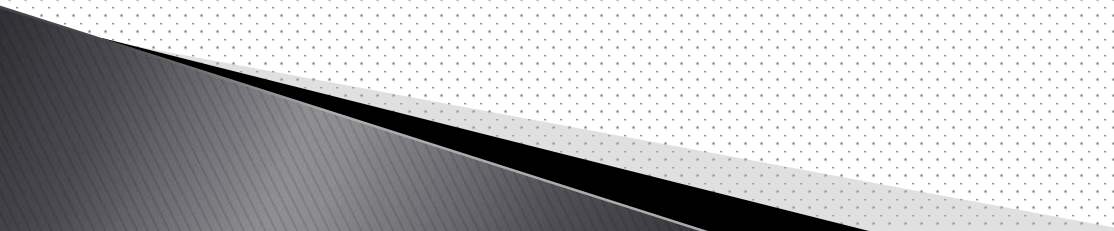




ELECTRICITY SYSTEM COMMERCIAL OPERATOR, JSC

ACTIVITY REPORT, YEAR 2013

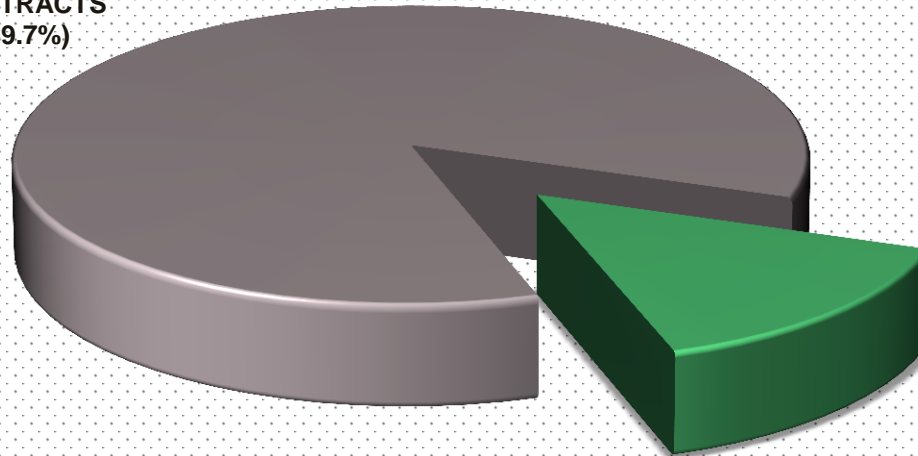
MAIN DIRECTIONS OF THE ACTIVITY

- **BALANCING ELECTRICITY TRADE**
 - **GUARANTEED CAPACITY TRADE**
 - **ELECTRICITY IMPORT AND EXPORT**
 - **SUPPORT OF CONSTRUCTION OF NEW HYDRO POWER PLANTS**
 - **METERING CONTROL**
- 

BALANCING ELECTRICITY TRADE

- **BALANCING ELECTRICITY TRADE REMAINS AS ONE OF THE MAIN DIRECTIONS OF THE ESCO ACTIVITIES;**
- **THE SHARE OF BALANCING ELECTRICITY IN THE WHOLESALE TRADE IN 2013 MADE UP 10.3%.**

**SOLD THROUGH
THE DIRECT
CONTRACTS
(89.7%)**

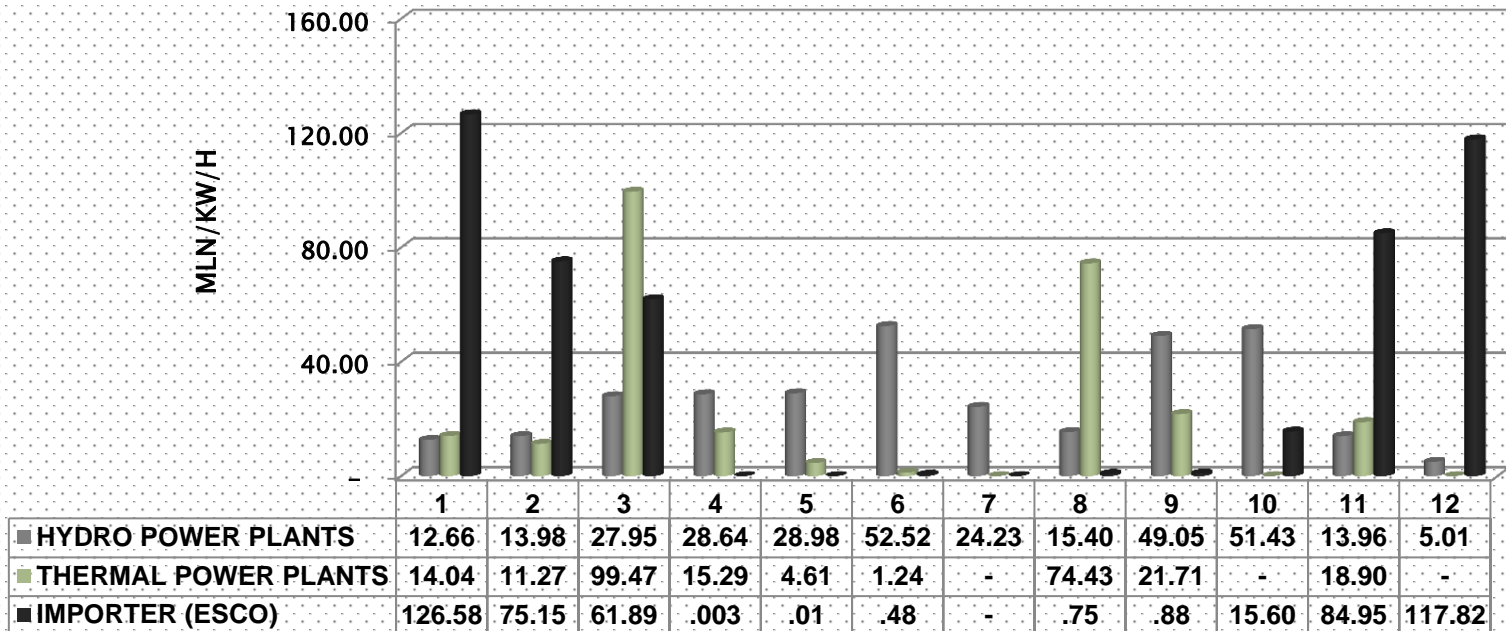


**BALANCING
ELECTRICITY
(10.3 %)**

BALANCING ELECTRICITY SUPPLIERS

IN 2013, BALANCING ELECTRICITY PURCHASED BY THE ESCO CONSISTED OF THE ENERGY, GENERATED BY THERMAL AND HYDRO POWER PLANTS AS WELL AS THE ELECTRICITY, IMPORTED BY THE ESCO. THEIR QUANTITATIVE INDICATOR (BY MONTHS) IS GIVEN IN THE DIAGRAM.

