



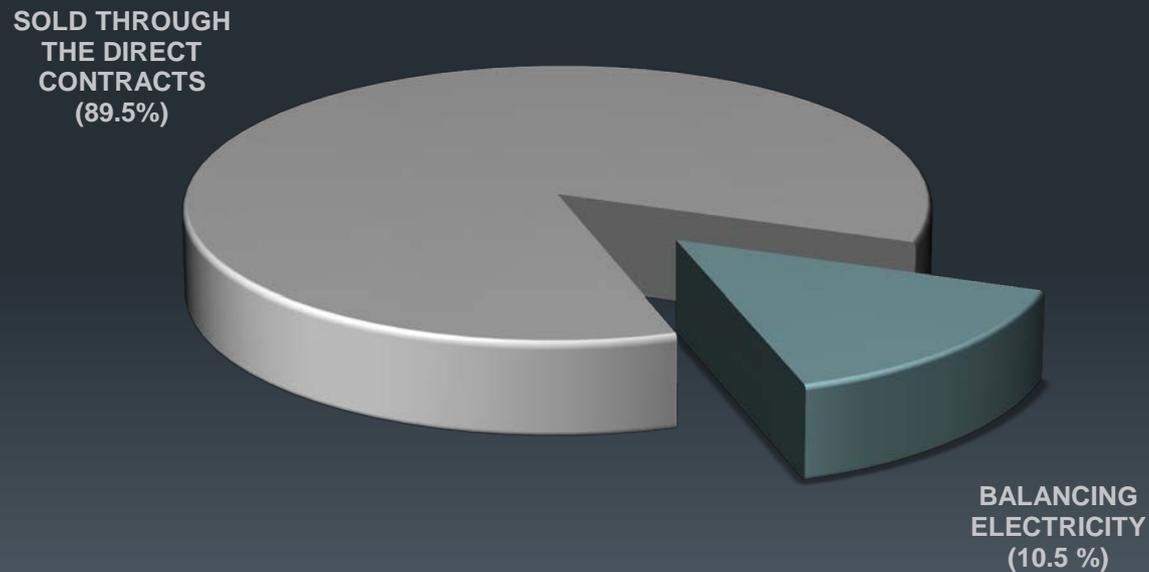
ACTIVITY REPORT, YEAR 2014

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

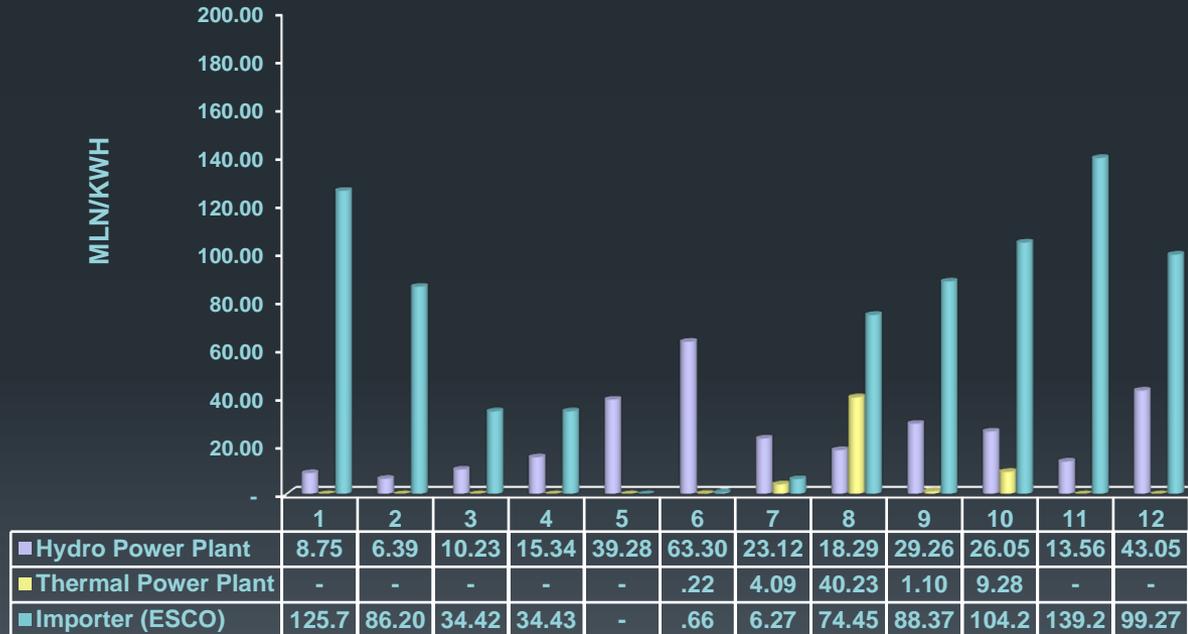
- **BALANCING ELECTRICITY TRADE REMAINS AS ONE OF THE MAIN DIRECTIONS OF THE ESCO ACTIVITIES;**
- **IN 2014, THE SHARE OF BALANCING ELECTRICITY IN THE WHOLESALE TRADE WAS 10.5%.**



BALANCING ELECTRICITY SUPPLIERS

IN 2014, 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.

