

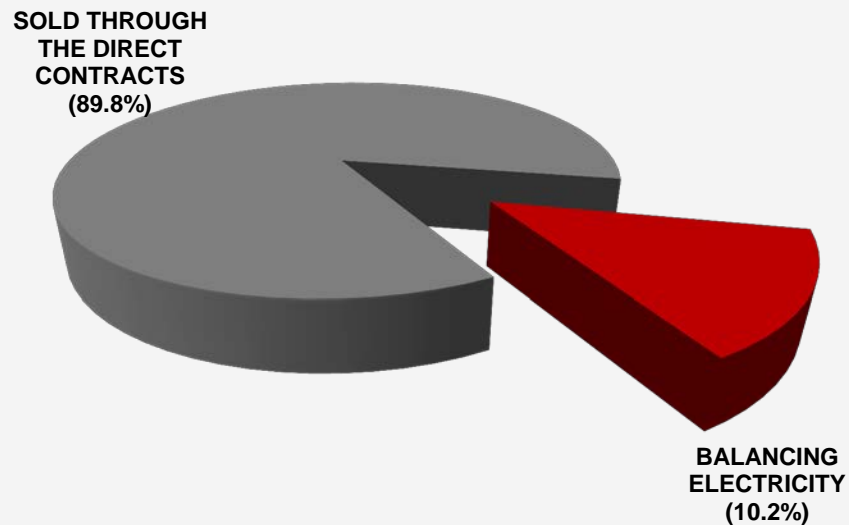
ACTIVITY REPORT YEAR 2015

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

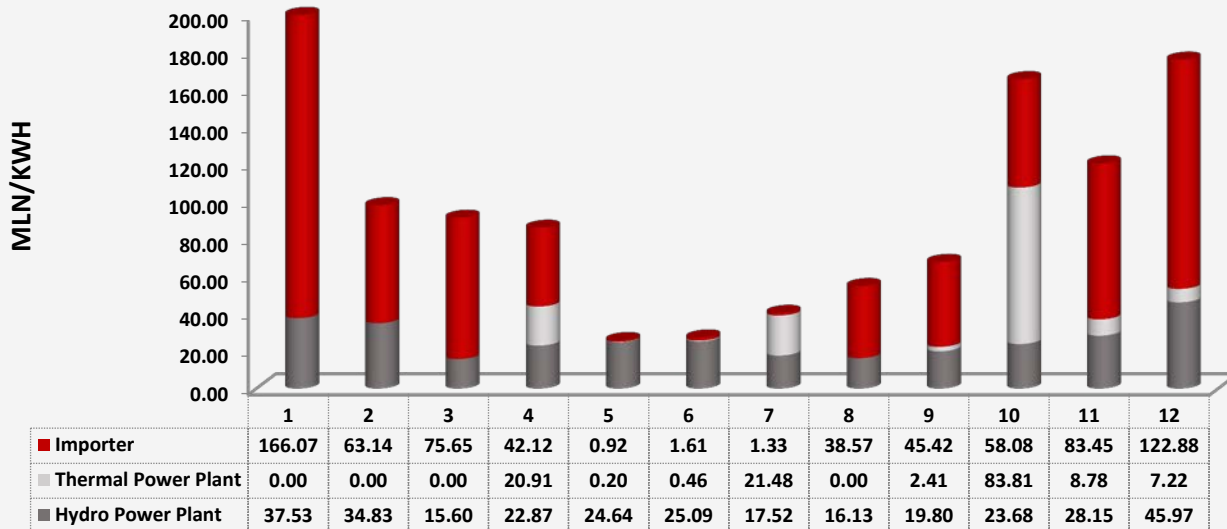
- **BALANCING ELECTRICITY TRADE REMAINS AS ONE OF THE MAIN DIRECTIONS OF THE ESCO'S ACTIVITIES;**
- **IN 2015, THE SHARE OF BALANCING ELECTRICITY IN THE WHOLESALE TRADE WAS 10.2%.**



BALANCING ELECTRICITY SUPPLIERS

IN 2015, THE BALANCING ELECTRICITY, PURCHASED BY THE ESCO CONSISTED OF THE ENERGY, GENERATED BY THE THERMAL AND HYDRO POWER PLANTS AS WELL AS THE ELECTRICITY, IMPORTED BY THE ESCO. THEIR QUANTITATIVE INDICATOR (BY MONTHS) IS GIVEN IN THE DIAGRAM.

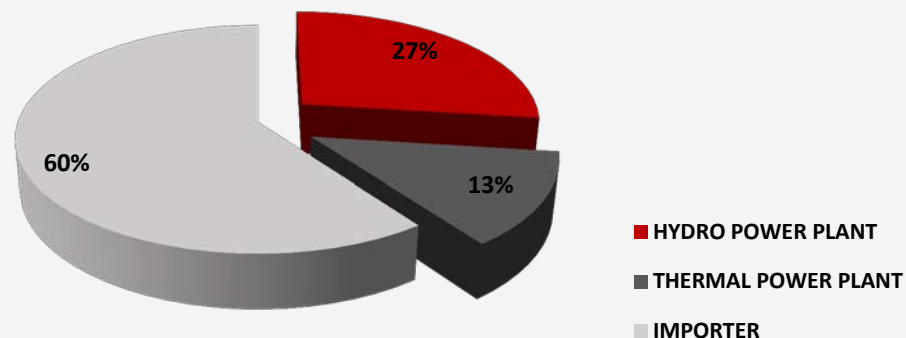
BALANCING ELECTRICITY PURCHASED BY THE ESCO, 2015