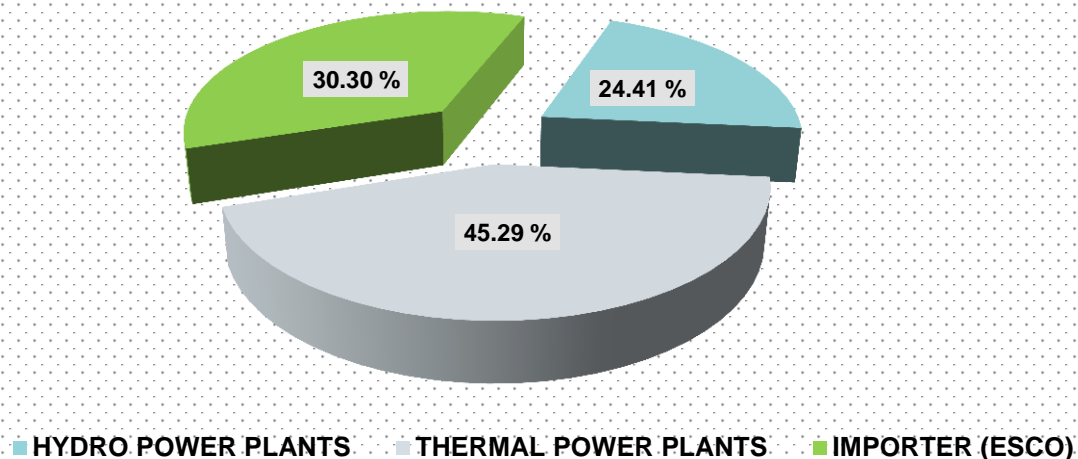
BALANCING ELECTRICITY PURCHASED BY THE ESCO, 2013



PARTICIPATION OF ELECTRICITY SUPPLIERS IN THE PROCESS OF BALANCING ELECTRICITY FORMATION

Electricity Sellers	Year 2013	
	kWh	Share, %
Hydro Power Plants	323 811 694	30.30%
Thermal Power Plants	260 958 712	24.41%
Importer (ESCO)	484 107 099	45.29%
Total	1 068 877 505	100.00%

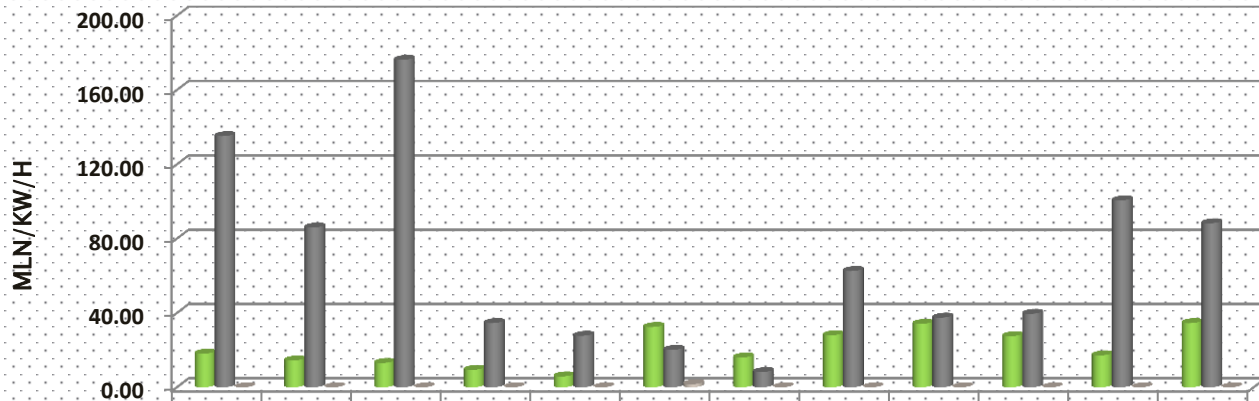
The Share of HPPs, TPPs and Import in the Balancing Electricity in 2013



BALANCING ELECTRICITY BUYERS

IN 2013, MAINLY DISTRIBUTION ENERGY COMPANIES, DIRECT CONSUMERS AND EXPORTERS WERE THE BUYERS OF BALANCING ELECTRICITY. QUANTITATIVE INDICATOR (BY MONTHS) OF THE BALANCING ELECTRICITY BUYERS IS GIVEN IN THE DIAGRAM.

BALANCING ELECTRICITY SOLD BY THE ESCO, 2013

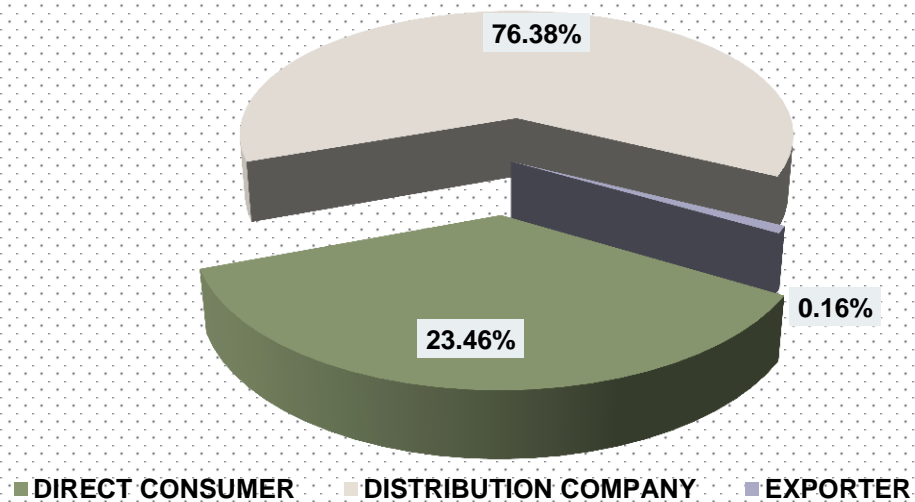


	1	2	3	4	5	6	7	8	9	10	11	12
■ DIRECT CUSTOMER	18.10	14.44	13.11	9.37	5.86	32.44	16.04	28.01	34.14	27.49	17.22	34.55
■ DISTRIBUTION COMPANY	135.17	85.96	176.20	34.56	27.73	20.15	8.20	62.57	37.50	39.54	100.58	88.27
■ EXPORTER	-	-	-	-	-	1.66	-	-	-	-	.01	.01