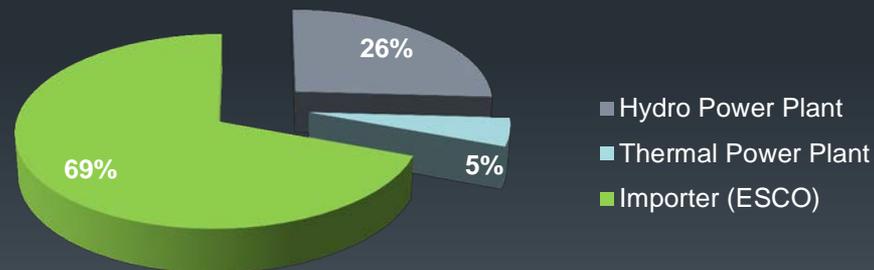
BALANCING ELECTRICITY PURCHASED BY THE ESCO, 2014



PARTICIPATION OF ELECTRICITY SUPPLIERS IN THE PROCESS OF BALANCING ELECTRICITY FORMATION

Electricity Sellers	Year 2014	
	kWh	Share, %
Hydro Power Plants	296 606 096.80	26%
Thermal Power Plants	54 915 196.70	5%
Importer (ESCO)	793 332 864.90	69%
Total	1 144 854 158.4	100.00%

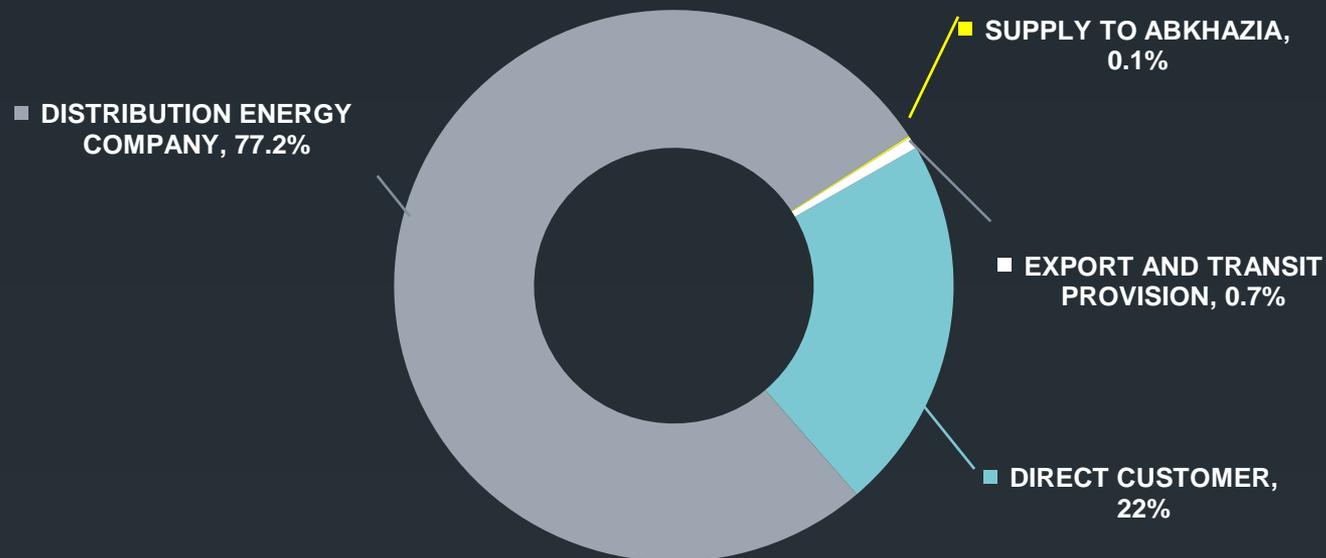
The Share of HPPs, TPPs and Import in the Balancing Electricity in 2014