PARTICIPATION OF THE ELECTRICITY SUPPLIERS IN THE PROCESS OF BALANCING ELECTRICITY FORMATION

ELECTRICITY SELLERS	YEAR 2015	
	KWH	SHARE, %
HYDRO POWER PLANT	311 812 745.8	27%
THERMAL POWER PLANT	145 268 217.7	13%
IMPORTER	699 226 398.6	60%
TOTAL	1 156 307 362.1	100%

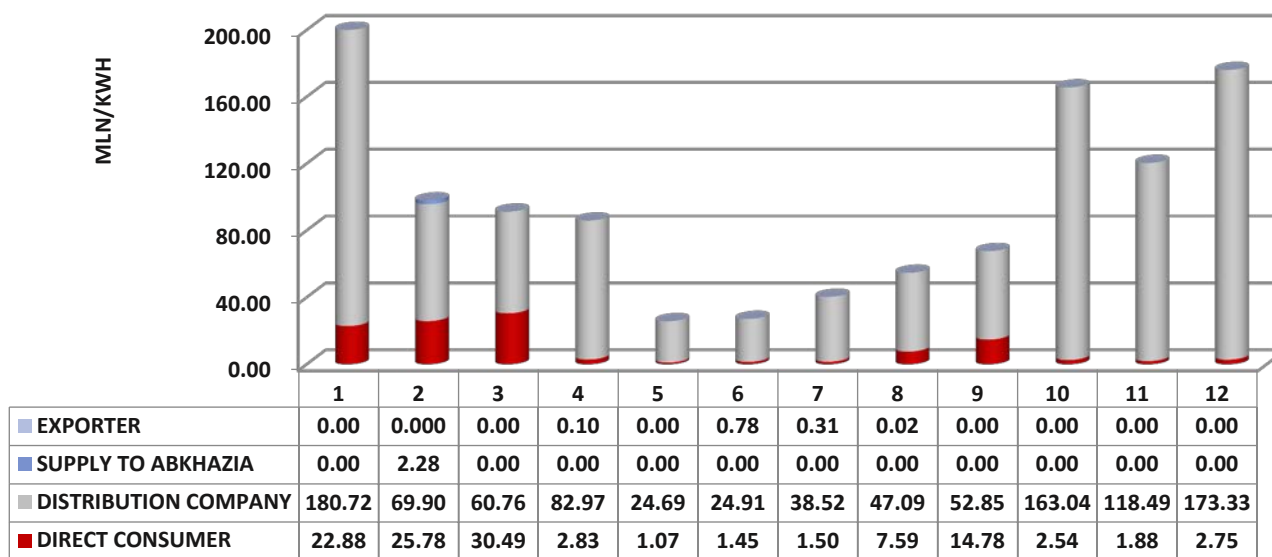
SHARE OF HPPS, TPPS AND IMPORT IN THE BALANCING ELECTRICITY IN 2015



BALANCING ELECTRICITY BUYERS

IN 2015, THE DISTRIBUTION ENERGY COMPANIES, DIRECT CONSUMERS AND EXPORTERS WERE THE MAIN BUYERS OF BALANCING ELECTRICITY. IN FEBRUARY 2015, THE CONSUMPTION OF ABKHAZIA WAS PARTLY COVERED AT THE EXPENSE OF THE BALANCING ELECTRICITY, IN COMPLIANCE WITH THE ACTIVE LEGISLATION. QUANTITATIVE INDICATORS (BY MONTHS) OF BALANCING ELECTRICITY BUYERS ARE GIVEN IN THE DIAGRAM.

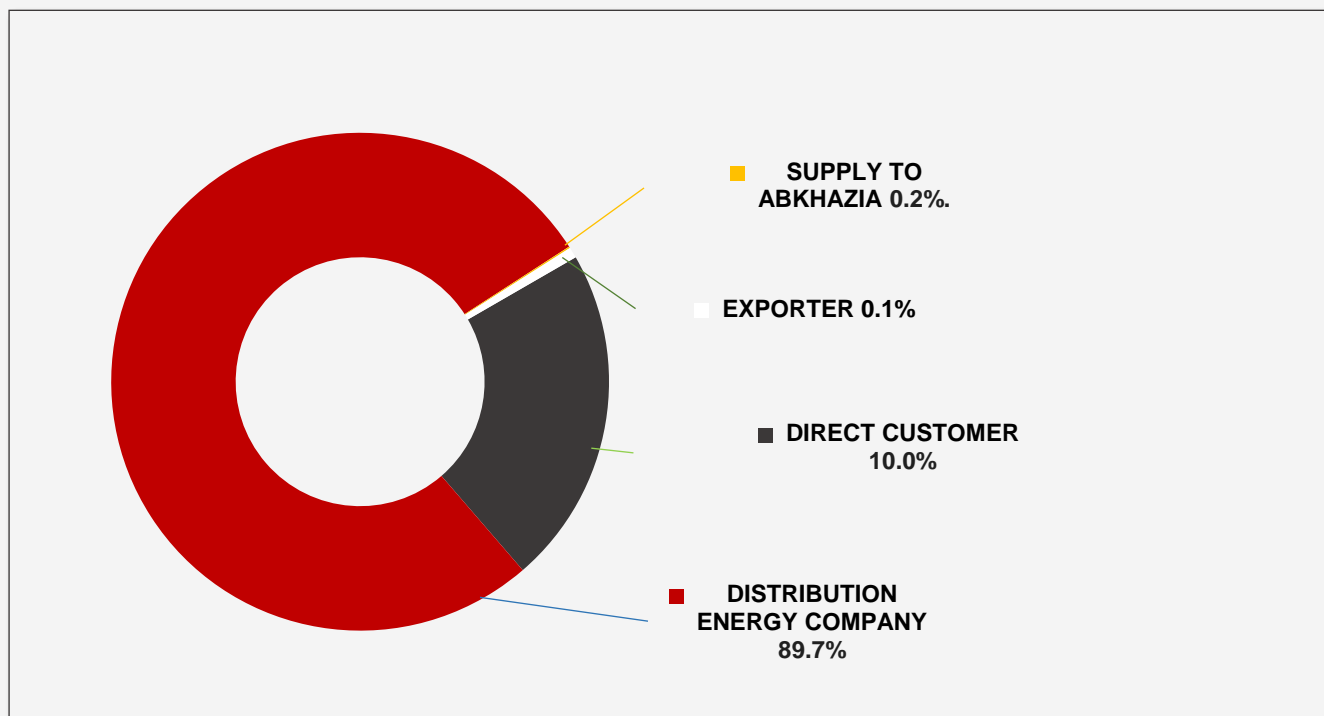
BALANCING ELECTRICITY SOLD BY THE ESCO, 2015