PARTICIPATION OF ELIGIBLE ENTERPRISES IN THE PURCHASE OF BALANCING ELECTRICITY

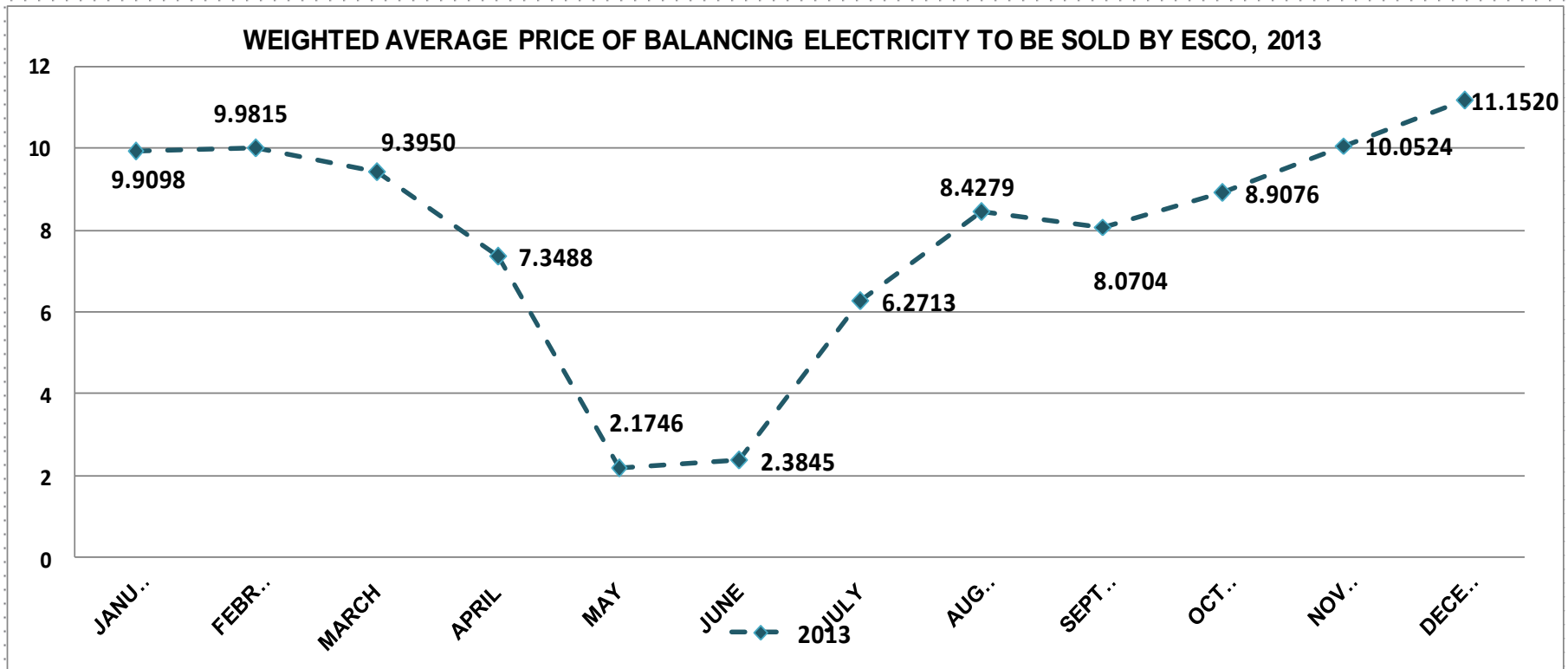
ELECTRICITY BUYERS	YEAR 2013	
	KWH	SHARE, %
DIRECT CUSTOMER	250 750 378	23.46%
DISTRIBUTION COMPANY	816 448 176	76.38%
EXPORTER	1 678 951	0.16%
TOTAL	1 068 877 505	100.00%

SHARE INDICATORS OF BALANCING ELECTRICITY PURCHASE BY THE DIRECT CONSUMERS, DISTRIBUTION LICENSEES AND EXPORTERS, YEAR 2013



PRICING OF BALANCING ELECTRICITY FOR SALE

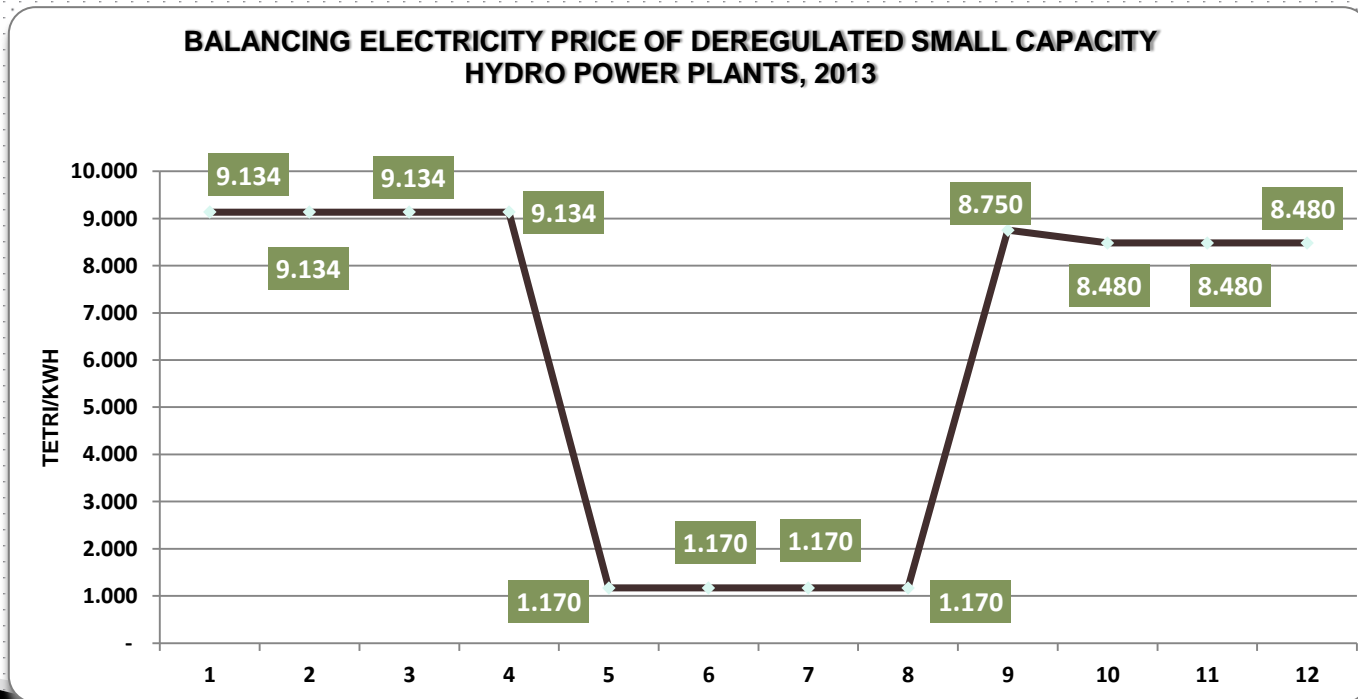
PRICING OF BALANCING ELECTRICITY FOR SALE IS TAKING PLACE FOR **WEIGHTED AVERAGE PRICE** OF BALANCING ELECTRICITY, PURCHASED BY THE ESCO.



