

JSC
“ELECTRICITY
SYSTEM
COMMERCIAL
OPERATOR”

ACTIVITY REPORT
2019





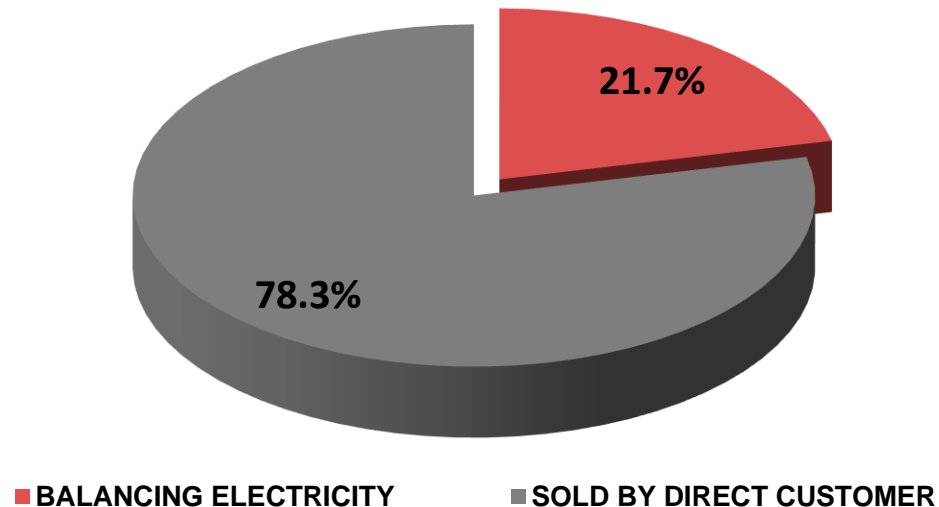
MAIN DIRECTIONS OF THE ACTIVITY

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



BALANCING ELECTRICITY TRADE

- BALANCING ELECTRICITY TRADE REMAINS AS ONE OF THE MAIN DIRECTIONS OF ESCO'S ACTIVITIES;
- IN 2019, THE SHARE OF BALANCING ELECTRICITY IN THE WHOLESALE TRADE WAS 21.7%.

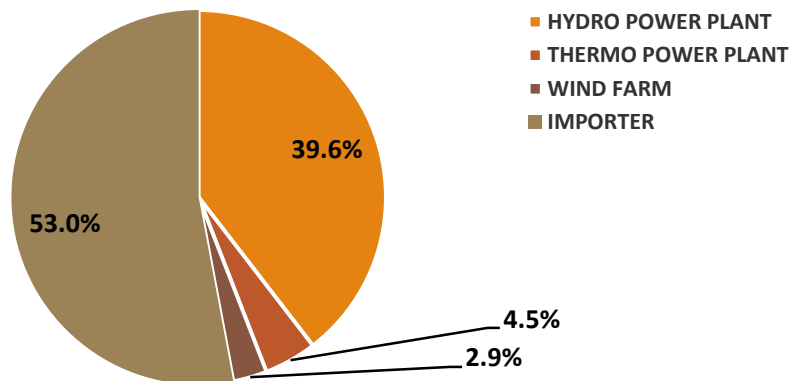


PARTICIPATION OF ELECTRICITY SUPPLIERS IN BALANCING ELECTRICITY FORMATION



The quantitative indicators of Balancing Electricity sellers and their share for 2019 are given in the table.

ELECTRICITY SELLERS	YEAR 2019	
	KWH	SHARE, %
HYDROPOWER PLANT	1 138 837 566.2	39.6%
THERMAL POWER PLANT	130 959 778.3	4.5%
QARTLI WIND FARM	84 635 180.0	2.9%
IMPORTER	1 524 947 170.9	53.0%
TOTAL	2 879 379 695.4	100%