PARTICIPATION OF ELIGIBLE ENTERPRISES IN THE PURCHASE OF BALANCING ELECTRICITY

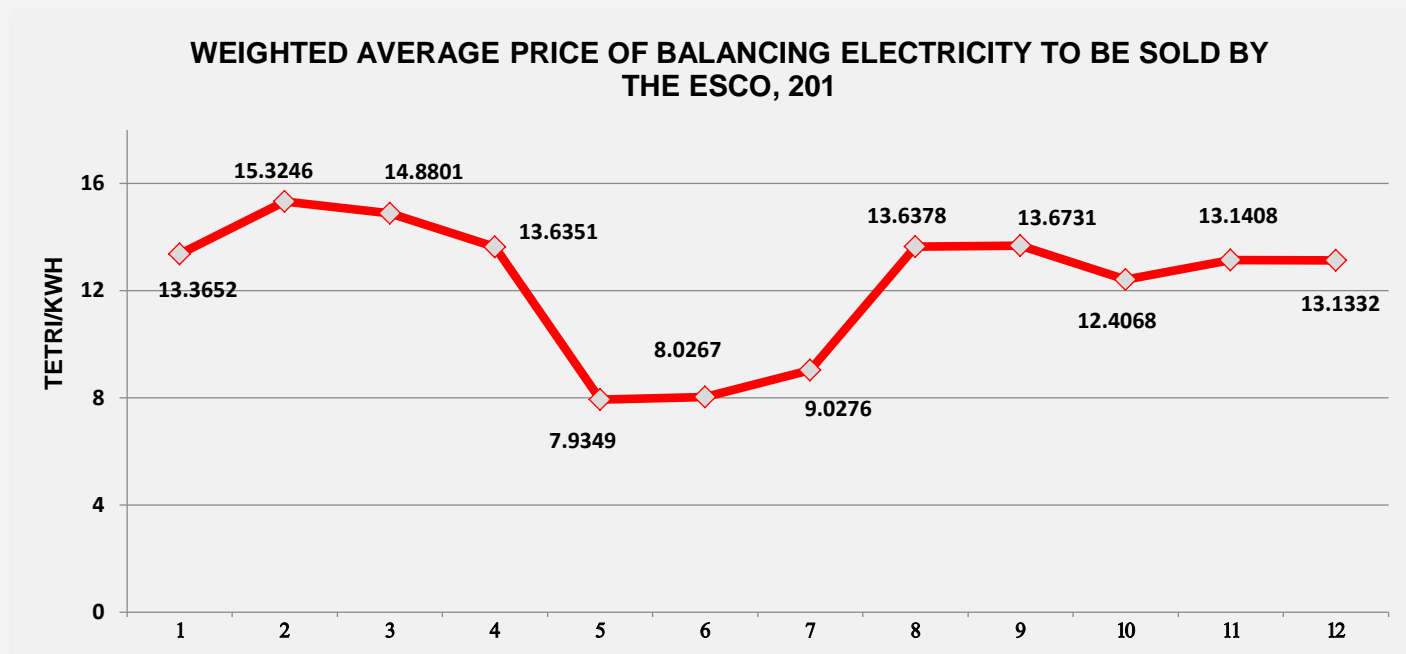
ELECTRICITY BUYERS	YEAR 2015	
	KWH	SHARE, %
DIRECT CONSUMER	115 530 454.1	10.0%
DISTRIBUTION COMPANY	1 037 264 296.3	89.7%
SUPPLY TO ABKHAZIA	2 284 118.1	0.2%
EXPORTER	1 228 493.6	0.1%
TOTAL	1 156 307 362.1	100.0%

EQUITY ENDICES OF DIRECT CUSTOMERS, DISTRIBUTION LICENSEES AND EXPORTERS IN BALANCING ELECTRICITY PURCHASE, 2015



PRICE FORMATION OF BALANCING ELECTRICITY FOR SALE

BALANCING ELECTRICITY SALE PRICE (ESCO WILL PURCHASE) IS FORMED BASED ON
THE WEIGHTED AVERAGE PRICE.