BALANCING ELECTRICITY PRICE OF DEREGULATED SMALL CAPACITY HYDRO POWER PLANTS

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

- DURING THE PERIOD FROM SEPTEMBER TILL MAY – APPLIES THE UPPER MARGIN OF GENERATION TARIFF, ESTABLISHED BY THE GNERC, FOR RESPECTIVE ELIGIBLE ENTERPRISES, DURING THE SAME CALCULATION PERIOD;
- DURING THE PERIOD FROM MAY TILL SEPTEMBER MAY – APPLIES THE TARIFF (1.17 TETRI/KWH) OF REGULATORY HYDRO POWER PLANTS - THE LOWEST GENERATION TARIFF.

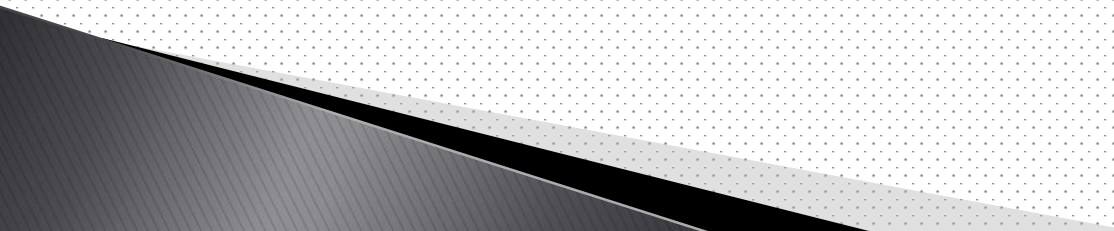


BALANCING ELECTRICITY PRICE PAYMENT INDICATOR

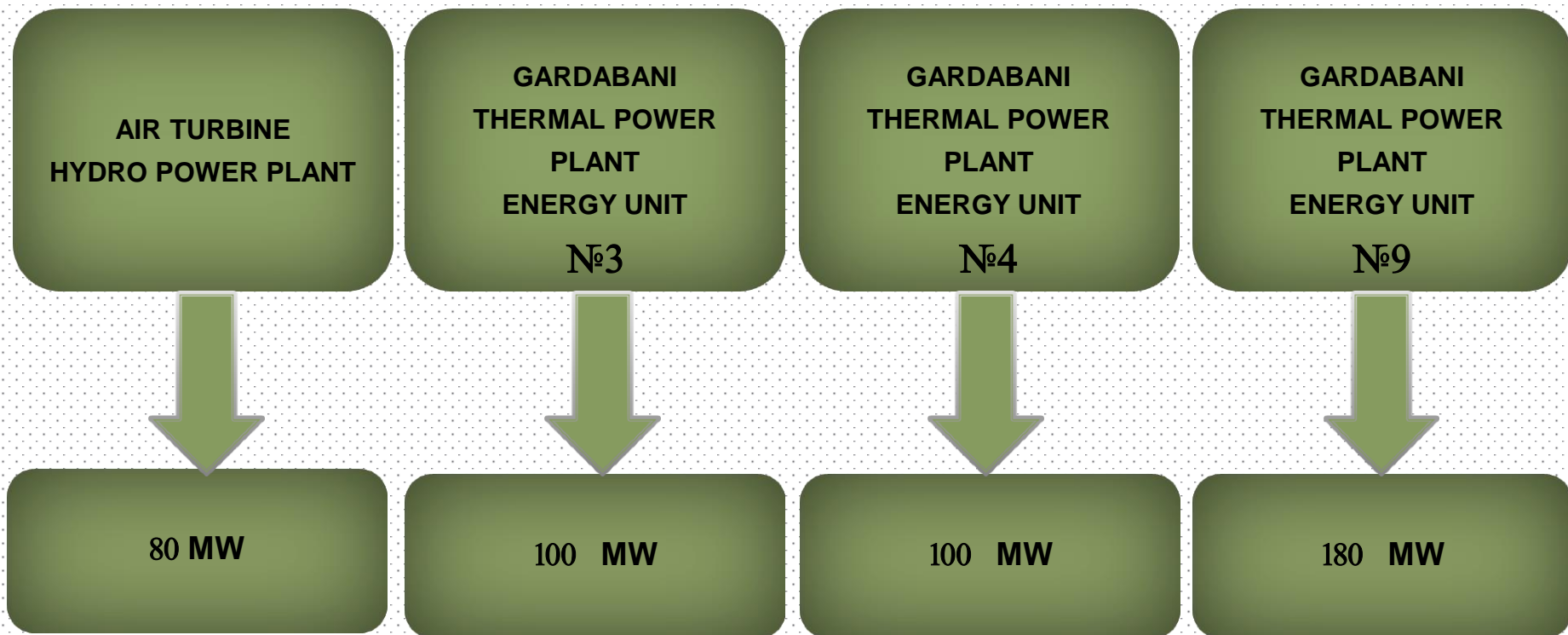
IN 2013, ESCO PAID 87 498 325 GEL, WHICH IS 90,5% OF TOTAL BILLING (CONSIDERING THE BALANCE, AVAILABLE AT THE BEGINNING OF THE PERIOD).

IN 2013, ELIGIBLE ENTREPRICES PAID 105 676 333 GEL (INCLUDING VAT) FOR BALANCING ELECTRICITY, PURCHASED FROM THE ESCO, WHICH IS 97.2% OF TOTAL BILLING (CONSIDERING THE BALANCE AVAILABLE AT THE BEGINNING OF THE PERIOD).

