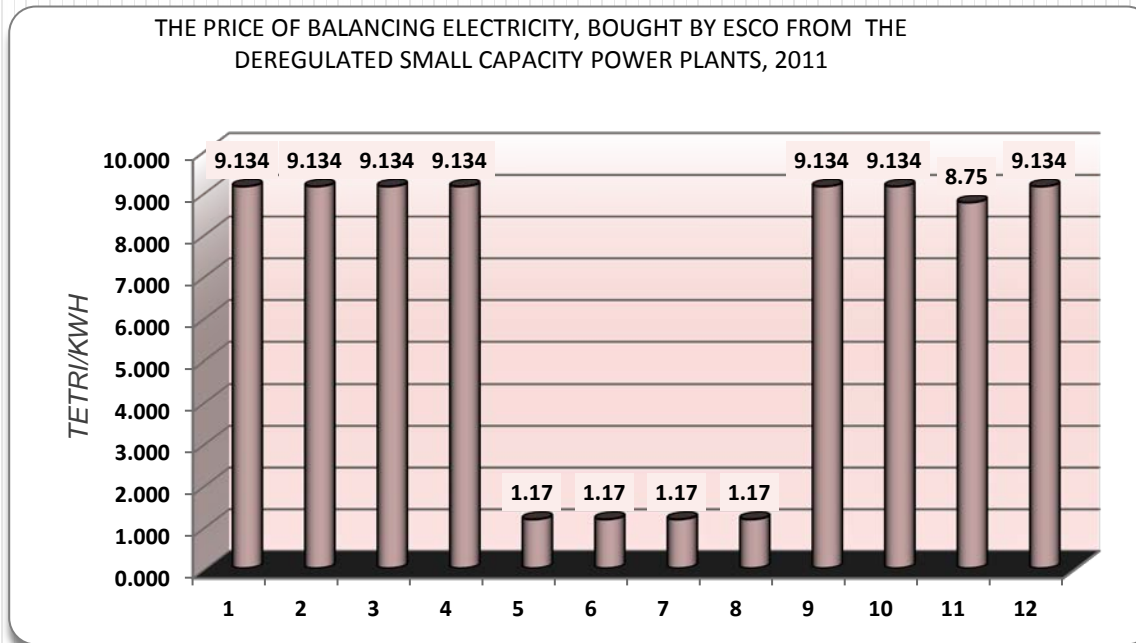
THE PRICE OF BALANCING ELECTRICITY FOR SALE IS FORMED FROM **THE WEIGHED AVERAGE TARIFF** OF BALANCING ELECTRICITY, SOLD BY ESCO.



BALANCING ELECTRICITY PRICE OF DEREGULATED SMALL CAPACITY POWER PLANTS

ESCO BUYS THE BALANCING ELECTRICITY FROM THE DEREGULATED SMALL CAPACITY POWER PLANTS:

- *DURING THE PERIOD OF SEPTEMBER - MAY – FOR THE HIGHEST TARIFF OF BALANCING ELECTRICITY, SOLD TO ESCO DURING THE SAME PERIOD;*
- *DURING THE PERIOD OF MAY - SEPTEMBER – FOR THE TARIFF (1.17 TETRI/KWH) OF REGULATORY POWER PLANT, WHICH HAS THE LOWEST TARIFF.*



