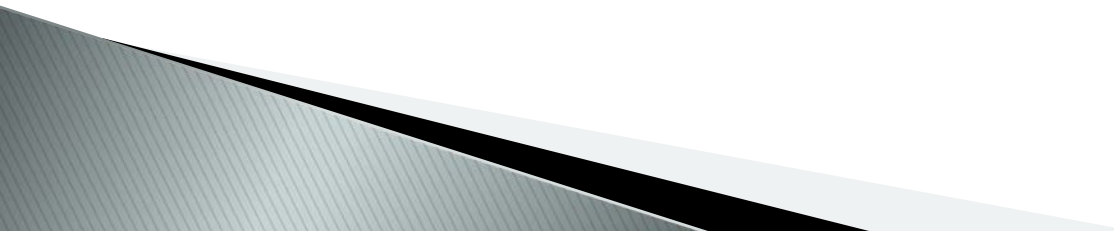




ELECTRICITY SYSTEM COMMERCIAL OPERATOR, JSC

ACTIVITY REPORT, 2012

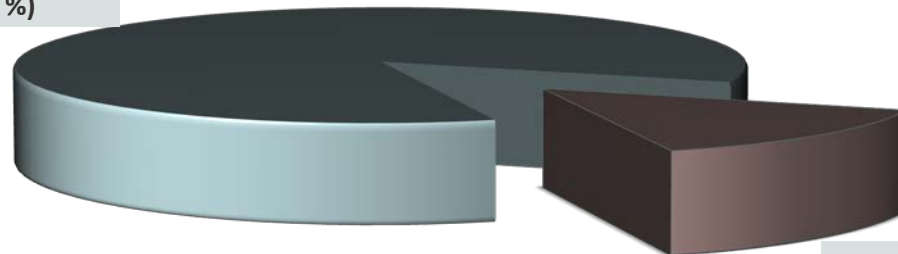
MAIN ACTIVITY DIRECTIONS

- **BALANCING ELECTRICITY TRADE**
 - **GUARANTEED CAPACITY TRADE**
 - **ELECTRICITY IMPORT/EXPORT**
 - **METERING CONTROL**
- 

BALANCING ELECTRICITY TRADE

- ▶ **BALANCING ELECTRICITY TRADE REMAINS AS ONE OF THE MAIN DIRECTIONS OF THE ESCO ACTIVITIES.**
- ▶ **IN 2012, THE SHARE OF BALANCING ELECTRICITY IN WHOLESALE TRADE WAS 17.1%.**

**SOLD THROUGH THE
DIRECT CONTRACTS
(82.9 %)**

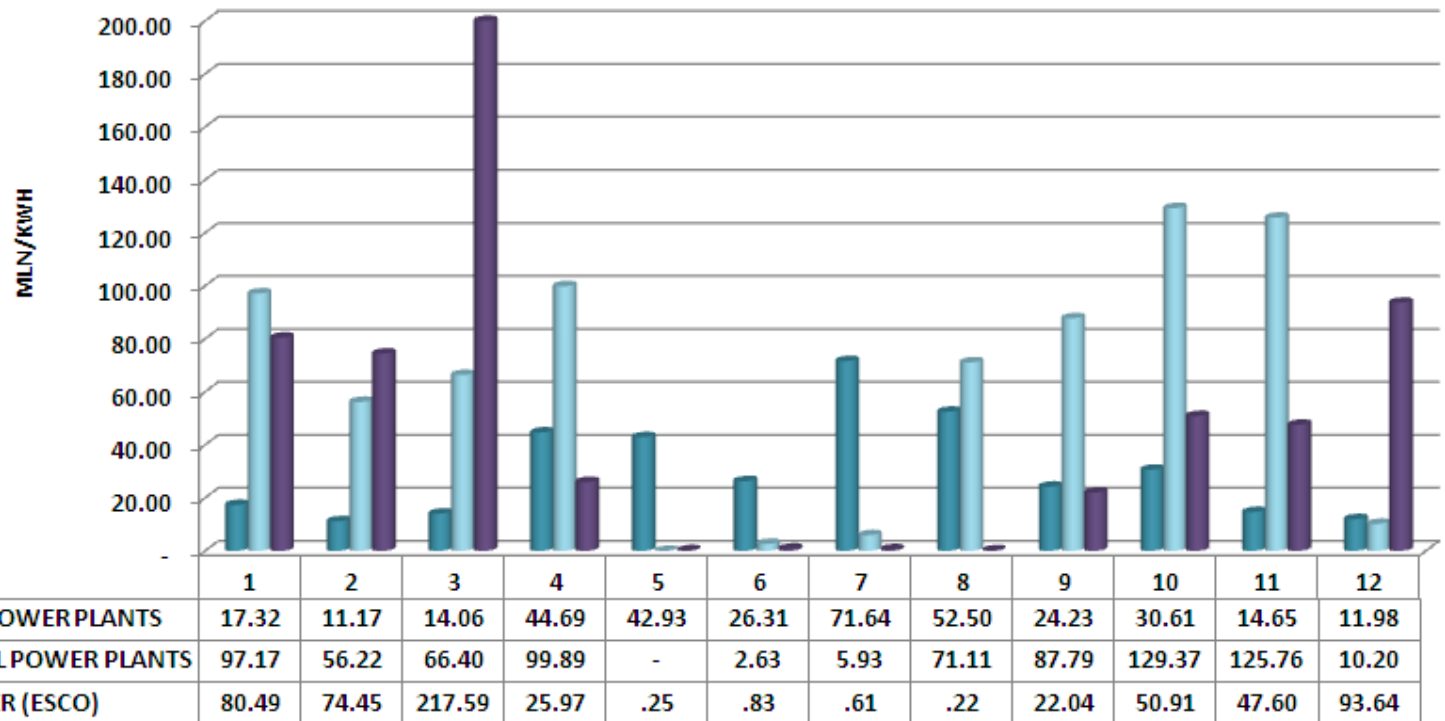


**BALANCING
ELECTRICITY (17.1 %)**

BALANCING ELECTRICITY SUPPLIERS

IN 2012, 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.