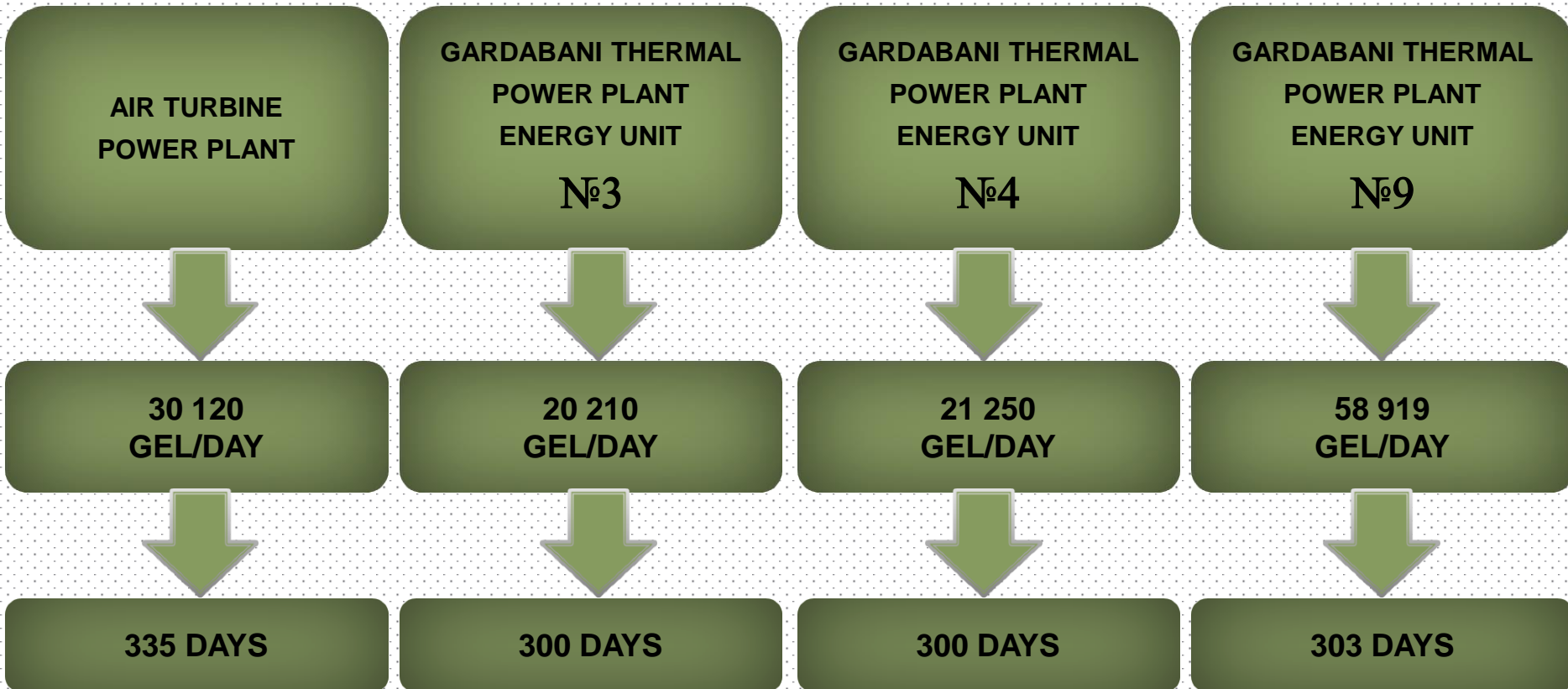
GUARANTEED CAPACITY

- ***GUARANTEED CAPACITY SERVES TO THE STABILITY, SAFETY AND RELIABLE FUNCTIONING OF THE COUNTRY'S UNIFIED ENERGY SYSTEM;***
 - ***GEORGIAN GOVERNMENT DETERMINES THE MINIMUM QUANTITY OF GUARANTEED CAPACITY ,FOR EACH GUARANTEED CAPACITY SOURCE;***
 - ***GEORGIAN NATIONAL ENERGY AND WATER REGULATORY COMMISSION DETERMINES PROVISION PERIODS AND PRICE OF GUARANTEED CAPACITY, FOR EACH GUARANTEED CAPACITY SOURCE (ON DAILY BASIS);***
 - ***GUARANTEED CAPACITY TRADE IS TAKING PLACE ONLY THROUGH THE ESCO, BASED ON THE STANDARD CONDITIONS OF DIRECT CONTRACT.***
- 

GUARANTEED CAPACITY SOURCES AND MINIMUM QUANTITY OF GUARANTEED CAPACITY, DETERMINED BY THE GOVERNMENT OF GEORGIA



PROVISION PERIODS AND PRICE DETERMINED FOR THE GUARANTEED CAPACITY SOURCE BY THE NATIONAL REGULATORY COMMISSION



➤ *PROVISION PERIODS ARE DETERMINED BASED ON THE ENERGY YEAR, EXCEPT THE AIR TURBINE POWER PLANTS, IN WHICH CASE, PROVISION PERIOD IS DETERMINED BASED ON THE CALENDAR YEAR.*

FUNDS RECEIVED FOR THE GUARANTEED CAPACITY PROVIDED BY THE SOURCES, 2013

- ***ESCO COMPENSATES THE COST OF GUARANTEED CAPACITY ONLY TO THOSE SOURCES OF GUARANTEED CAPACITY, READINESS AND STANDBY PERIOD OF WHICH IS CONFIRMED BY THE DISPATCH LICENSEE.***

CAPACITY COST	#9	#3	#4	AIR TURBINE
2013 NUMBER OF PROVISION DAYS	300	355	305	341
CAPACITY COST (MLN GEL)	17.778	7.175	6.529	10.271

- ***UNTIL SEPTEMBER 1, 2013, THE PRICE OF GUARANTEED CAPACITY OF GARDABANI THERMAL POWER PLANT ENERGY UNIT #3 MADE UP 20 214.00 GEL PER DAY, WHEREAS THE COST OF ENERGY UNIT #4 WAS 21 513.00 GEL PER DAY AND 59 472.00 GEL PER DAY WAS THE VALUE OF ENERGY UNIT #9.***