PARTICIPATION OF ELIGIBLE ENTERPRISES IN THE PURCHASE OF BALANCING ELECTRICITY

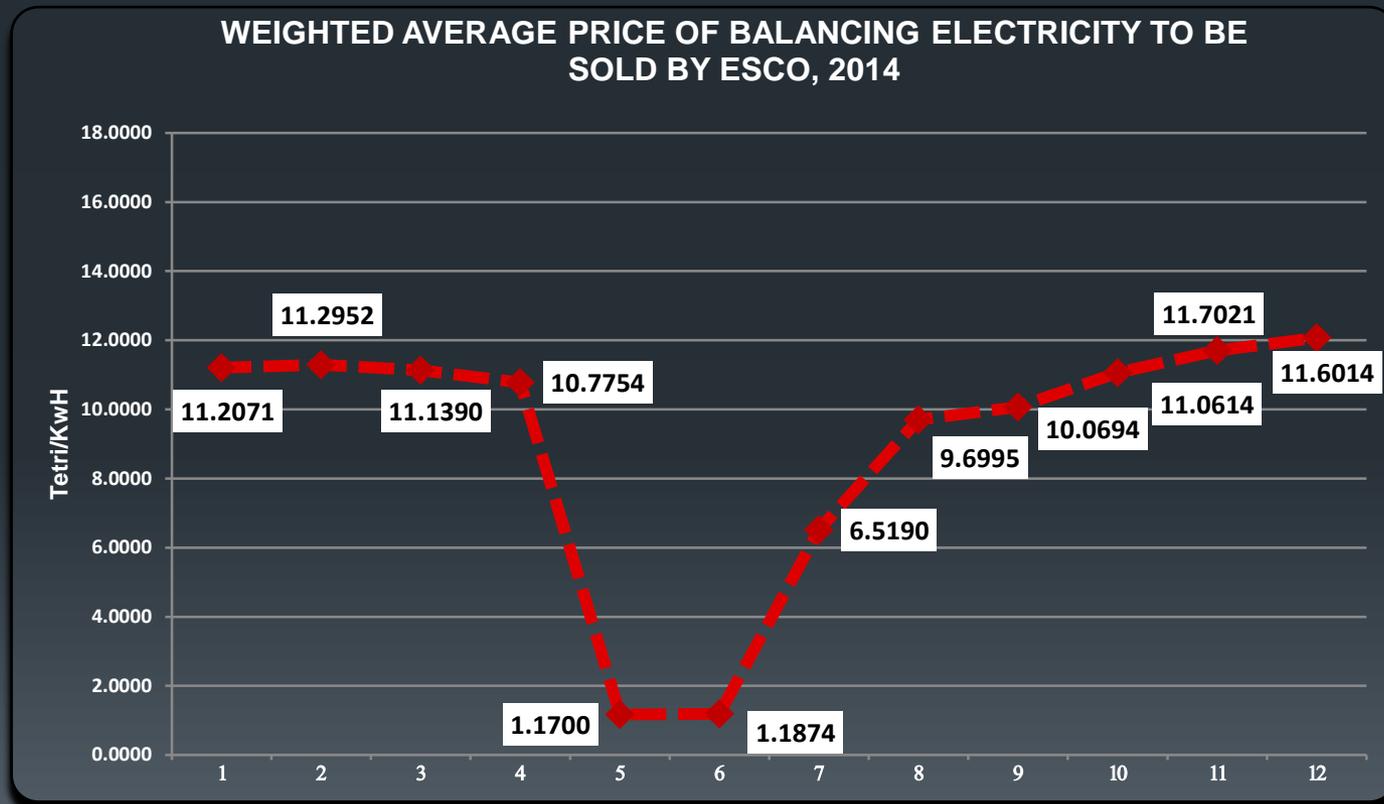
ELECTRICITY BUYERS	YEAR 2014	
	KWH	SHARE, %
DIRECT CUSTOMER	252 020 188.90	22.0%
DISTRIBUTION COMPANY	883 951 328.89	77.2%
SUPPLY TO ABKHAZIA	1 300 633.00	0.1%
EXPORTER	6 412 790.05	0.6%
GSE (PROVISION OF TRANSIT LOSSES)	1 169 217.60	0.1%
TOTAL	1 144 854 158.4	100.00%

EQUITY ENDICES OF DIRECT CUSTOMERS, DISTRIBUTION LICENSEES AND EXPORTERS IN BALANCING ELECTRICITY PURCHASE, 2014



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.