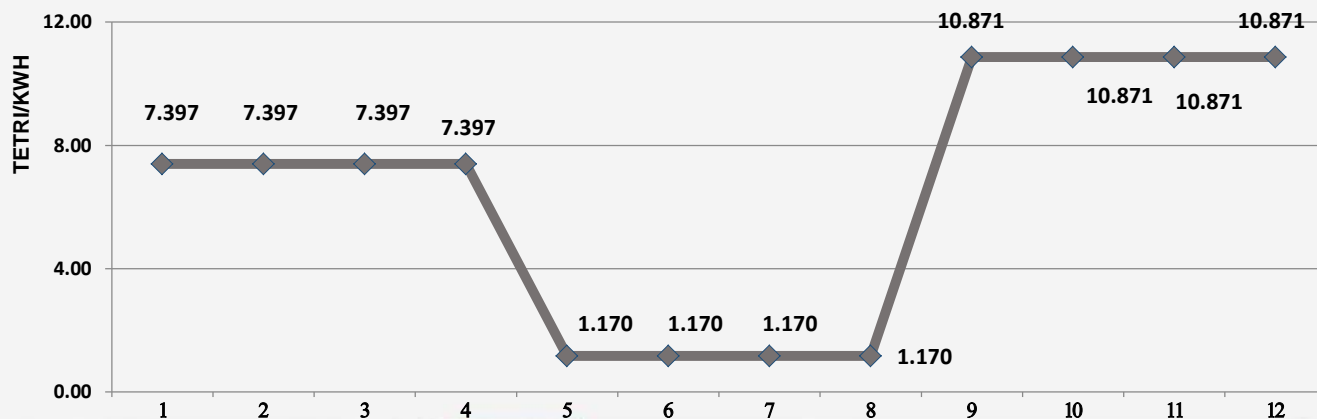


BALANCING ELECTRICITY PRICE OF DEREGULATED SMALL CAPACITY HYDRO POWER PLANTS

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

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

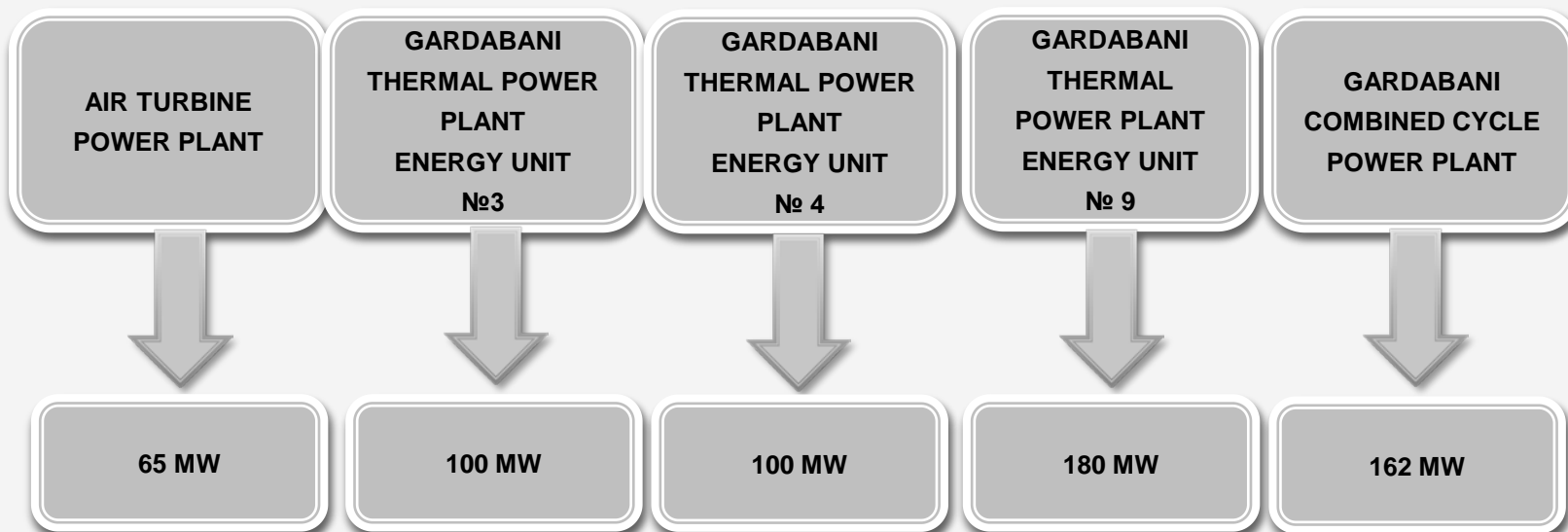
BALANCING ELECTRICITY PRICE OF DEREGULATED SMALL CAPACITY HYDRO POWER PLANTS, PURCHASED BY THE ESCO IN 2015