GUARANTEED CAPACITY BUYERS

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graph TD; A[GUARANTEED CAPACITY BUYERS] --> B[DISTRIBUTION ENERGY COMPANIES]; A --> C[DIRECT CONSUMERS]; A --> D[EXPORTERS];
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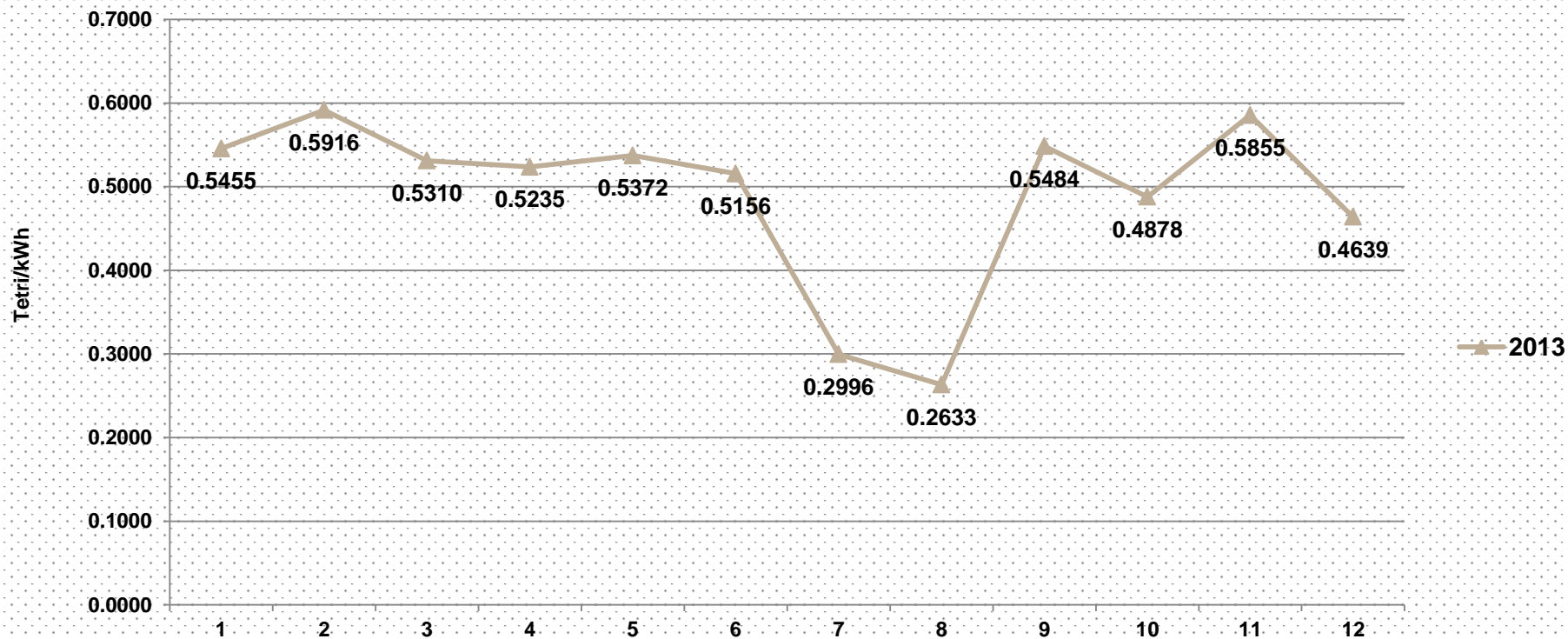
DISTRIBUTION ENERGY
COMPANIES

DIRECT CONSUMERS

EXPORTERS

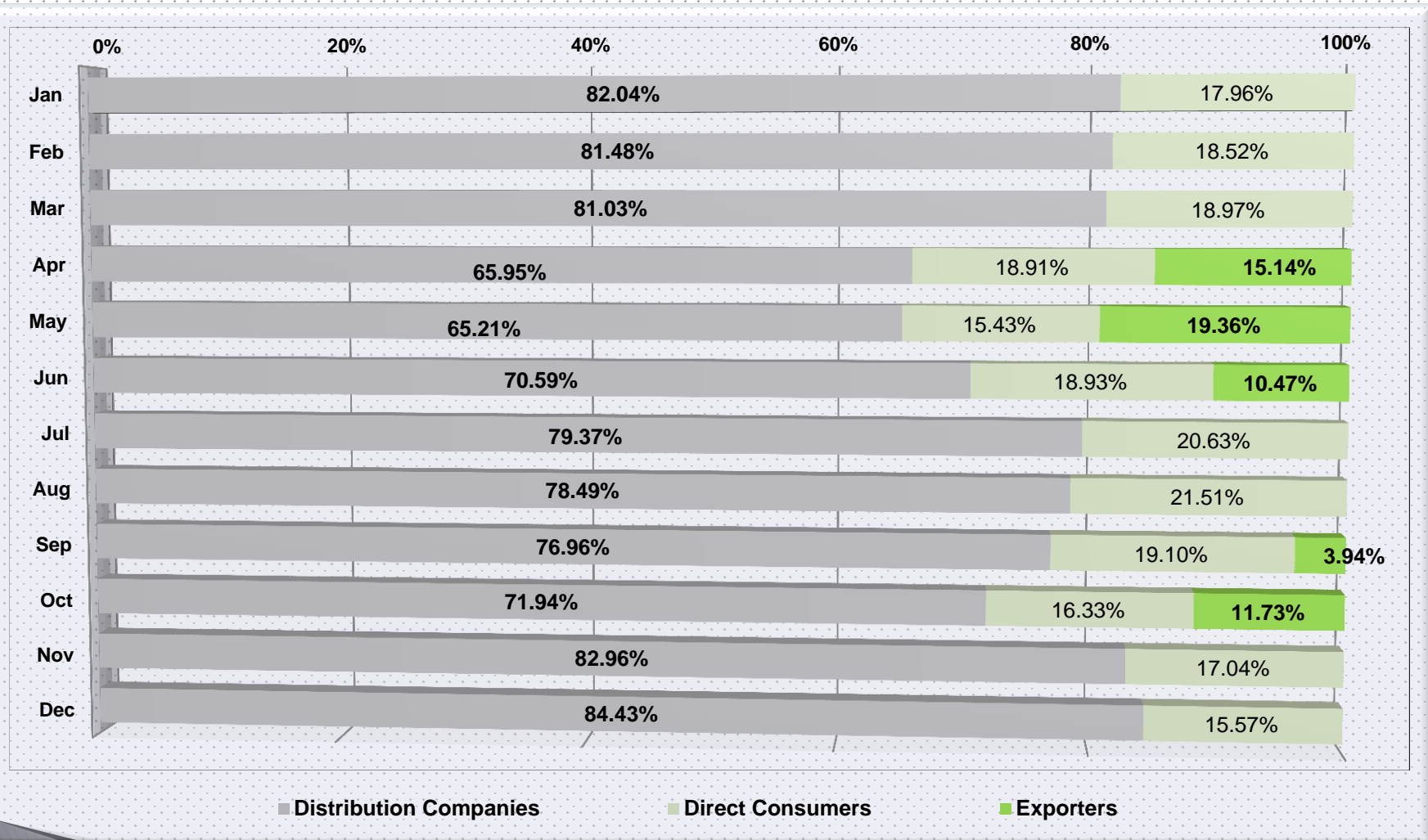
- ***GUARANTEED CAPACITY BUYER ELIGIBLE ENTREPRICE IS LIABLE FOR COMPENSATING THE COST OF GUARANTEED CAPACITY IN PROPORTION WITH ITS ACTUAL SHARE OF CONSUMPTION OR EXPORT IN TOTAL ACTUAL CONSUMPTION AND EXPORT.***