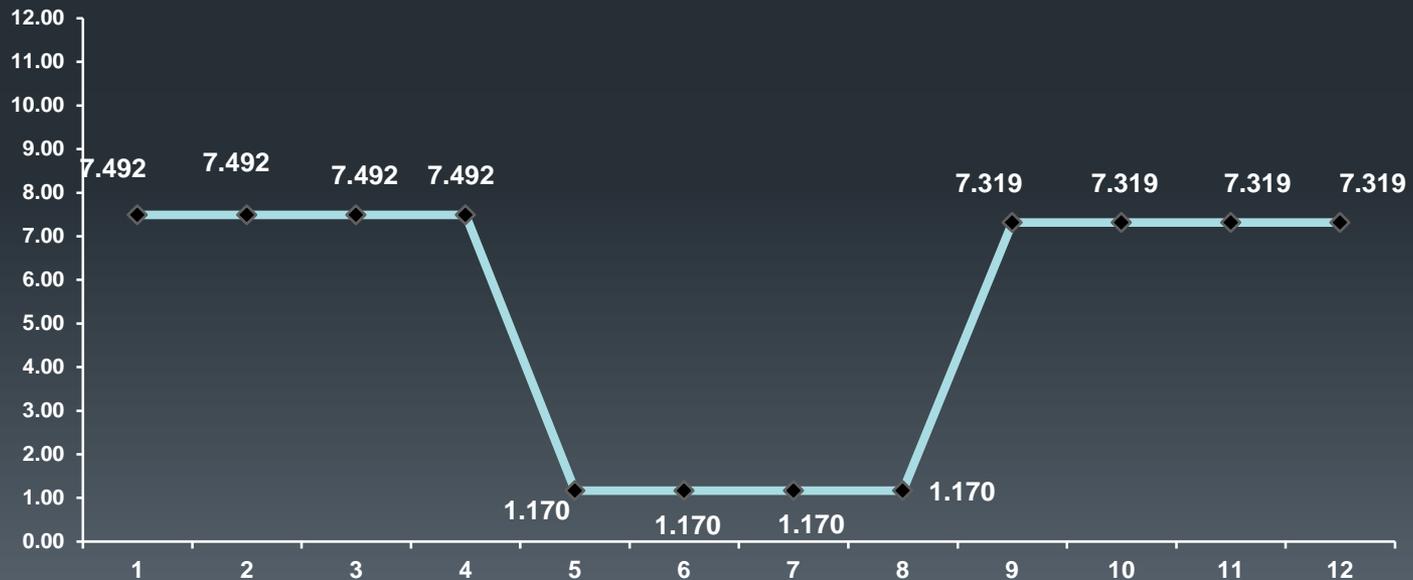


BALANCING ELECTRICITY PRICE OF DEREGULATED SMALL CAPACITY HYDRO POWER PLANTS

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

- *DURING THE SEPTEMBER - MAY PERIOD – APPLIES THE UPPER MARGIN OF THE TARIFF OF THOSE THERMAL POWER PLANTS, FOR WHICH THE COMMISSION HAS ESTABLISHED THE HIGHEST TARIFF;*
- *DURING THE MAY - SEPTEMBER PERIOD – APPLIES THE TARIFF (1.17 TETRI/KWH) OF REGULATORY HYDRO POWER PLANTS, WHICH HAVE THE LOWEST GENERATION TARIFF.*

BALANCING ELECTRICITY PRICE OF DEREGULATED SMALL CAPACITY HYDRO POWER PLANTS, 2014



BALANCING ELECTRICITY PRICE PAYMENT INDICATOR

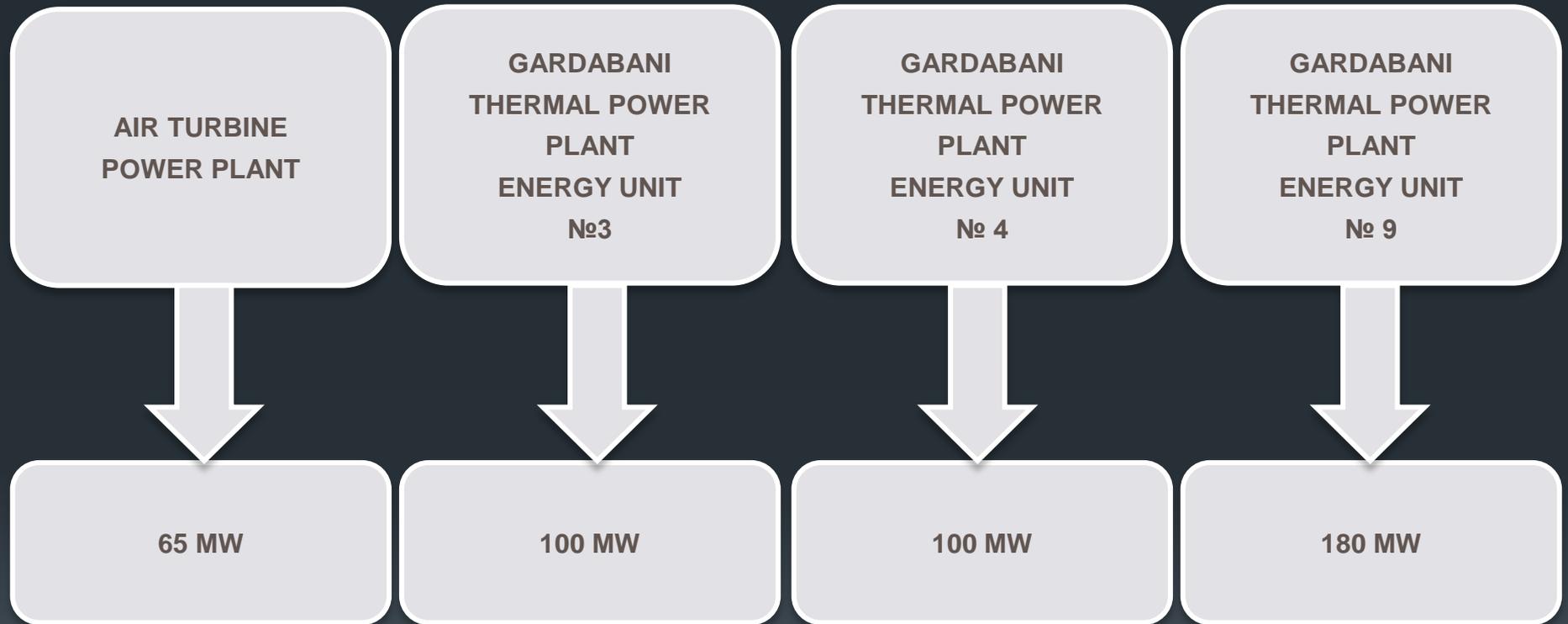
IN 2014, ESCO PAID TO THE BALANCING ELECTRICITY PROVIDER 113 637 092.29 GEL, WHICH IS 91.6% OF TOTAL BILLING (CONSIDERING THE BALANCE, AVAILABLE AT THE BEGINNING OF THE PERIOD).