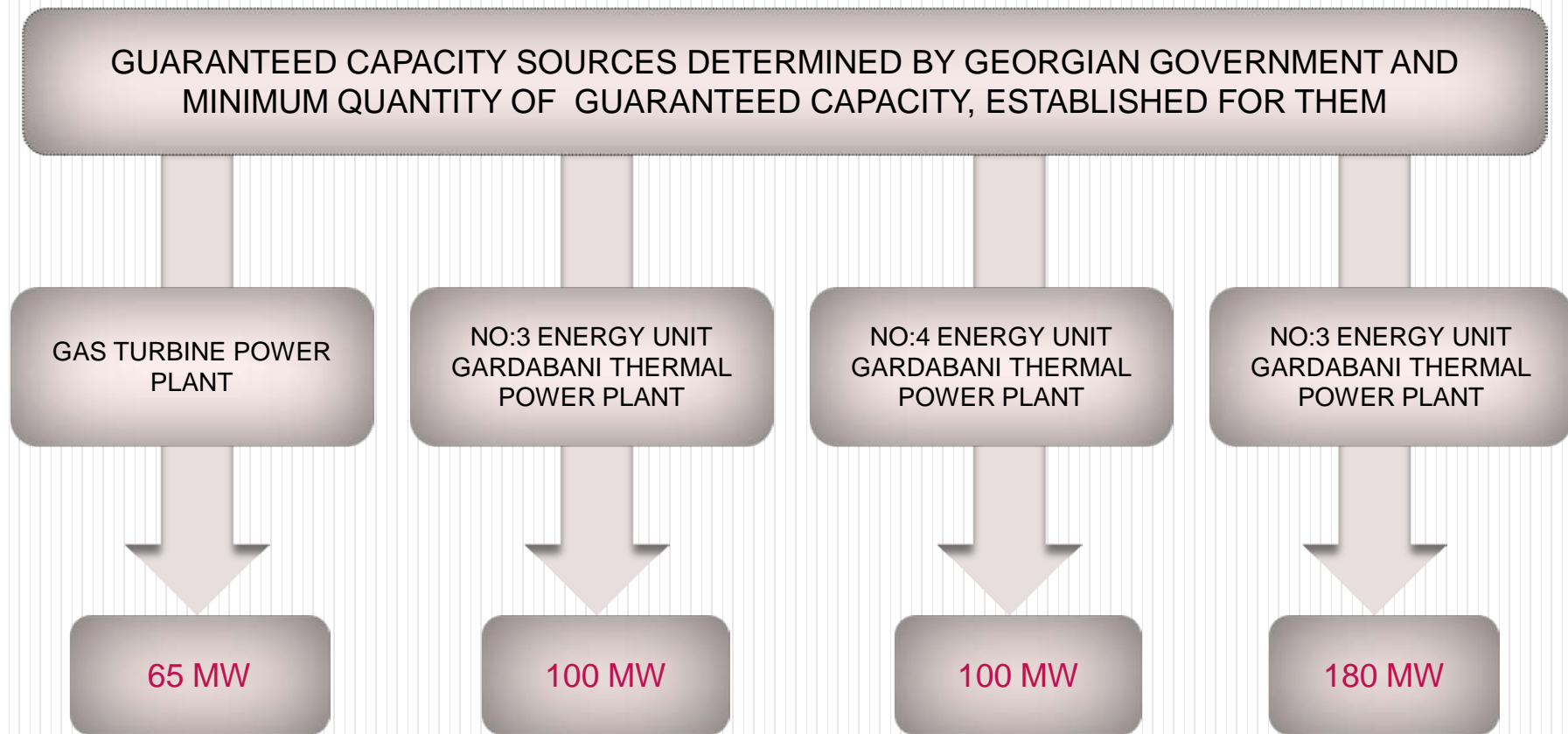
BALANCING ELECTRICITY PRICE PAYMENT INDICATOR

- IN 2011, ESCO PAID TO THE ELECTRICITY SUPPLIERS 168 747 800 GEL, WHICH IS 96.7% OF TOTAL BILLING (TAKING INTO ACCOUNT THE STARTING BALANCE);
- IN 2011, ELIGIBLE ENTREPRICES PAID 176 772 374 GEL (VAT INCLUDED) FOR THE BALANCING ELECTRICITY, BOUGHT FROM ESCO, WHICH IS 96.9% OF BILLED AMOUNT (TAKING INTO ACCOUNT THE STARTING BALANCE).

GUARANTEED CAPACITY

- *THE GUARANTEED CAPACITY IS PROVIDING FOR THE STABILITY, SAFETY AND RELIABLE FUNCTIONING OF THE COUNTRY'S UNIFIED ELECTRIC ENERGY SYSTEM;*
- *THE GEORGIAN GOVERNMENT DETERMINES THE GUARANTEED CAPACITY SOURCE AND MINIMUM QUANTITY OF CAPACITY, PROVIDED FOR EACH GUARANTEED CAPACITY SOURCE;*
- *THE GEORGIAN NATIONAL ENERGY AND WATER SUPPLY REGULATORY COMMISSION SETS THE PRICE FOR EACH GUARANTEED CAPACITY SOURCE ON A DAILY BASES;*
- *THE GUARANTEED CAPACITY IS TRADED ONLY THROUGH ESCO BY STANDARD CONDITIONS OF THE DIRECT CONTRACT.*