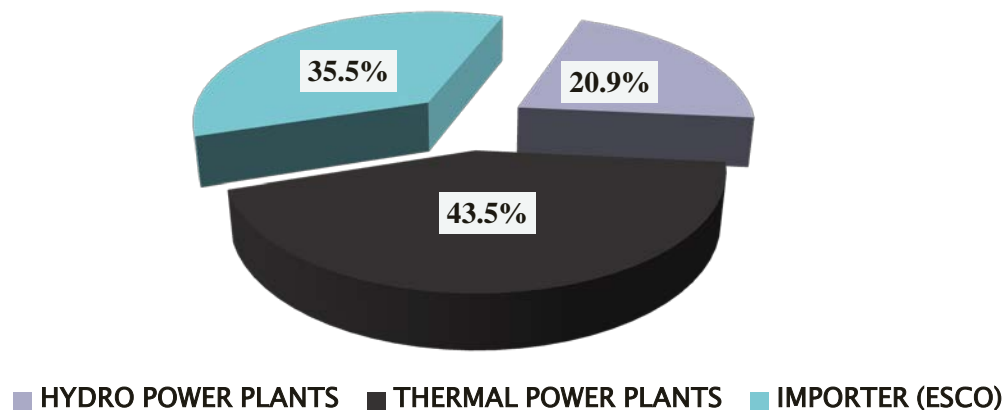
BALANCING ELECTRICITY BOUGHT BY ESCO, 2012



PARTICIPATION OF THE ELECTRICITY SUPPLIERS IN FORMING OF THE BALANCING ELECTRICITY

ELECTRICITY SELLERS	YEAR 2012	
	KWH	SHARE, %
HYDRO POWER PLANTS	362 084 629	20.94%
THERMAL POWER PLANTS	752 456 340	43.52%
IMPORTER (ESCO)	614 590 276	35.54%
TOTAL	1 729 131 245	100.00%

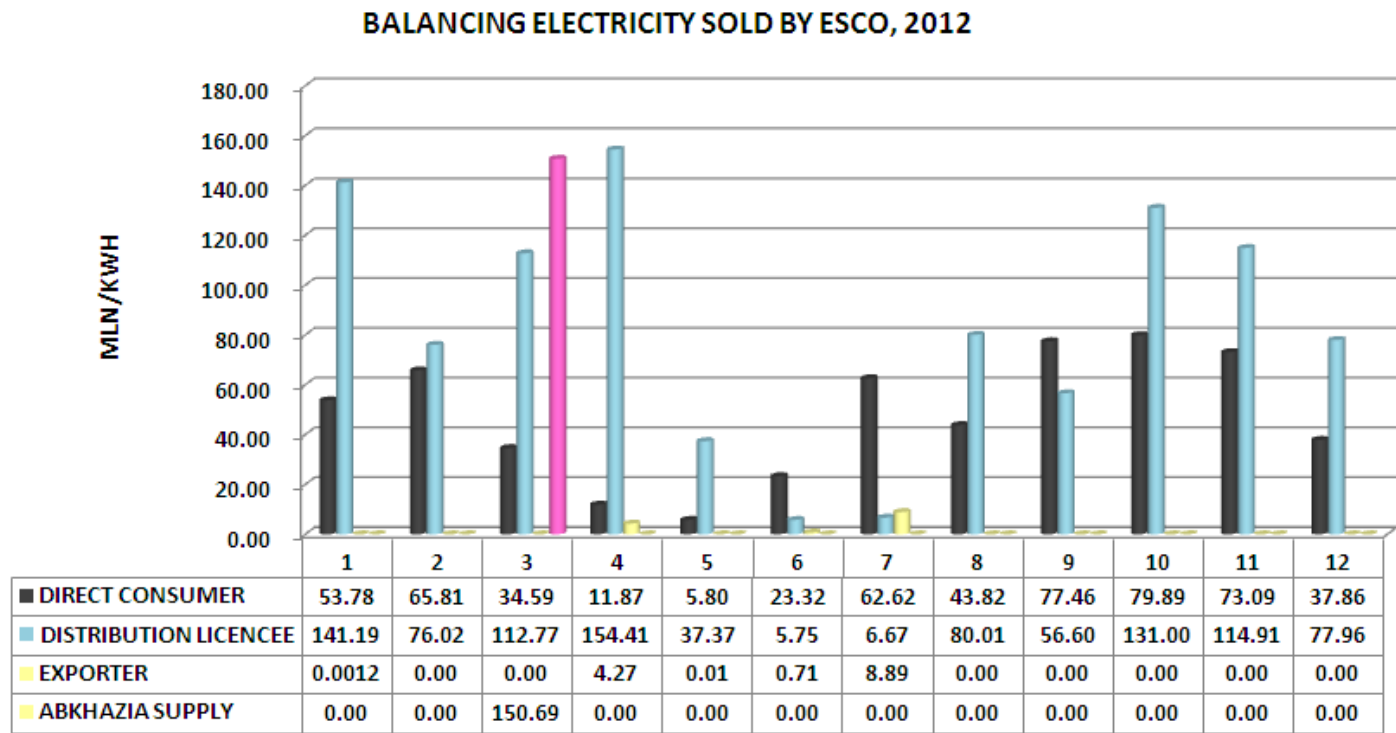
SHARE OF HPPS, TPPS AND IMPORT IN THE BALANCING ELECTRICITY, 2012



BALANCING ELECTRICITY BUYERS

IN 2012, THE DISTRIBUTION COMPANIES, DIRECT CUSTOMERS AND EXPORTERS WERE THE MAIN BUYERS OF BALANCING ELECTRICITY. IN MARCH, BALANCING ELECTRICITY WAS DELIVERED TO COVER THE CONSUMPTION IN ABKHAZIA.

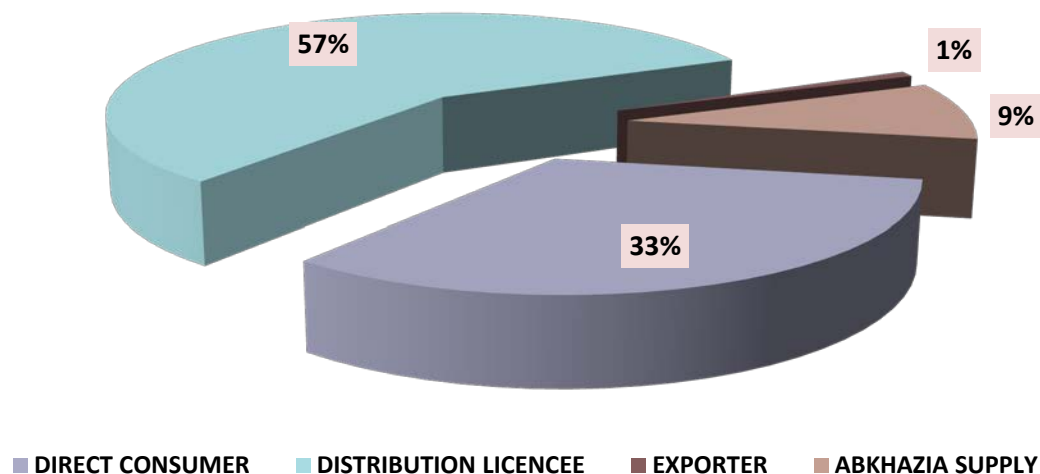
THE SHARE OF BALANCING ELECTRICITY BUYERS BY MONTHS IS GIVEN IN THE DIAGRAM.