PRICE OF GUARANTEED CAPACITY, PAID BY THE ELIGIBLE ENTERPRISES PER 1 KWH, BY MONTH 2013



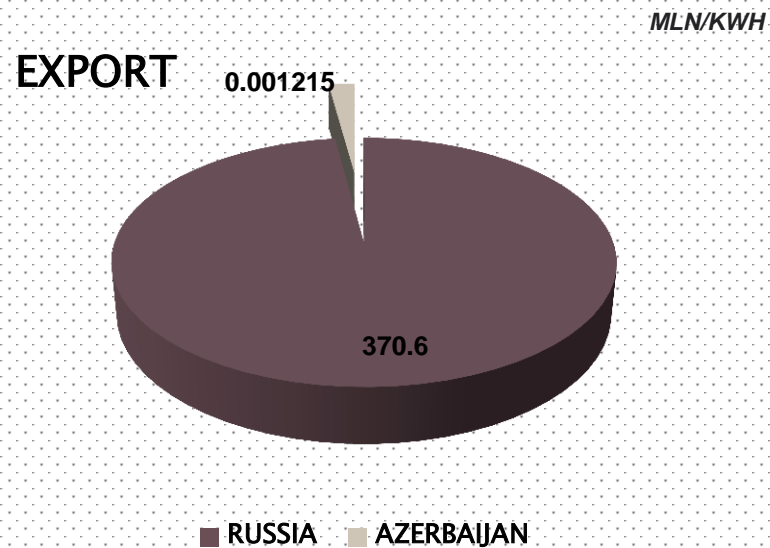
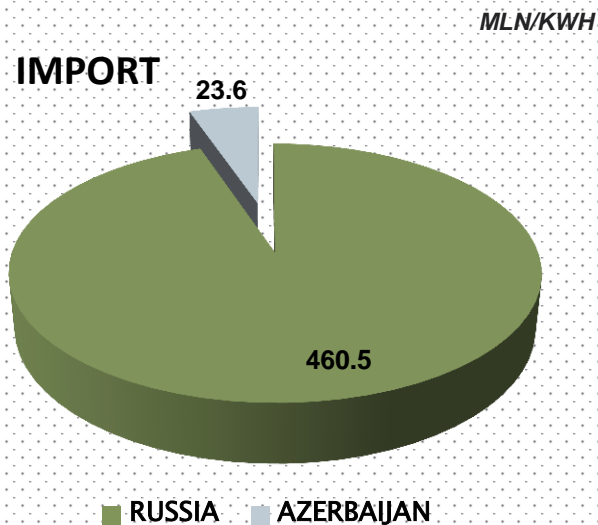
➤ *IN 2013, THE PRICE OF GUARANTEED CAPACITY, PAID BY THE ELIGIBLE ENTERPRISES PER 1 KWH MADE 0.4901 TETRI/KWH.*

PURCHASE SHARE OF ELIGIBLE ENTERPRISES IN TOTAL PURCHASE (JANUARY-DECEMBER, 2013)



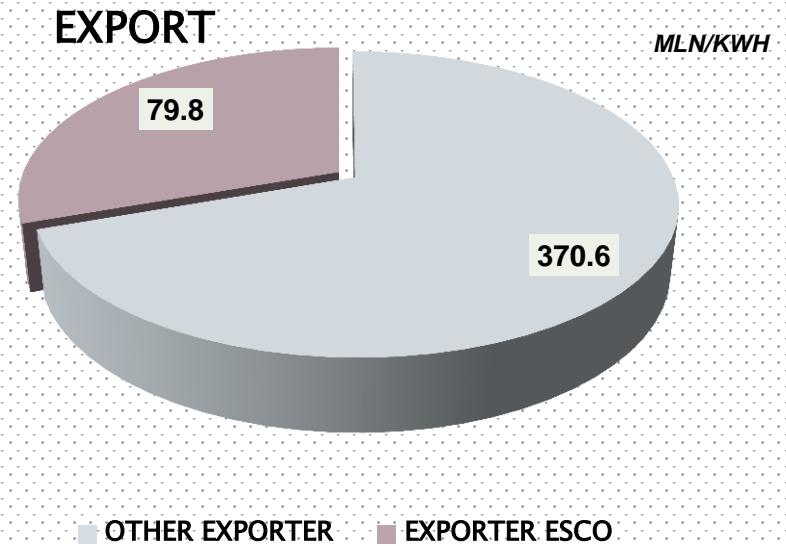
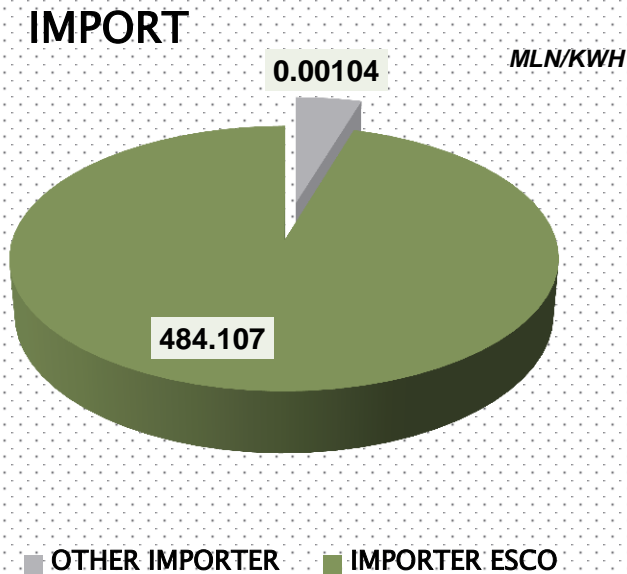
IMPORT AND EXPORT CARRIED OUT BY THE ESCO

- ❑ IN 2003, ESCO CARRIED OUT THE IMPORT OF ELECTRICITY FROM RUSSIAN FEDERATION AND REPUBLIC OF AZERBAIJAN. THE ELECTRICITY TRANSMISSION LINE , CONNECTED WITH RUSSIAN FEDERATION HAS SIGNIFICANT SHARE IN THE FULFILLED IMPORT.
- ❑ IN 2003, ESCO EXPORTED THE ELECTRICITY TO TWO NEIGHBORING COUNTRIES: RUSSIAN FEDERATION AND REPUBLIC OF AZERBAIJAN. SIMILAR TO THE IMPORT, MAIN SHARE OF ESCO'S IMPORT HAS BEEN CARRIED OUT FROM RUSSIAN FEDERATION.