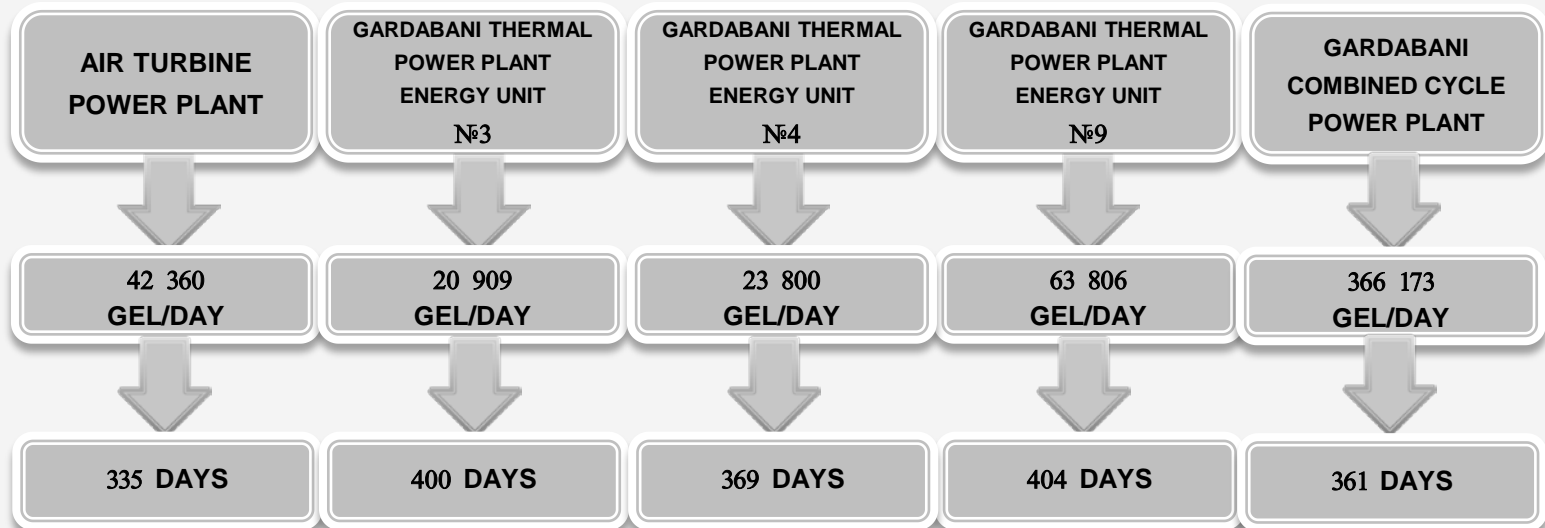
GUARANTEED CAPACITY

- ***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, 2015



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

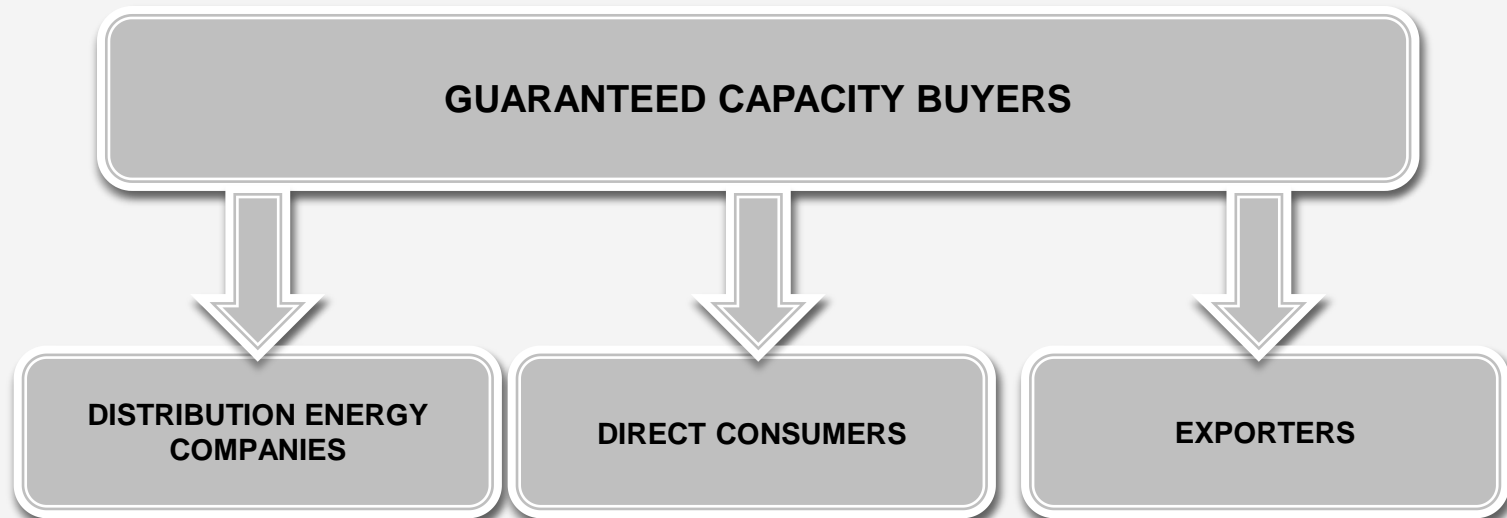


ACCORDING TO THE REGULATORY COMMISSION RESOLUTION, THE PROVISION PERIODS (NUMBER OF DAYS) FOR GARDABANI THERMAL POWER PLANT UNITS №3, 4 AND 9 WERE DETERMINED FROM SEPTEMBER 2014 TILL DECEMBER 31, 2015, INCLUDING (16 MONTHS). FOR GARDABANI COMBINED CYCLE POWER PLANT THE PERIOD FROM NOVEMBER 2015 TILL JANUARY 2016 WAS DETERMINED, WHEREAS FOR THE AIR TURBINE, THIS PERIOD WAS DETERMINED BASED ON THE CALENDAR YEAR, THE SAME AS LAST YEAR.