PARTICIPATION OF ELIGIBLE ENTERPRISES IN THE PURCHASE OF BALANCING ELECTRICITY

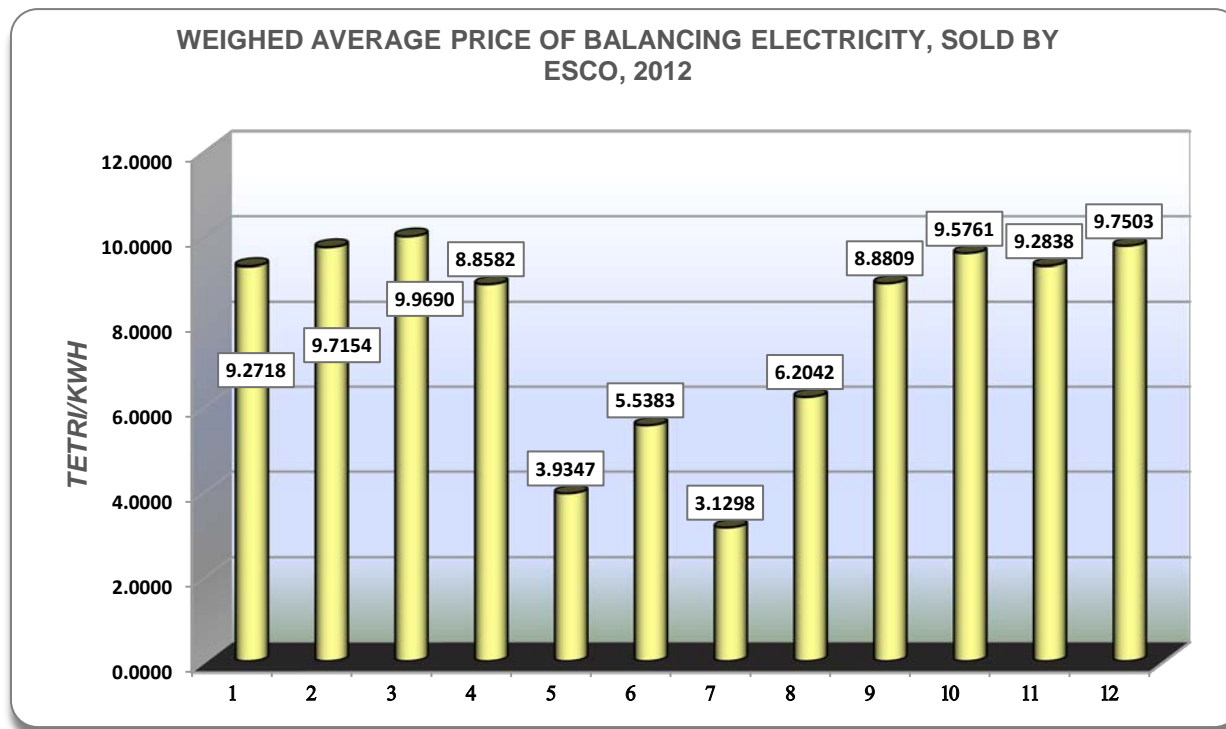
ELECTRICITY BUYERS	YEAR 2012	
	KWH	SHARE%
DIRECT CONSUMERS	569 909 047	32.96%
DISTRIBUTION COMPANY	994 650 542	57.52%
EXPORTER	13 885 001	0.80%
DELIVERY TO ABKHAZIA	150 686 655	8.71%
TOTAL	1 729 131 245	100.00%

SHARE INDICATORS OF BALANCING ELECTRICITY PURCHASE BY
THE DIRECT CUSTOMERS, DISTRIBUTION LICENSEES AND THE
EXPORTERS, 2012



PRICE FORMATION OF BALANCING ELECTRICITY INTENDED FOR SALE

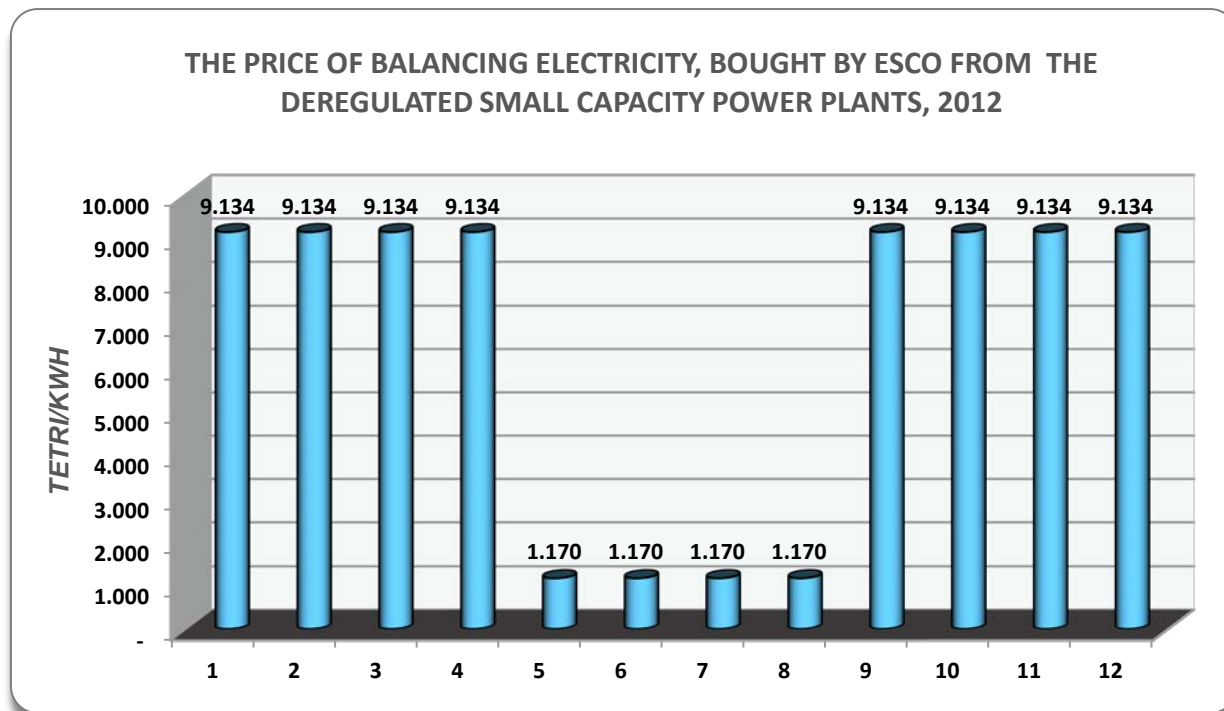
PRICE OF BALANCING ELECTRICITY INTENDED FOR SALE IS FORMED FROM *THE WEIGHED AVERAGE TARIFF* OF BALANCING ELECTRICITY, SOLD BY ESCO.