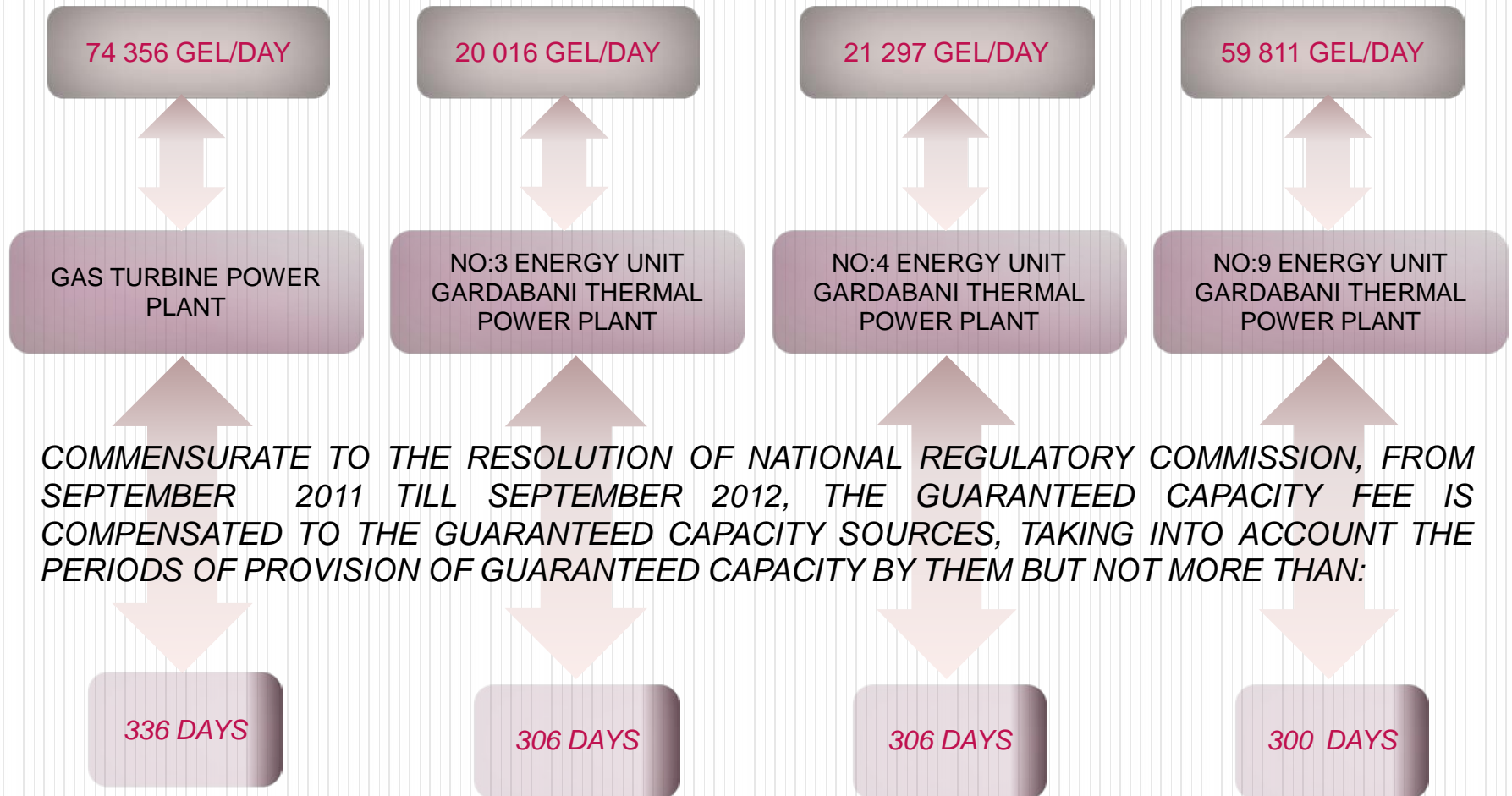
**GUARANTEED CAPACITY SOURCES, DETERMINED BY GEORGIAN GOVERNMENT,
MINIMUM QUANTITY OF GUARANTEED CAPACITY, ESTABLISHED FOR THEM AND THE
PERIODS OF DELIVERY**



MINIMUM QUANTITY OF GUARANTEED CAPACITIES IS GIVEN BY DECEMBER 31, 2011.