FUNDS RECEIVED FOR THE GUARANTEED CAPACITY PROVIDED BY THE SOURCES, 2015

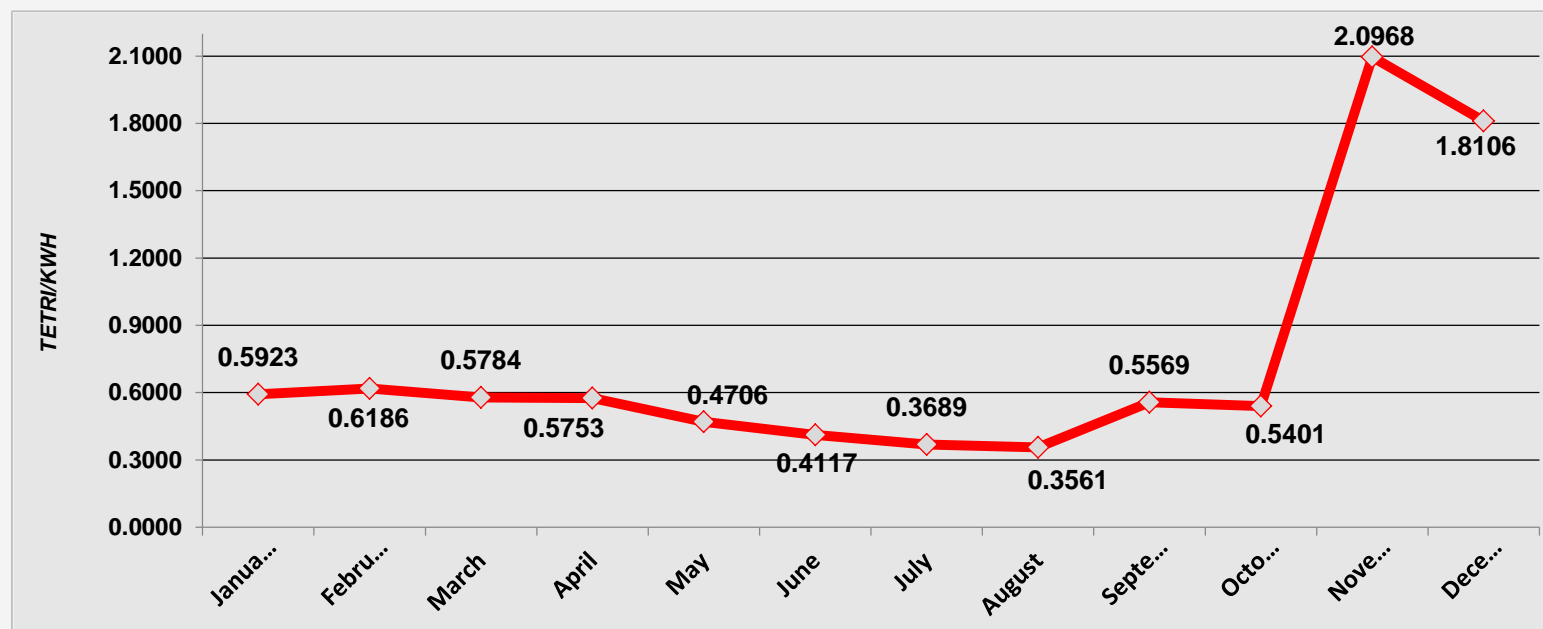
ESCO COMPENSATES THE COST OF GUARANTEED CAPACITY ONLY TO THOSE SOURCES OF GUARANTEED CAPACITY, READINESS AND STANDBY PERIOD OF WHICH IS CONFIRMED BY THE DISPATCH LICENSEE.

THE COST OF PROVIDED GUARANTEED CAPACITY, 2015	LTD "MTKVARI ENERGETIKA"	LTD "GEORGIAN INTERNATIONAL ENERGY CORPORATION"		LTD "G-POWER"	LTD "GARDABANI TPP"
	ENERGY UNIT №9	ENERGY UNIT №3	ENERGY UNIT №4	AIR TURBINE POWER PLANT	COMBINED CYCLE POWER PLANT
PROVISION PERIOD (NUMBER OF DAYS)	296	295	261	335	61
GUARANTEED CAPACITY COST (MLN GEL)	18.89	6.17	6.21	14.19	22.34