IN 2014, ELIGIBLE ENTREPRICES PAID 114 931 520.00 GEL (VAT EXCLUDED) AND 119 256 909.83 (VAT INCLUDED) FOR THE BALANCING ELECTRICITY, PURCHASED FROM THE ESCO, WHICH IS 97.38% OF TOTAL BILLING (CONSIDERING THE BALANCE AVAILABLE AT THE BEGINNING OF THE PERIOD).

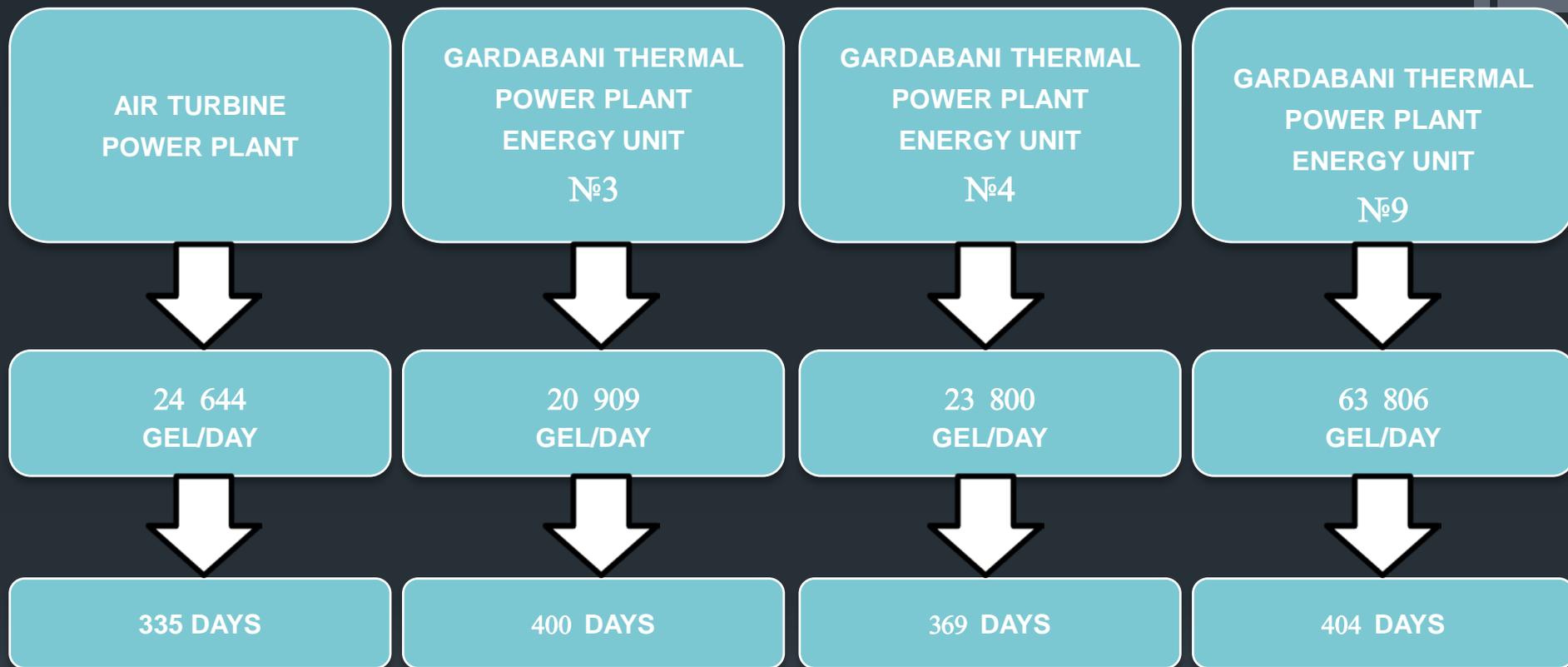
GUARANTEED CAPACITY

- **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



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



PROVISION PERIODS (NUMBER OF DAYS) FOR GARDABANI THERMAL POWER PLANT UNITS №3, 4 AND 9 WERE DETERMINED FOR 16 MONTH (FROM SEPTEMBER 2015 TILL DECEMBER 31, INCLUDING). EXCEPTION ARE THE AIR TURBINE POWER PLANT, PROVISION PERIOD FOR IT IS DETERMINED BASED ON THE CALENDAR YEAR.