BALANCING ELECTRICITY PRICE OF DEREGULATED SMALL CAPACITY POWER PLANTS

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

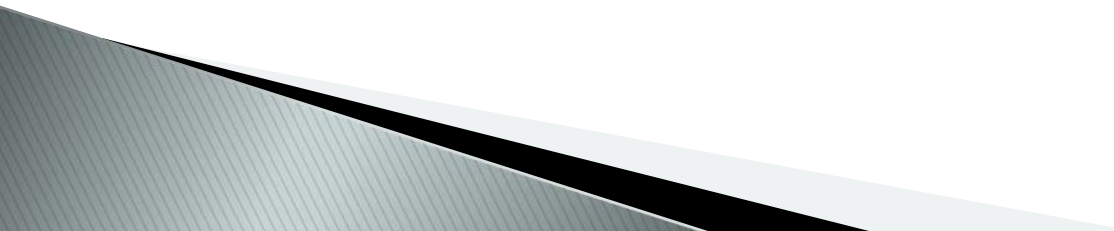
- *DURING THE PERIOD OF SEPTEMBER - MAY – FOR THE HIGHEST TARIFF OF BALANCING ELECTRICITY, SOLD TO ESCO DURING THE SAME PERIOD;*
- *DURING THE PERIOD OF MAY - SEPTEMBER – FOR THE TARIFF (1.17 TETRI/KWH) OF REGULATORY POWER PLANT, WHICH HAS THE LOWEST PRICE.*



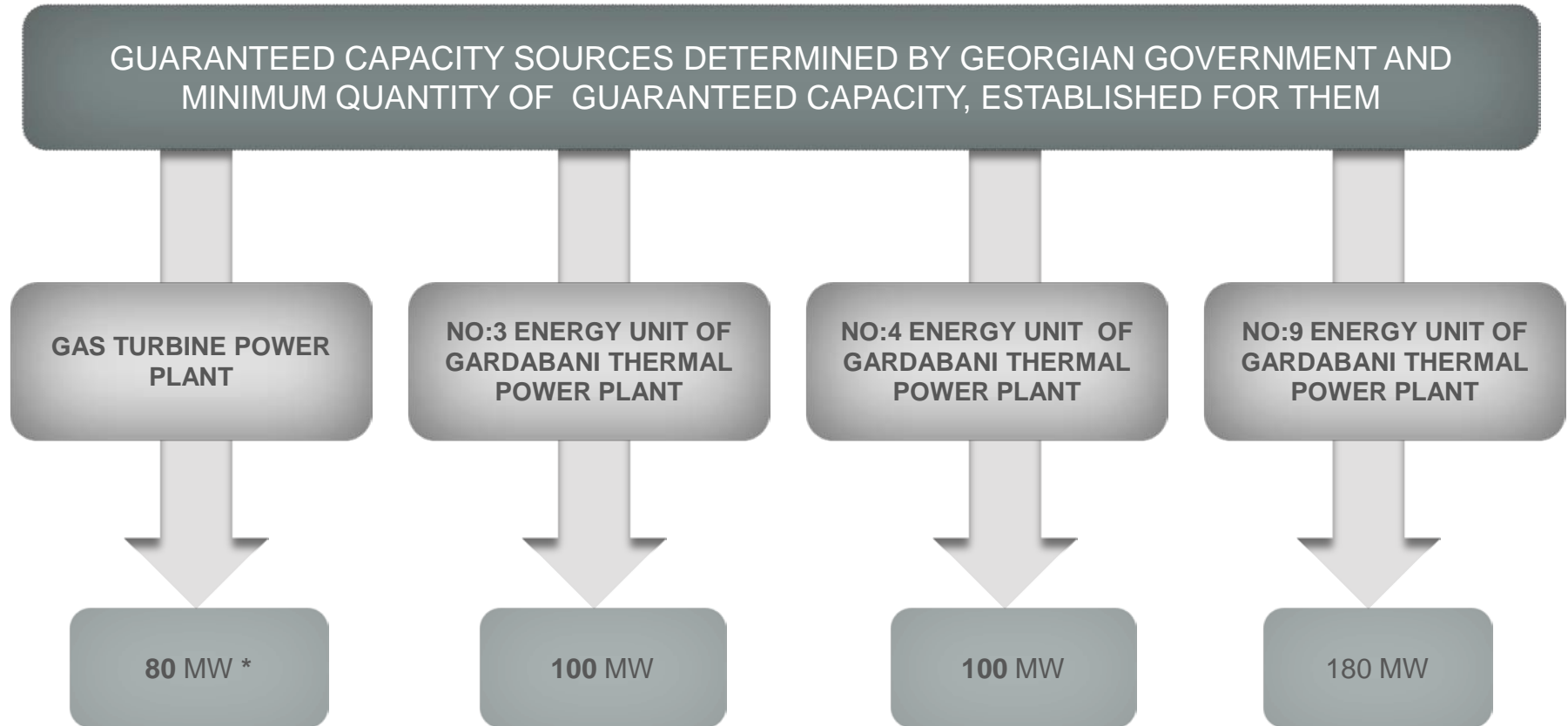
BALANCING ELECTRICITY PRICE PAYMENT INDICATOR

- **IN 2012, ESCO PAID TO THE BALANCING ELECTRICITY SUPPLIERS 144 884 799 GEL, WHICH IS 92.5% OF TOTAL BILLING (TAKING INTO ACCOUNT THE STARTING BALANCE);**
- **IN 2012, ELIGIBLE ENTREPRICES PAID 154 646 413 GEL (VAT INCLUDED) FOR THE BALANCING ELECTRICITY, BOUGHT FROM ESCO, WHICH IS 93.7% OF BILLED AMOUNT (TAKING INTO ACCOUNT THE STARTING BALANCE).**