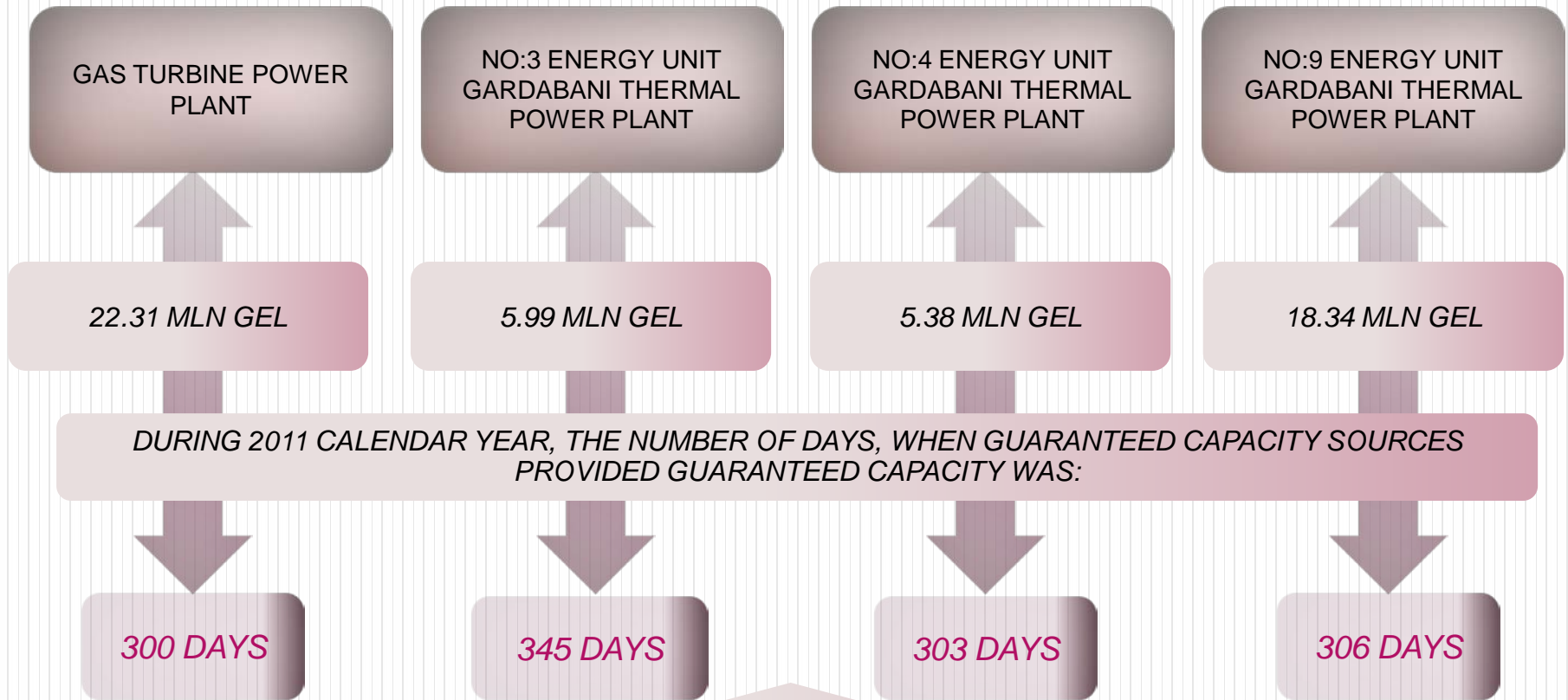
NUMBER OF DAYS OF GUARANTEED CAPACITY SUPPLY BY THE GUARANTEED CAPACITY SOURCES IN 2011 AND THE FEE OF DELIVERED GUARANTEED CAPACITY

COMMENSURATE TO THE RESOLUTION OF GEORGIAN NATIONAL ENERGY AND WATER SUPPLY REGULATORY COMMISSION, THE DAILY BASE PRICE OF GUARANTEED CAPACITY, FIXED FOR EACH GUARANTEED CAPACITY SOURCE IS:



COMMENSURATE TO THE RESOLUTION OF NATIONAL REGULATORY COMMISSION, FROM SEPTEMBER 2011 TILL SEPTEMBER 2012, THE GUARANTEED CAPACITY FEE IS COMPENSATED TO THE GUARANTEED CAPACITY SOURCES, TAKING INTO ACCOUNT THE PERIODS OF PROVISION OF GUARANTEED CAPACITY BY THEM BUT NOT MORE THAN:

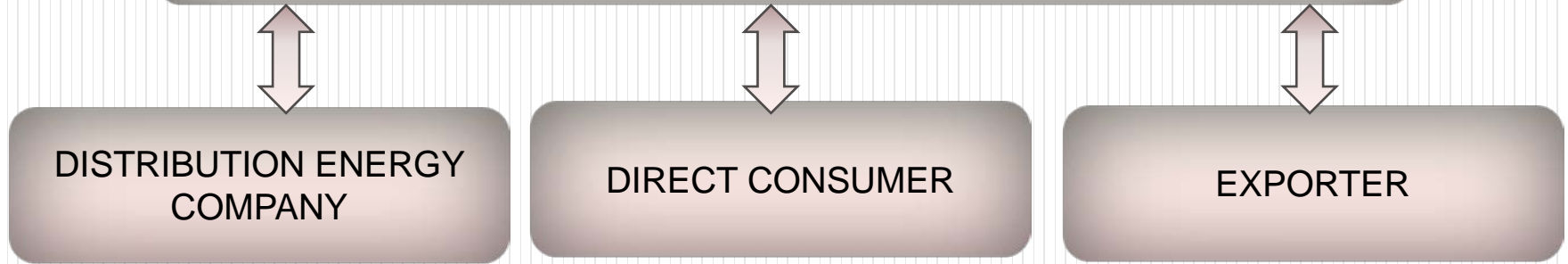
GUARANTEED CAPACITY FEE FOR THE GUARANTEED CAPACITY, PROVIDED BY THE GUARANTEED CAPACITY SOURCES IN 2011