FUNDS RECEIVED FOR THE GUARANTEED CAPACITY PROVIDED BY THE SOURCES, 2014

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
2014	NUMBER OF PROVISION DAYS	296	280	286	335
	CAPACITY COST (MLN GEL)	17.968	5.732	6.353	8.256

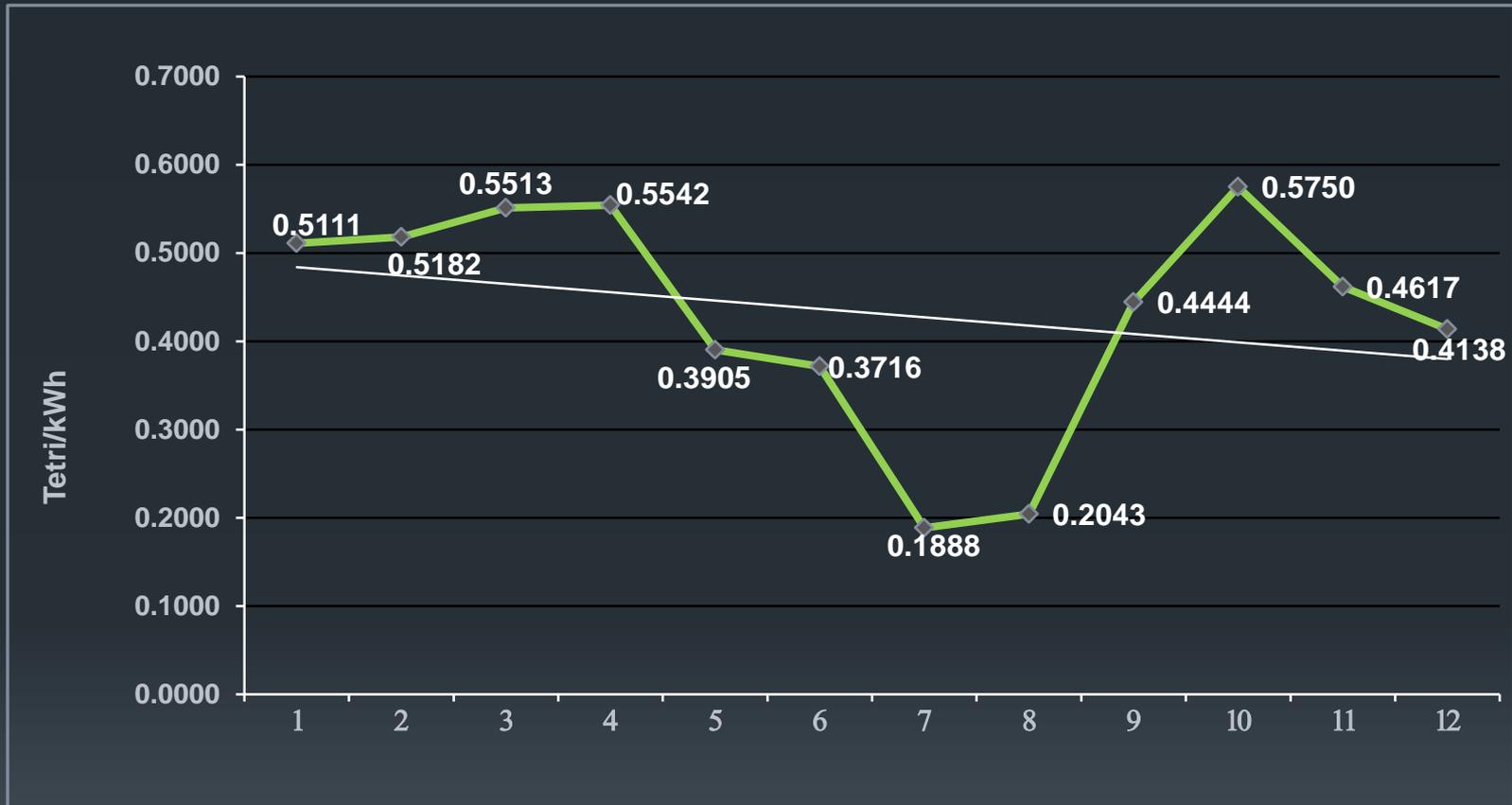
UNTIL SEPTEMBER 1, 2014, THE PRICE OF GUARANTEED CAPACITY OF GARDABANI THERMAL POWER PLANT ENERGY UNIT №3 MADE UP 20 210.00 GEL/DAY, WHEREAS THE COST OF ENERGY UNIT №4 WAS 21 250.00 GEL/DAY AND 58 919.00 GEL/DAY WAS THE VALUE OF ENERGY UNIT №9.