PARTICIPATION OF QUALIFIED ENTERPRISES IN THE PURCHASE OF BALANCING ELECTRICITY

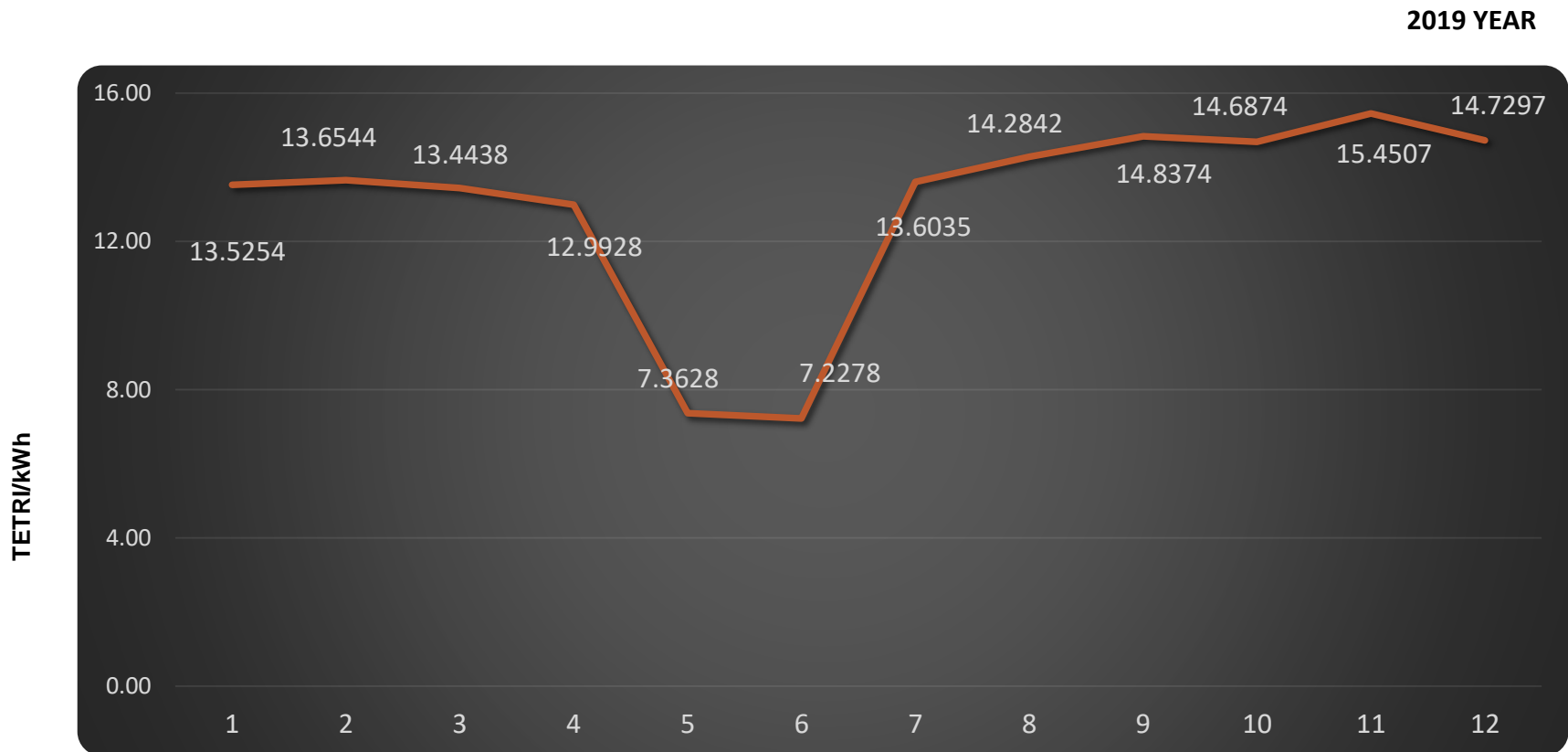
- In 2019, Balancing Electricity buyers from ESCO were mainly distribution energy companies, direct consumers, and exporters.
- Quantitative indicators of Balancing Electricity buyers and their equity participation are given in the graph.

ELECTRICITY BUYERS	YEAR 2019	
	kWh	Share, %
DIRECT CUSTOMER	1 283 966 955.2	44.592%
DISTRIBUTION ENERGY COMPANY	1 267 387 922.9	44.016%
EXPORTER	137 555.0	0.005%
GSE (ENSURING COVERAGE OF LOSSES IN THE TRANSMISSION NETWORK)	233 472 273.3	8.108%
GSE (TO PROVIDE FOR THE TRANSIT LOSSES)	2 344 746.2	0.081%
SUPPLY TO ABKHAZIA	92 070 242.8	3.198%
TOTAL	2 879 379 695.4	100%