GUARANTEED CAPACITY

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

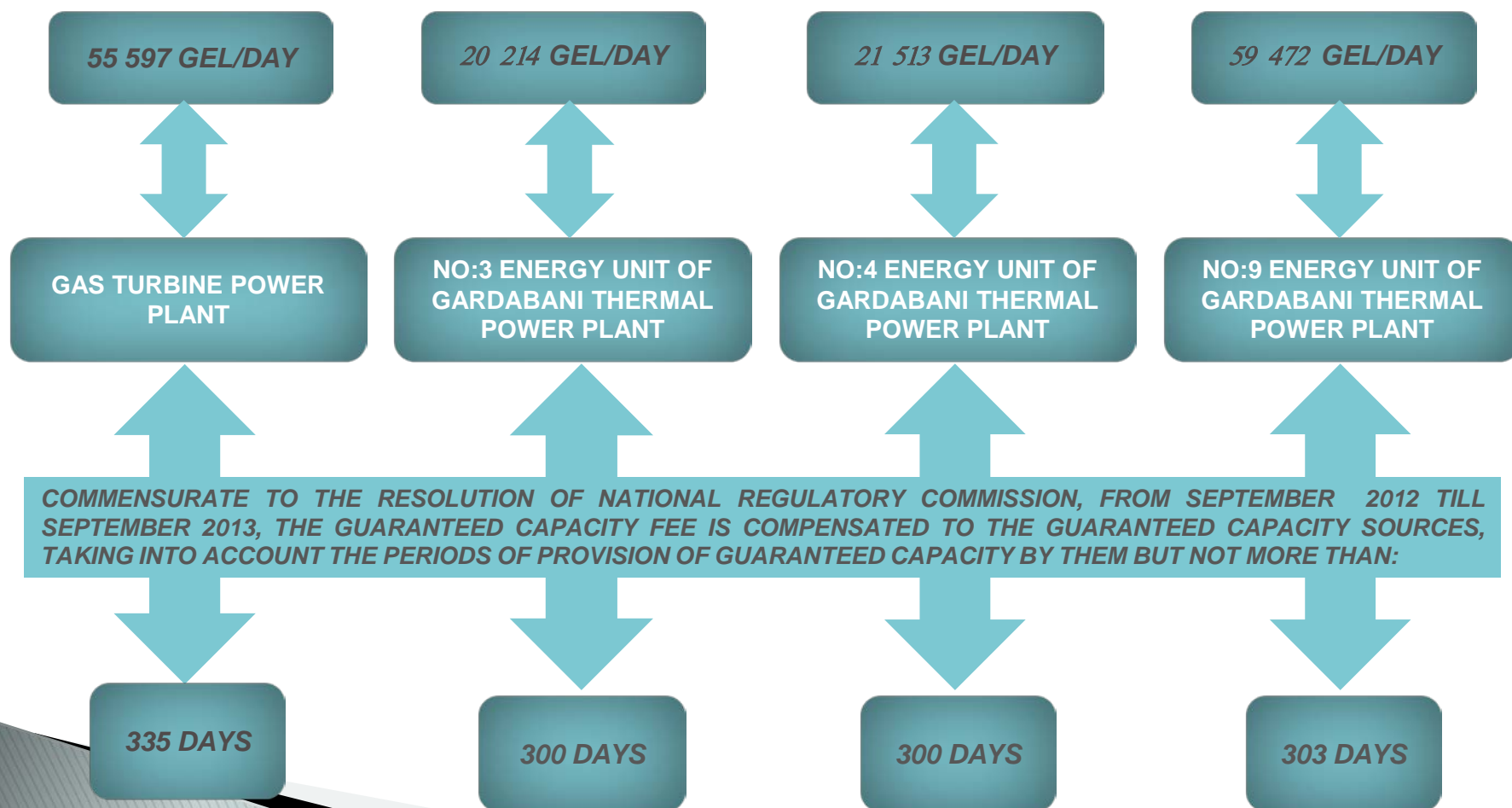
**GUARANTEED CAPACITY SOURCES, DETERMINED BY GEORGIAN GOVERNMENT,
MINIMUM QUANTITY OF GUARANTEED CAPACITY, ESTABLISHED FOR THEM AND THE
PERIODS OF DELIVERY**



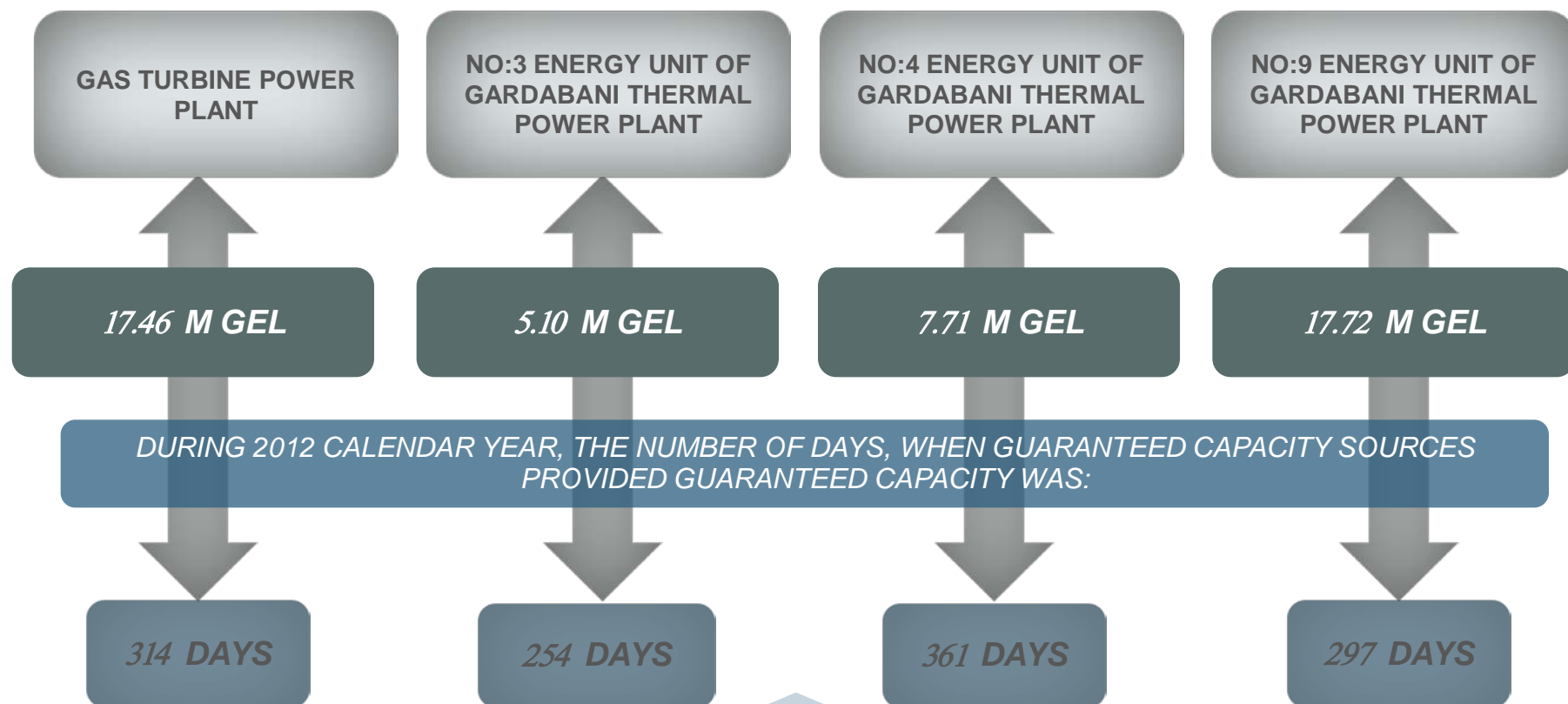
**** COMMENSURATE TO THE RESOLUTION #424 (DATED NOVEMBER 10, 2011) OF GEORGIAN GOVERNMENT, FROM APRIL 1, 2012, MINIMUM QUANTITY OF GUARANTEED CAPACITY SHALL BE DETERMINED AS 80 MW INSTEAD OF 65.***