GUARANTEED CAPACITY BUYERS



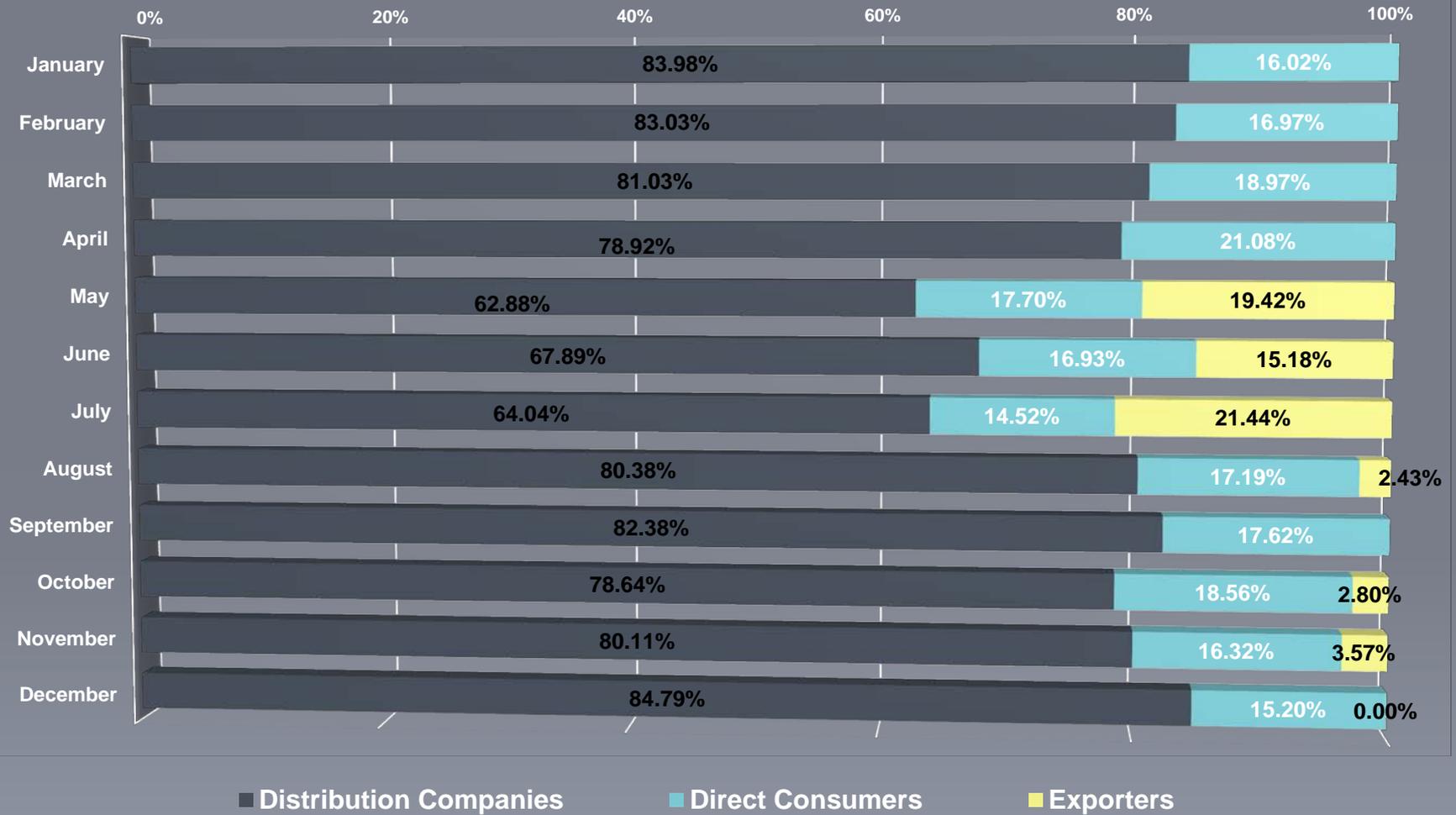
- ***GUARANTEED CAPACITY BUYER ELIGIBLE ENTREPRICE IS LIABLE FOR COMPENSATING THE COST OF GUARANTEED CAPACITY IN PROPORTION WITH ITS ACTUAL SHARE OF CONSUMPTION OR EXPORT IN TOTAL ACTUAL CONSUMPTION AND EXPORT.***

PRICE OF GUARANTEED CAPACITY, PAID BY THE ELIGIBLE ENTERPRISES PER 1 KWH, BY MONTH 2014



➤ **IN 2014, THE PRICE OF GUARANTEED CAPACITY, PAID BY THE ELIGIBLE ENTERPRISES PER 1 KWH MADE 0.4228 TETRI/KWH.**

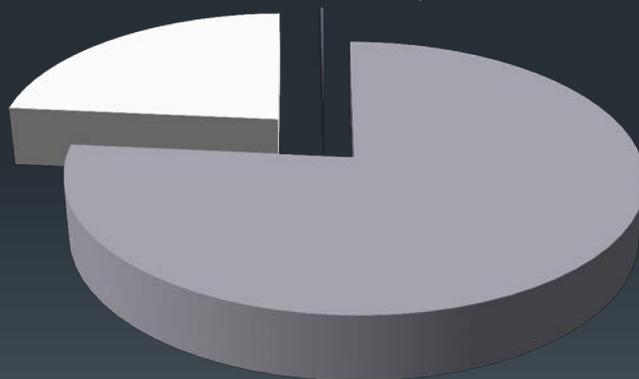
SHARE OF GUARANTEED CAPACITY BUYER ELIGIBLE ENTERPRISES IN TOTAL PURCHASE (YEAR 2014)