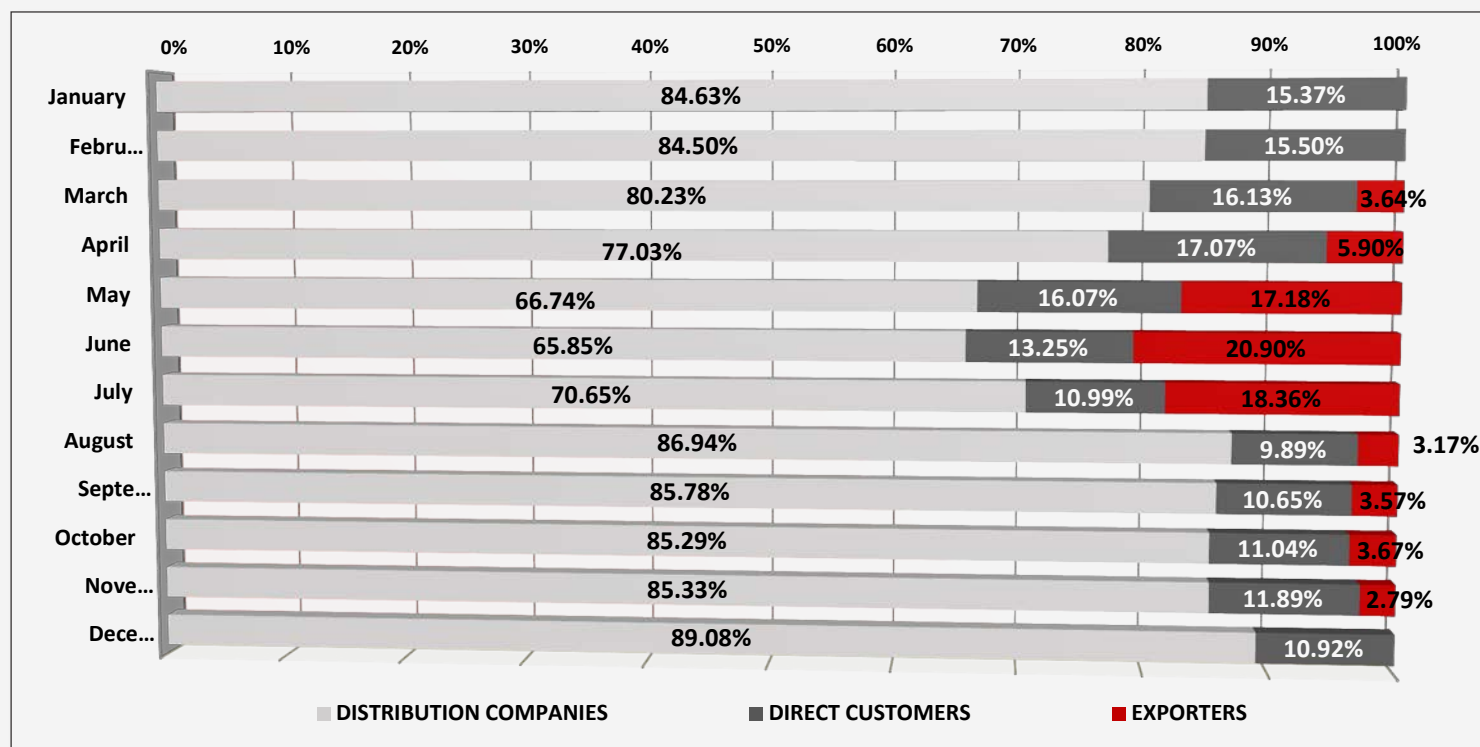
- ***GUARANTEED CAPACITY BUYER ELIGIBLE ENTREPRICE IS LIABLE FOR THE COMPENSATION OF GUARANTEED CAPACITY COST, IN PROPORTION WITH ITS ACTUAL SHARE OF CONSUMPTION OR EXPORT IN TOTAL ACTUAL CONSUMPTION AND EXPORT.***

PRICE OF GUARANTEED CAPACITY, PAID BY THE ELIGIBLE ENTERPRISES PER 1 KWH, BY MONTHS IN 2015



➤ **IN 2015, THE PRICE OF GUARANTEED CAPACITY, PAID BY THE ELIGIBLE ENTERPRISES PER 1 KWH WAS 0.73466 TETRI/KWH.**

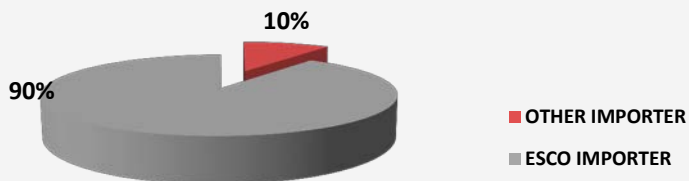
SHARE OF GUARANTEED CAPACITY BUYER ELIGIBLE ENTERPRISES IN TOTAL PURCHASE (YEAR 2015)



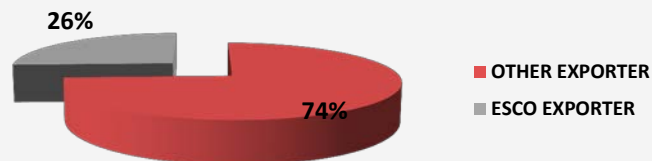
IMPORT AND EXPORT CARRIED OUT BY THE ESCO

- IN 2015, THE QUANTITY OF ELECTRICITY IMPORTED BY THE ESCO WAS 630.6 MLN KWH, WHICH IS 90.2% OF THE ENERGY TOTALLY IMPORTED (699.2 MLN KWH) INTO THE COUNTRY. ELECTRICITY WERE IMPORTED FROM RUSSIAN FEDERATION (511.0 MLN KWH), FROM THE REPUBLIC OF AZERBAIJAN (101.7 MLN KWH) AND FROM ARMENIA (17.9 MLN KWH). THE ELECTRICITY TRANSMISSION LINES CONNECTED WITH RUSSIAN FEDERATION HAVE A SIGNIFICANT SHARE IN THE IMPORT CARRIED OUT BY THE ESCO.
- IN 2015, THE ESCO EXPORTED 169.61 MLN KWH OF ELECTRICITY, WHICH IS 25.7%-OF ACTUAL EXPORT (659.9 MLN KWH) FROM THE COUNTRY. THE EXPORT WAS CARRIED OUT TO 2 NEIGHBOURING COUNTRIES: 169.6 MLN KWH WERE EXPORTED TO THE RUSSIAN FEDERATION AND 0.01495 WERE EXPORTED TO THE REPUBLIC OF AZERBAIJAN. SIMILAR TO THE IMPORT, SIGNIFICANT SHARE OF THE ESCO'S EXPORT WAS TO THE RUSSIAN FEDERATION.