NUMBER OF DAYS OF GUARANTEED CAPACITY SUPPLY BY THE GUARANTEED CAPACITY SOURCES IN 2012 AND THE PAYMENT FOR THE 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 AS OF DECEMBER 31, 2012 WAS:

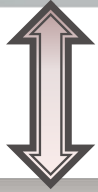


GUARANTEED CAPACITY FEE FOR THE GUARANTEED CAPACITY, PROVIDED BY THE GUARANTEED CAPACITY SOURCES IN 2012

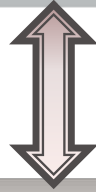


COMMENSURATE TO THE RESOLUTION OF GEORGIAN NATIONAL REGULATORY COMMISSION, FROM 2012 SEPTEMBER, 20 214.00 GEL WAS FIXED INSTEAD OF 20 016.00 GEL AS THE FEE OF GUARANTEED CAPACITY FOR #3 GARDABANI ENERGY UNIT #3, WHEREAS 21 297.00 GEL WAS FIXED INSTEAD OF 21 513.00 GEL) FOR UNIT #4 AND 59 472.00 WAS FIXED INSTEAD OF 59 811.00 GEL FOR GARDABANI ENERGY UNIT #9.

GUARANTEED CAPACITY BUYERS



**DISTRIBUTION ENERGY
COMPANY**



DIRECT CONSUMER

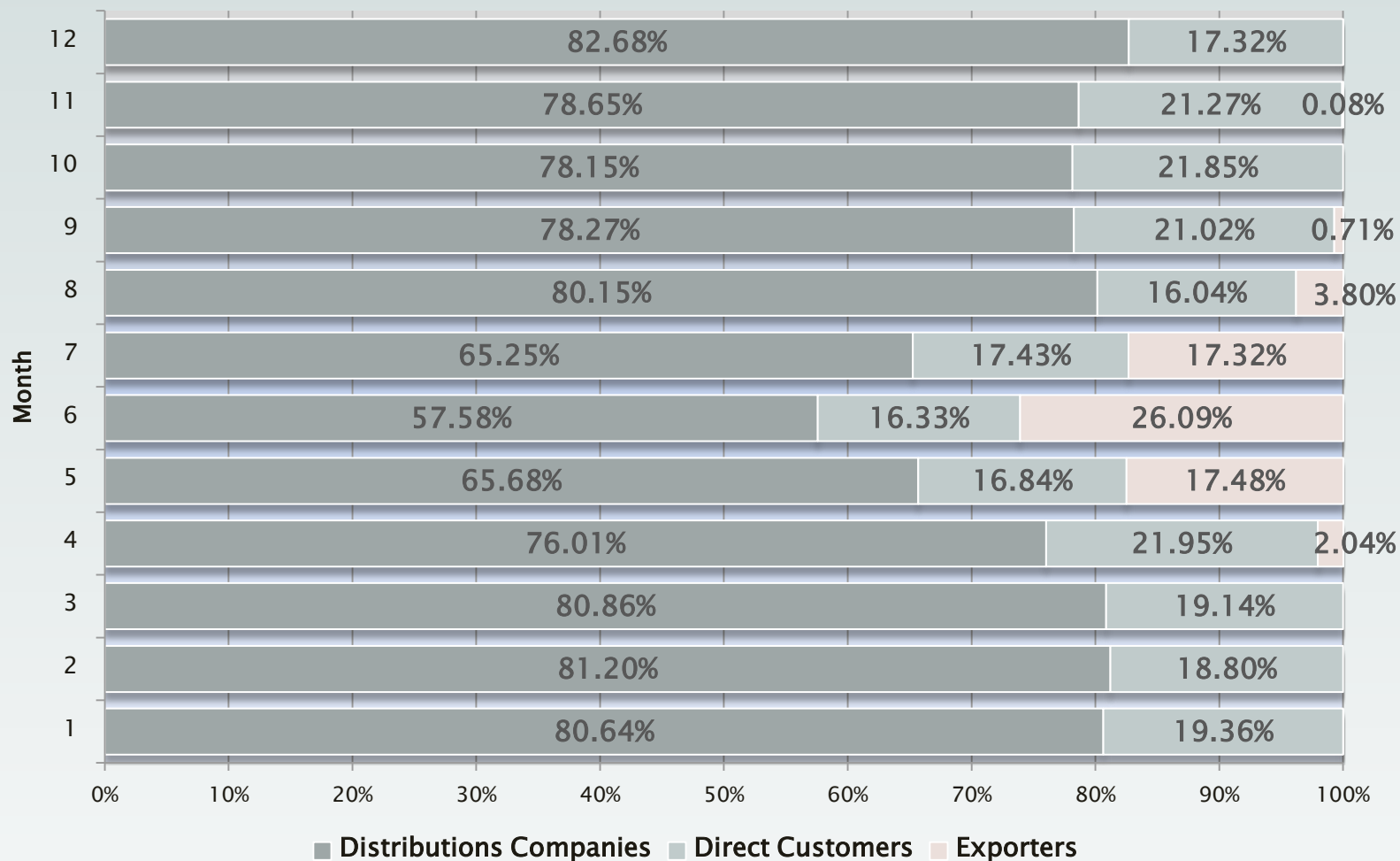


EXPORTER

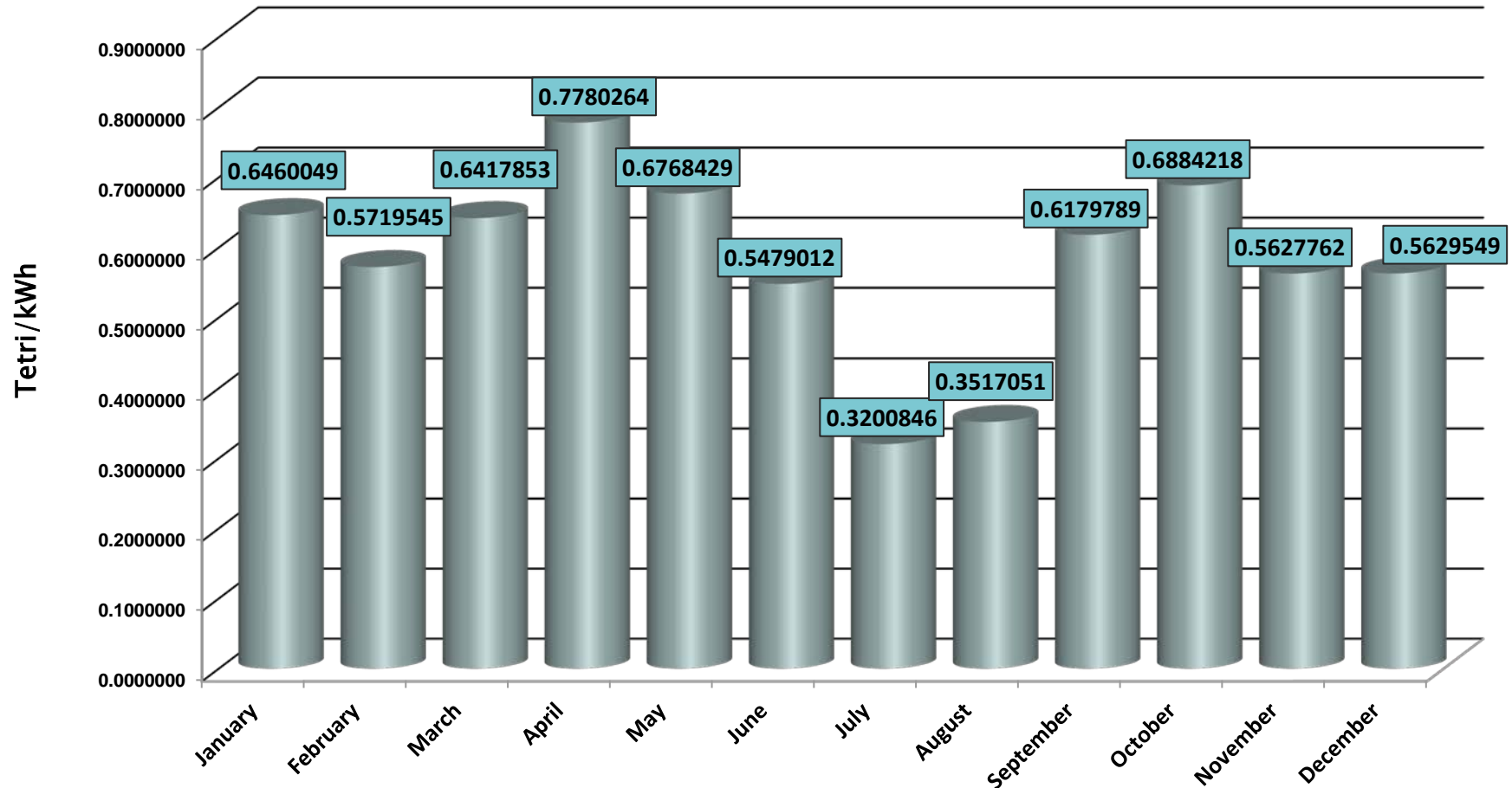


GUARANTEED CAPACITY BUYER ELIGIBLE ENTERPRISE IS LIABLE FOR THE PAYMENT OF GUARANTEED CAPACITY COST IN PROPORTION WITH IT'S SHARE IN TOTAL ACTUAL CONSUMPTION OF GUARANTEED CAPACITY BUYERS AND EXPORT OR IN PROPORTION WITH THE EXPORT SHARE.

SHARE OF GUARANTEED CAPACITY BUYER ELIGIBLE ENTERPRISES IN TOTAL PROCUREMENT OF GUARANTEED CAPACITY IN 2012

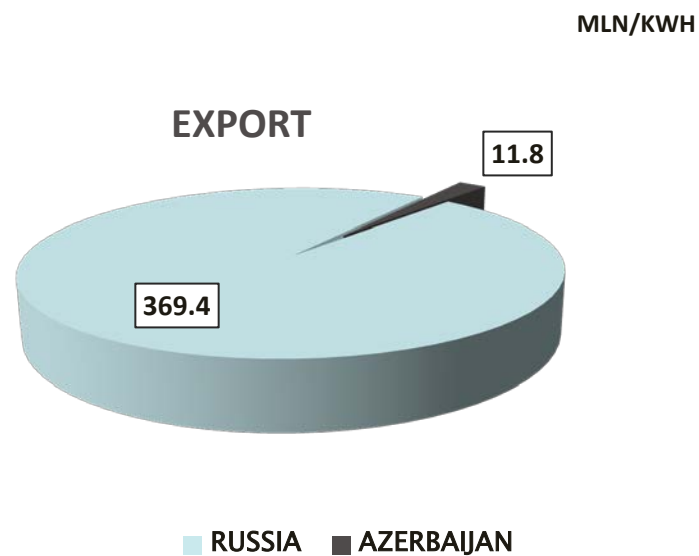
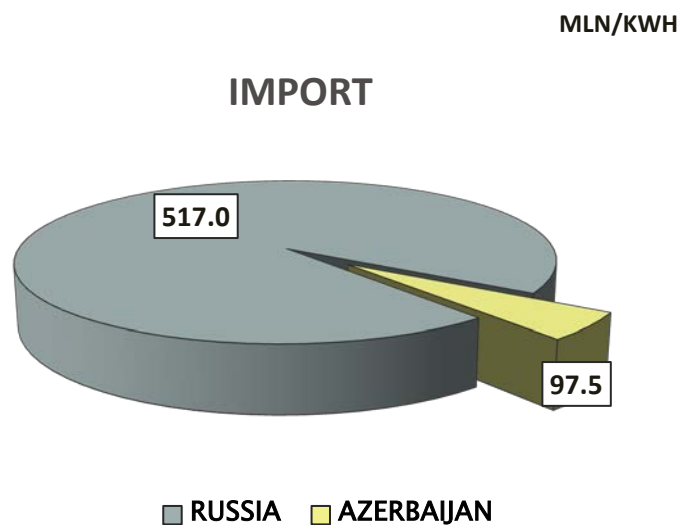