IMPORT AND EXPORT CARRIED OUT BY THE ESCO

- IN 2014, ESCO CARRIED OUT THE IMPORT OF ELECTRICITY FROM RUSSIAN FEDERATION, REPUBLIC OF AZERBAIJAN AND ARMENIA. THE ELECTRICITY TRANSMISSION LINES, CONNECTED WITH RUSSIAN FEDERATION HAS SIGNIFICANT SHARE IN THE FULFILLED IMPORT.
- IN 2014, ESCO EXPORTED THE ELECTRICITY TO TWO THE NEIGHBORING COUNTRIES: RUSSIAN FEDERATION AND REPUBLIC OF AZERBAIJAN. SIMILAR TO THE IMPORT, MAIN SHARE OF ESCO'S EXPORT WAS DIRECTED TO RUSSIAN FEDERATION.

IMPORT, 2014



■ Russia ■ Azerbaijan ■ Armenia

EXPORT, 2014

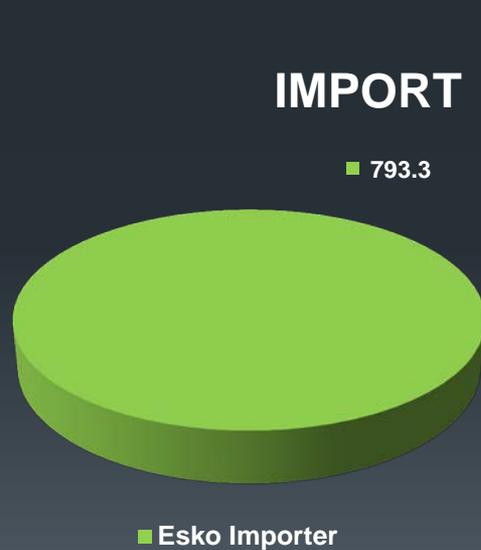


■ Russia ■ Azerbaijan

ESCO'S SHARE IN TOTAL VOLUME OF IMPORT/EXPORT, 2014

IN 2014, QUANTITY OF ELECTRICITY IMPORTED BY THE COMMERTIAL OPERATOR MADE 793.3 MLN KWH, WHICH IS 100% OF ENERGY (793.3 MLN KWH) TOTALLY IMPORTED INTO THE COUNTRY.

IN 2014, ESCO EXPORTED 160.1 MLN KWH OF ELECTRICITY, WHICH IS 29.4%-OF ACTUAL EXPORT(545.059 MLN KWH) FROM THE COUNTRY.



Monitoring Of Metering Systems

- In the Year 2014, the auditors of Metering Control Department (in cooperation with the parties concerned) inspected 1100 electricity settlement metering nodes twice, aimed at the monitoring of electricity settlement metering points and based on the inspection schedule. 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 32 new metering nodes (intended for the wholesale trade) and drawn up the inspection acts of metering nodes, intended for the wholesale trade;
- At the Sub-station “Akhalsikhe-500”, metering node of the Electricity Transmission Line “Meskheta-400” has been inspected in cooperation with the JSC “Georgian State Electricity System”
- In 2014, totally, throughout Georgia, 43 business trips have been carried out, including the following: 28 business trips carried out based on the plan/schedule of electricity settlement metering points inspection, approved by the JSC “Electricity System Commercial Operator”; 14 business trips in case of the registration (or amendments introduced to the registration) of eligible enterprises to participate in wholesale trade and one business trip, aimed at the inspection of the Electricity Transmission Line “Meskheta-400” at the Sub-station “Akhalsikhe-500”;
- The JSC “Electricity System Commercial Operator” 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 concluded between the government and the investor, four contracts have been signed on obligatory power purchase in 2014:
 - *Government – ESCO - Ltd “Kazbegihesi”;*
 - *Government – ESCO - Ltd “Energo-Aragvi”;*
 - *Government – ESCO - Ltd “Georgian Urban Energy”;*
 - *Government – ESCO - Ltd “Geoenergy” – Ltd “Hydrolea”.*

ESCO STRUCTURE

GENERAL DIRECTOR

DEPUTY DIRECTOR

DEPUTY DIRECTOR

**METERING CONTROL
DEPARTMENT**

**ANALYSIS,
MONITORING AND
FORECAST
DEPARTMENT**

**ELECTRICITY MARKET
STRATEGIC
DEVELOPMENT
DEPARTMENT**

**EXECUTIVE
PERSONNEL**

**SETTLEMENT
DEPARTMENT**

**COMPUTERIZED
METERING SYSTEM
DEPARTMENT**

**LEGAL
DEPARTMENT**

**TRADE
DIRECTORATE**

**IMPORT/EXPORT
DEPARTMENT**

**TRADE
ORGANIZATION
DEPARTMENT**

**FINANCE
DEPARTMENT**

**ACCOUNTING
DEPARTMENT**

**DEPARTMENT
OF PROCUREMENT,
REVENUE AND
EXPENDITURE
CONTROL**

**ADMINISTRATIVE
DEPARTMENT**

CHANCELLERY

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