IMPORT 2015



EXPORT 2015



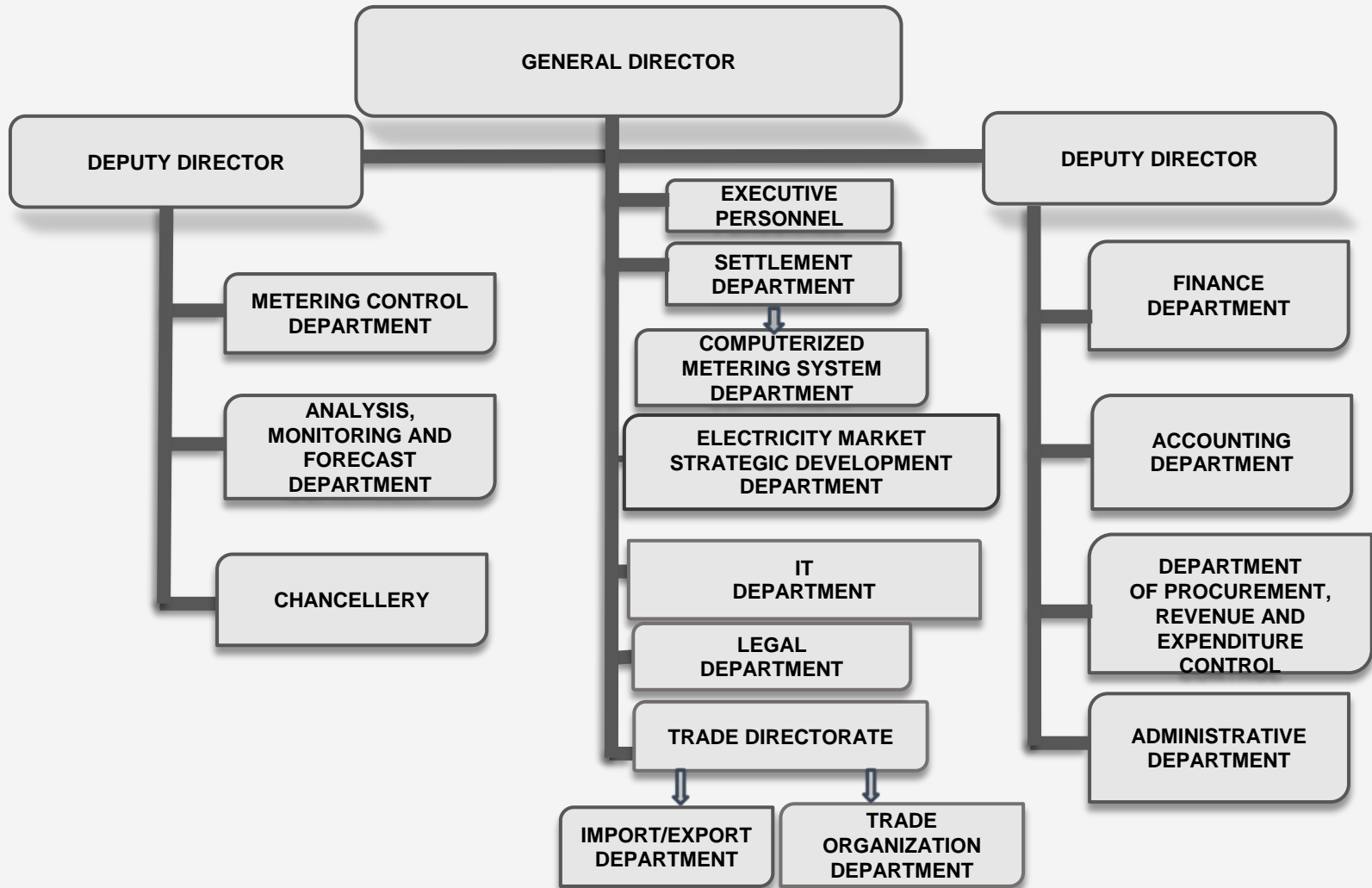
MONITORING OF METERING SYSTEMS

- In the Year 2015, the auditors of Metering Control Department (in cooperation with the parties concerned) inspected 1024 electricity settlement metering nodes, aimed at the monitoring of electricity settlement metering points. 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 34 new metering nodes (intended for the wholesale trade) and drawn up the inspection acts of metering nodes, intended for the wholesale trade;
- Settlement metering node of the Ltd “Vardnili HPP Cascades” have been inspected in cooperation with the JSC “Georgian State Electricity System” and appropriate acts have been composed;
- In 2015, totally, 43 business trips have been carried out, including the following: 15 business trips carried out based on the plan/schedule of electricity settlement metering points inspection, approved by the JSC “Electricity System Commercial Operator”; 27 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 Ltd “Vardnili HPP Cascades”;
- 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

- COMANSUARE TO THE MEMORANDUM CONCLUDED BETWEEN THE GOVERNMENT AND THE INVESTOR, FOUR CONTRACTS WERE SIGNED ON THE OBLIGATORY POWER PURCHASE IN 2015:
 - *GOVERNMENT – ESCO - LTD “HYDROLEA” (LTD “DARCHI”)*
 - *GOVERNMENT – ESCO - LTD “HYDROLEA” (LTD “KASLETI-1”)*
 - *GOVERNMENT – ESCO - LTD “HYDROLEA” (LTD “KASLETI-2”)*
 - *GOVERNMENT – ESCO – JSC “NENSKRA HYDRO”*

ESCO STRUCTURE



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