GUARANTEED CAPACITY FEE (PAID IN TETRI), THE ELIGIBLE ENTERPRISES PAID BY MONTHS PER KWH IN 2012



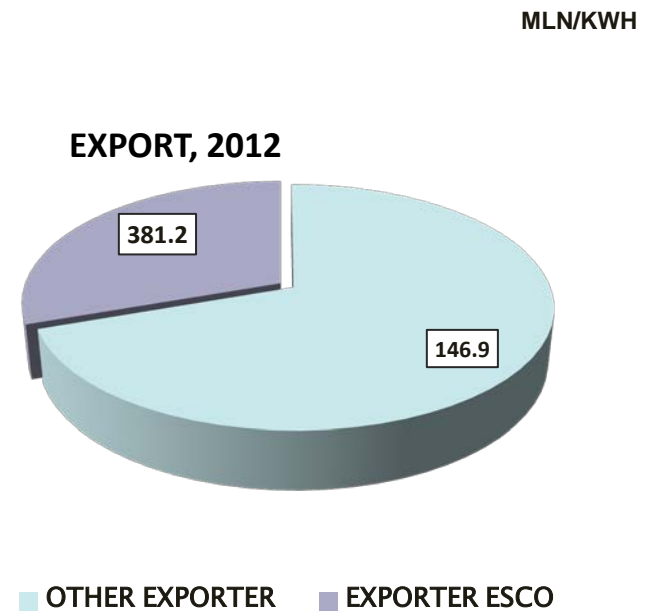
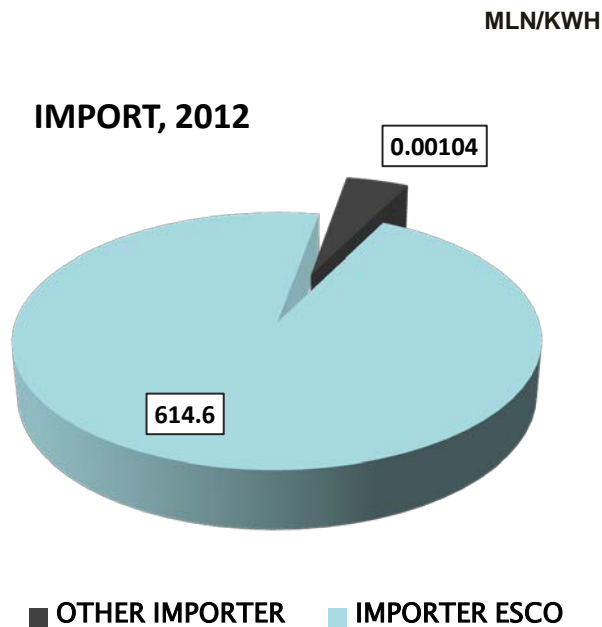
IMPORT AND EXPORT CARRIED OUT BY ESCO

- ❑ IN 2012, 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 2012, ESCO EXPORTED THE ELECTRICITY TO TWO NEIGHBORING COUNTRIES: RUSSIAN FEDERATION AND REPUBLIC OF AZERBAIJAN. SIMILAR TO THE IMPORT, RUSSIAN FEDERATION HAS MAIN SHARE IN THE EXPORT, CARRIED OUT BY ESCO.



ESCO'S SHARE IN TOTAL VOLUME OF IMPORT/EXPORT

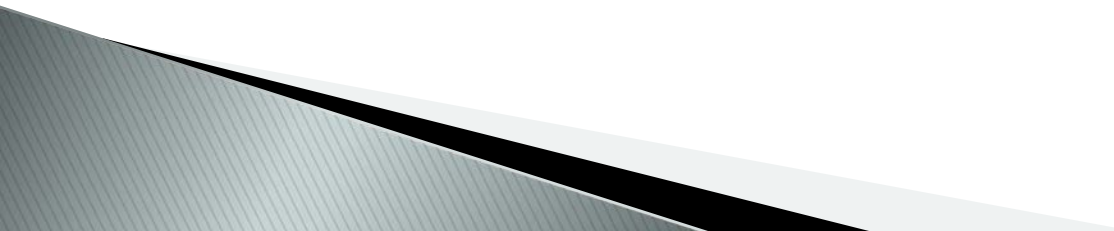
- ❑ IN 2012, COMMERCIAL OPERATOR IMPORTED 614.6 MLN/KWH ELECTRICITY, WHICH IS 100% OF THE COUNTRY'S TOTAL IMPORT (614.60104 MLN/KWH);
- ❑ IN 2012, ESCO EXPORTED 381.2 MLN/KWH OF ELECTRICITY, WHICH IS 72.2 % OF ACTUAL EXPORT (528.1 MLN/KWH), CARRIED OUT FROM THE COUNTRY.



MONITORING OF METERING SYSTEMS

- ❑ IN 2012, FOR THE PURPOSE OF MONITORING THE ELECTRICITY SETTLEMENT METERING POINTS, THE AUDITORS (ALONG WITH THE INTERESTED PARTIES) OF METERING CONTROL DEPARTMENT INSPECTED 1023 SETTLEMENT METERING JUNCTIONS. RESPECTIVE ACTS HAVE BEEN DRAWN FOR EACH JUNCTION;
- ❑ WHILE REGISTERING ELIGIBLE ENTREPRICES OR MAKING AMENDMENTS TO THE REGISTRATION, 33 SETTLEMENT METERING POINTS HAVE BEEN INSPECTED UNDER THE COMMISSION AND PUT INTO SERVICE. INSPECTION ACTS HAVE BEEN PREPARED PER EACH METERING JUNCTION TO BE USED IN WHOLESALE TRADE;
- ❑ BASED ON THE REQUEST FROM AZERI SIDE AND IN COOPERATION WITH THE GEORGIAN STATE ELECTRICITY SYSTEM, JSC, METERING JUNCTIONS OF 330KV GARDABANI ELECTRICITY TRANSMISSION LINE HAVE BEEN INSPECTED AT THE 330/110KV SUBSTATION "AGHSTAPA" AND 500/330/220/110KV SUBSTATION "GARDABANI". INSPECTION ACTS HAVE BEEN PREPARED FOR METERING JUNCTIONS;
- ❑ BASED ON THE REQUEST FROM ARMENIAN SIDE AND IN COOPERATION WITH THE GEORGIAN STATE ELECTRICITY SYSTEM, JSC, METERING JUNCTIONS OF 110KV "NINOTSMINDA" ELECTRICITY TRANSMISSION LINE HAVE BEEN INSPECTED AT THE 110/35/10KV SUBSTATION "ASHOTSK" AND 110KV "LALVARI" ELECTRICITY TRANSMISSION LINE AT 220/110/35KV SUBSTATION "ALAVERDI-2". INSPECTION ACTS HAVE BEEN PREPARED FOR METERING JUNCTIONS
- ❑ THROUGHOUT GEORGIA, 40 ASSIGNMENTS WERE ACCOMPLISHED, INCLUDING 26 ASSIGNMENTS IN COMPLIANCE WITH THE TIME SCHEDULE OF ELECTRICITY WHOLESALE METERING POINTS' INSPECTION, APPROVED BY THE ELECTRICITY SYSTEM COMMERTIAL OPERATOR, LTD AND 14 ASSIGNMENTS UPON REQUEST OF ELIGIBLE ENTREPRICES;
- ❑ THE ELECTRICITY SYSTEM COMMERTIAL OPERATOR, JSC HAS REACTED RESPECTIVELY ON ALL THE ERRORS, DISCOVERED DURING THE INSPECTIONS.

ESCO STRUCTURE BY DECEMBER 31, 2012

- IN 2012, ESCO EMPLOYED 64 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**

**SETTLEMENT
DEPARTMENT**

**EXECUTIVE
PERSONNEL**

CHANCELLERY

DEPUTY DIRECTOR

**COMMERCIAL AND
FINANCE
DEPARTMENT**

**ACCOUNTING
DEPARTMENT**

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

**ADMINISTRATIVE
DEPARTMENT**



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