DURING 2011 CALENDAR YEAR, THE NUMBER OF DAYS, WHEN GUARANTEED CAPACITY SOURCES PROVIDED GUARANTEED CAPACITY WAS:

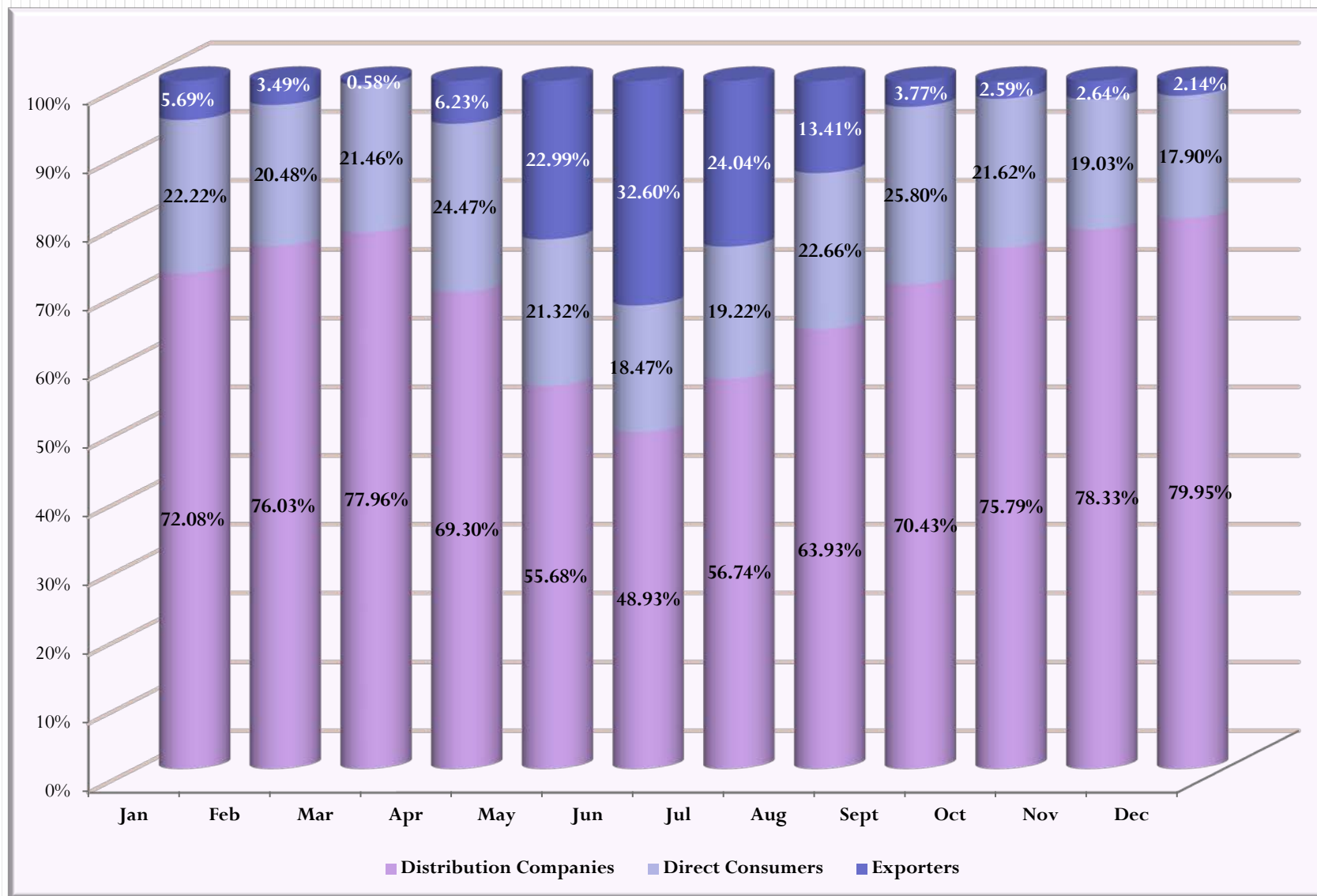
COMMENSURATE TO THE RESOLUTION OF GEORGIAN NATIONAL REGULATORY COMMISSION, FROM SEPTEMBER 2011, 20 016 GEL (INSTEAD OF 15 969.00 GEL) WAS FIXED AS THE FEE OF GUARANTEED CAPACITY FOR #3 GARDABANI ENERGY UNIT , 21 297.00 GEL (INSTEAD OF 16 867.00 GEL) FOR #4 UNIT AND 59 811.00 (INSTEAD OF 60 038.00 GEL) FOR #9 GARDABANI ENERGY UNIT.