ESCO'S SHARE IN TOTAL VOLUME OF IMPORT AND EXPORT

- IN 2013, QUANTITY OF ELECTRICITY IMPORTED BY THE COMMERTIAL OPERATOR MADE 484.107 MLN KWH, WHICH WAS ALMOST 100% OF ENERGY (484.108 MLN KWH) TOTALLY IMPORTED INTO THE COUNTRY.
- IN 2013, ESCO IMPORTED 370.609 MLN KWH OF ELECTRICITY, WHICH IS 82.3% OF ACTUAL EXPORT(450.4 MLN KWH), CARRIED OUT FROM THE COUNTRY.



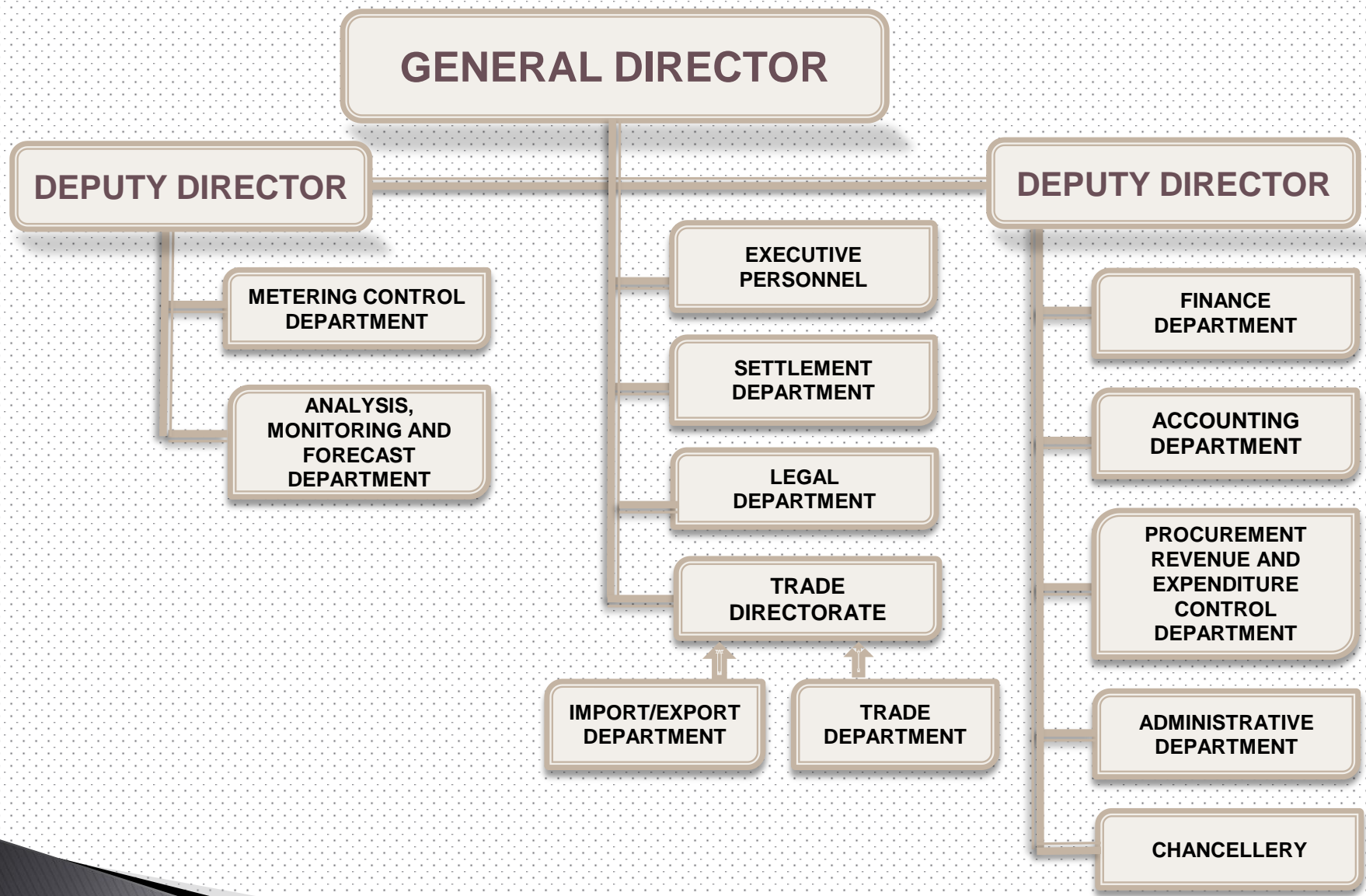
monitoring of metering systems

- In the Year 2013, aimed at the monitoring of electricity settlement metering points and based on the inspection schedule, the auditors of Metering Control Department (in cooperation with the parties concerned), have inspected 1034 electricity settlement metering nodes two times. They have drawn up the inspection act of wholesale (commercial) metering per each metering node;
- When registering the eligible enterprise (or amending its registration) as the participant of wholesale trade, the Commission had inspected and put into service 74 new metering nodes (intended for the wholesale trade) and drawn up the inspection acts of metering nodes, intended for the wholesale trade;
- By the request of Azeri side, the representatives of Georgian Electricity System, JSC have inspected the metering nodes at 330kV Energy Transmission Line Gardabani at 330/110kV Aghstafa Substation and 500/330/220/110kV Sub-station Gardabani. Inspection acts of metering nodes have been drawn up;
- The 400kV Energy Transmission Line Meskheti (Sub-station Akhaltsikhe) has been inspected by the representatives of Georgian Electricity System, JSC and Energotrans, Ltd. Appropriate acts have been drawn up;
- Totally, throughout Georgia, 44 business trips have been carried out, including the following: 26 business trips carried out based on the plan/schedule of electricity settlement metering points inspection, approved by the Electricity System Commercial Operator, JSC; 14 business trips in case of the registration (or amendments introduced to the registration) of eligible enterprises to participate in wholesale trade; three business trips, aimed at the inspection of metering nodes of 400 kV Electricity Transmission Line Meskheti (Sub-station Akhaltsikhe), which connects Georgia and Turkey and one business trip outside Georgia (Azerbaijan – Sub-station Aghstafa);
- The Electricity System Commercial Operator, JSC has reacted accordingly to the legislation, with regards to every error, discovered during the inspection;
- Unified database of metering nodes, intended for wholesale trade has been updated.

SUPPORT OF CONSTRUCTION OF NEW POWER PLANTS

- Comansurate to the memorandums, signed between the government and the investor, four contracts have been signed on obligatory power purchase:
 - *ESCO - Mtkvarihesi;*
 - *Government – ESCO - Story Power, Ltd – Hydrolea, Ltd;*
 - *Government – ESCO - Hydro Georgia, Ltd - Hydrolea, Ltd;*
 - *Government – ESCO - Geoenergy, Ltd - Hydrolea, Ltd;*

ESCO STRUCTURE





WWW.ESCO.GE