GUARANTEED CAPACITY BUYERS

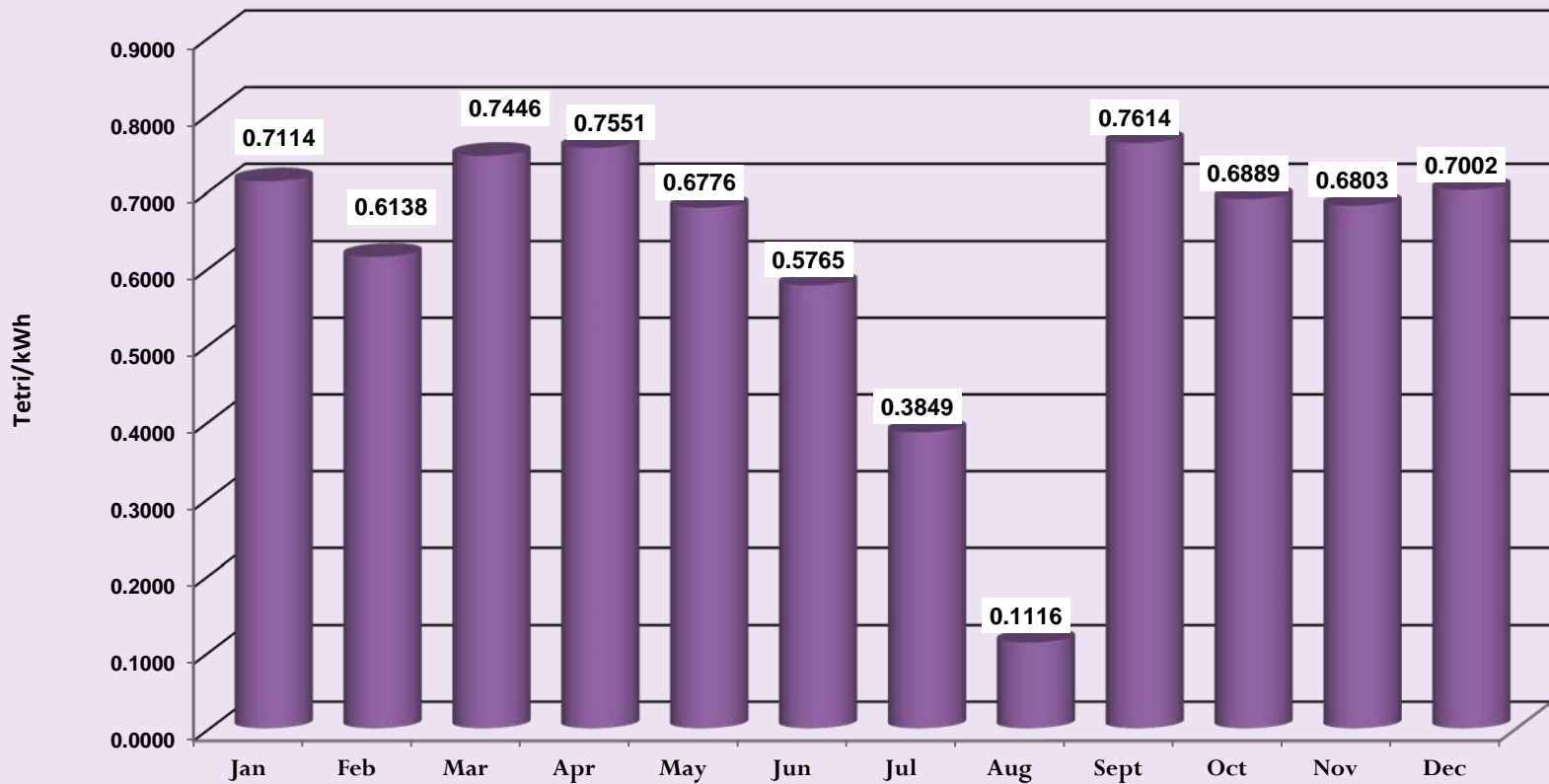


THE GUARANTEED CAPACITY BUYER ELIGIBLE ENTERPRISE IS LIABLE FOR THE PAYMENT OF GUARANTEED CAPACITY COST IN PROPORTION WITH IT'S SHARE IN TOTAL ACTUAL CONSUMPTION OF GUARANTEED CAPACITY BUYERS AND EXPORT OR IN PROPORTION WITH THE EXPORT SHARE.

SHARE OF GUARANTEED CAPACITY BUYER ELIGIBLE ENTERPRISES IN TOTAL PROCUREMENT OF GUARANTEED CAPACITY IN 2011



GUARANTEED CAPACITY FEE PAID BY THE ELIGIBLE ENTERPRISES PER KWH IN 2011



IMPORT AND EXPORT CARRIED OUT BY ESCO

- ❑ IN 2011, ESCO IMPORTED THE ELECTRICITY FROM RUSSIAN FEDERATION AND REPUBLIC OF AZERBAIJAN. SIGNIFICANT SHARE OF THE IMPORT CARRIED OUT BY ESCO FLOWS THROUGH THE ELECTRICITY TRANSMISSION LINES CONNECTING WITH RUSSIAN FEDERATION.
- ❑ IN 2011, ESCO EXPORTED THE ELECTRICITY TO 2 NEIGHBORING COUNTRIES: RUSSIAN FEDERATION AND REPUBLIC OF AZERBAIJAN. SIMILAR TO THE IMPORT, RUSSIAN FEDERATION HAS MAIN SHARE IN THE EXPORT, CARRIED OUT BY ESCO.

MLN/KWH



MLN/KWH



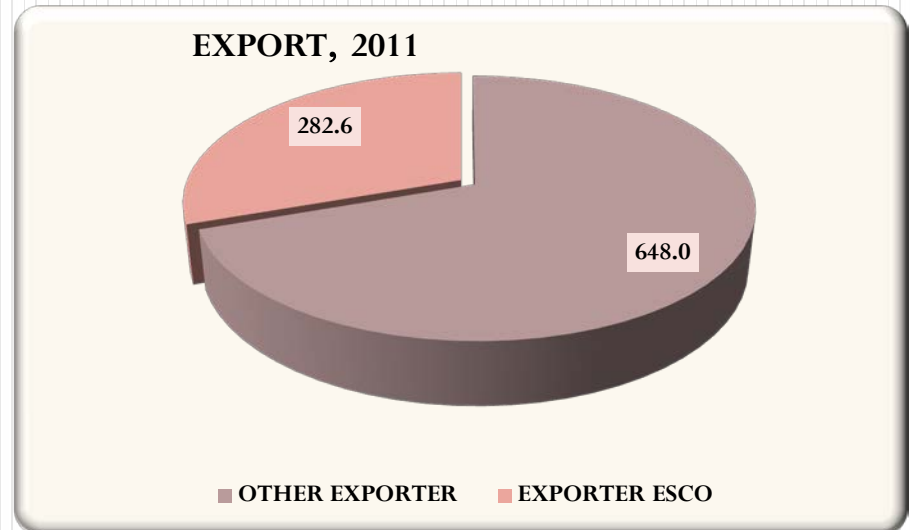
ESCO'S SHARE IN TOTAL VOLUME OF IMPORT/EXPORT

- ❑ IN 2011, THE SYSTEM COMMERCIAL OPERATOR IMPORTED 449.2 MLN/KWH ELECTRICITY, WHICH IS 95.4% OF THE COUNTRY'S TOTAL IMPORT (470.98 MLN/KWH);
- ❑ IN 2011, ESCO EXPORTED 282.56 MLN/KWH OF ELECTRICITY, WHICH IS 30.4 % OF ACTUAL EXPORT (930.63 MLN/KWH), CARRIED OUT FROM THE COUNTRY.

MLN/KWH



MLN/KWH

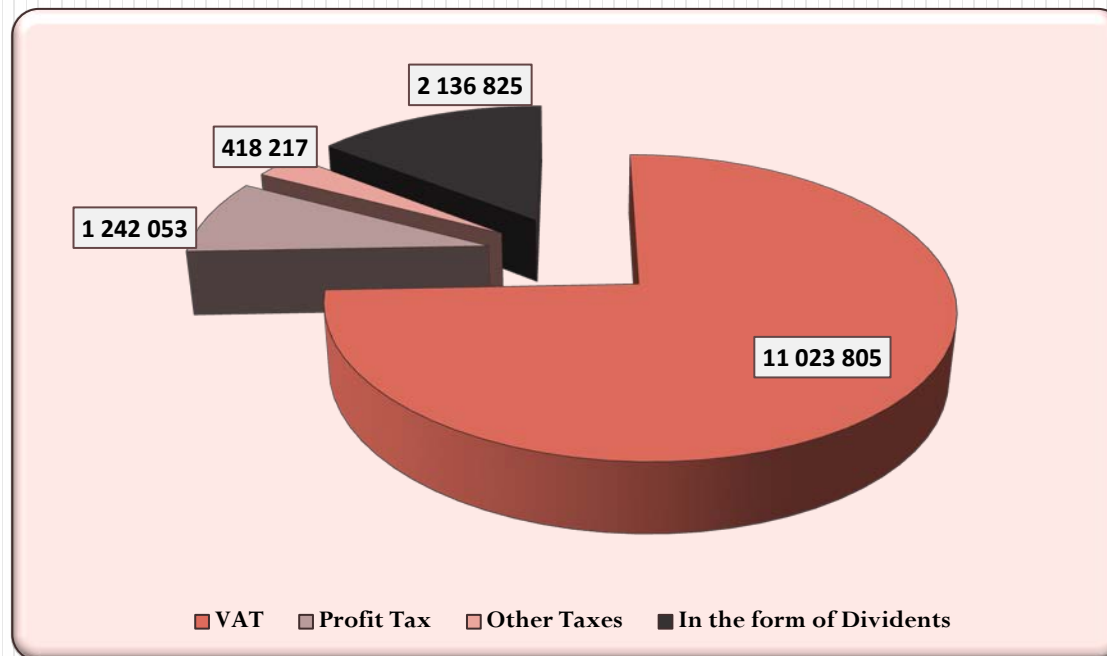


MONITORING OF METERING SYSTEMS

- ❑ IN 2011, FOR THE PURPOSE OF MONITORING THE ELECTRICITY SETTLEMENT METERING POINTS, THE AUDITORS (ALONG WITH THE INTERESTED PARTIES) OF METERING CONTROL DEPARTMENT INSPECTED 1715 SETTLEMENT METERING JUNCTIONS. RESPECTIVE ACTS HAVE BEEN DRAWN FOR EACH JUNCTION;
- ❑ ALL OVER GEORGIA, 24 ASSIGNMENTS HAVE BEEN ACCOMPLISHED, INCLUDING 11 ASSIGNMENTS UPON REQUEST OF ELIGIBLE ENTREPRICES AND 13 ASSIGNMENTS IN COMPLIANCE WITH THE TIME SCHEDULE OF ELECTRICITY WHOLESALE METERING POINTS' INSPECTION, APPROVED BY THE ELECTRICITY SYSTEM COMMERTIAL OPERATOR, LTD;
- ❑ BYPASS SWITCHES OF 220KV BASBAR AT 500KV SUBSTATION GARDABANI AND 220KV ETL ALAVERDI METERING POINTS HAVE BEEN INSPECTED IN COOPERATION WITH GEORGIAN STATE ELECTRICITY SYSTEM, JSC;
- ❑ THE ELECTRICITY SYSTEM COMMERTIAL OPERATOR, LTD HAS REACTED RESPECTIVELY AT ALL THE ERRORS, REVEALED DURING THE INSPECTIONS.

THE INDICATORS OF ESCO'S FINANCIAL ACTIVITIES

- ❑ In 2011, the turnover indicator amounted to 242 088 631 GEL.
- ❑ In 2011, the net profit of ESCO was 1 003 674 GEL.
- ❑ In 2011, ESCO paid 14 820 900 to the State Budget, including the following:
 - VAT - 11 023 805 GEL;
 - Profit Tax – 1 242 053 GEL;
 - Other Taxes – 418 217 GEL;
 - In the form of Dividends – 2 136 825 GEL



ESCO STRUCTURE BY DECEMBER 31, 2011

- IN 2011, ESCO EMPLOYED 63 EMPLOYEES;
- ESCO STRUCTURE CONSISTS OF THE MANAGEMENT (GENERAL DIRECTOR AND TWO DEPUTIES) AND 11 STRUCTURAL SUB-UNITS - DEPARTMENTS;
- THREE DEPARTMENTS ARE DIRECTLY SUBORDINATED TO THE GENERAL DIRECTOR;
- EACH OF THE DEPUTY GENERAL DIRECTORS IS IN CHARGE OF FOUR DEPARTMENTS.

ESCO STRUCTURE

DIRECTOR GENERAL

DEPUTY DIRECTOR

LEGAL
DEPARTMENT

METERING
CONTROL
DEPARTMENT

ENERGY
DEPARTMENT

IMPORT & EXPORT
DEPARTMENT

DEPUTY DIRECTOR

SETTLEMENT
DEPARTMENT

EXECUTIVE
PERSONNEL

CHANCELLERY

COMMERCIAL AND
FINANCE
DEPARTMENT

ACCOUNTING
DEPARTMENT

DEPARTMENT OF
PROCUREMENT,
REVENUE AND
EXPENDITURE
CONTROL

ADMINISTRATIVE
DEPARTMENT



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