PRICE FORMATION OF BALANCING ELECTRICITY FOR SALE

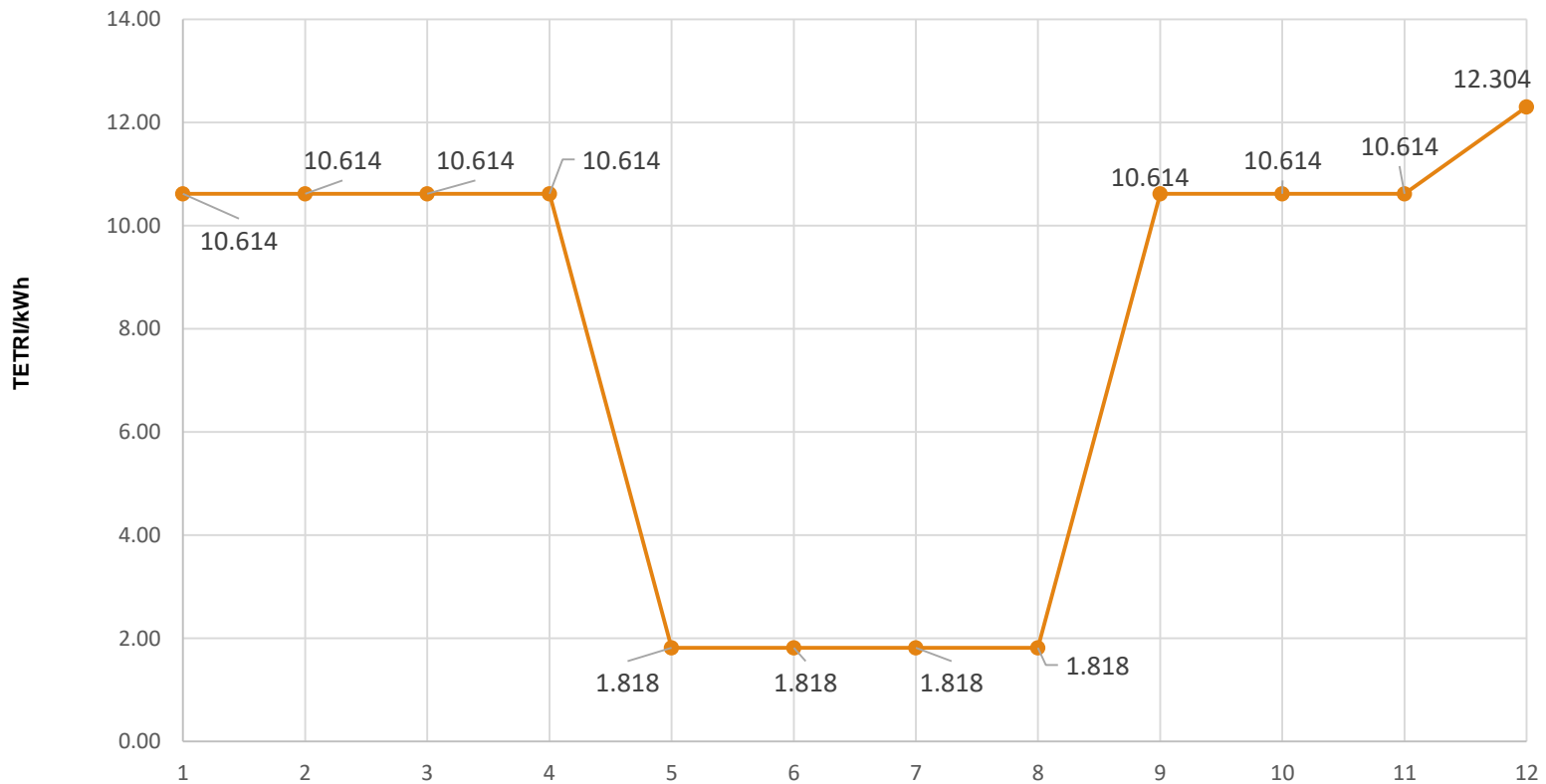
THE PRICE OF BALANCING ELECTRICITY FOR SALE (THAT ESCO HAVE PURCHASED) SHALL BE FORMED BASED ON **THE WEIGHTED AVERAGE PRICE.**



BALANCING ELECTRICITY PRICE OF DEREGULATED SMALL CAPACITY POWER PLANTS, 2019



The price of Balancing Electricity purchased by ESCO from low-capacity power plants is determined under Article 36¹ of the Electricity (Capacity) Market Rules.



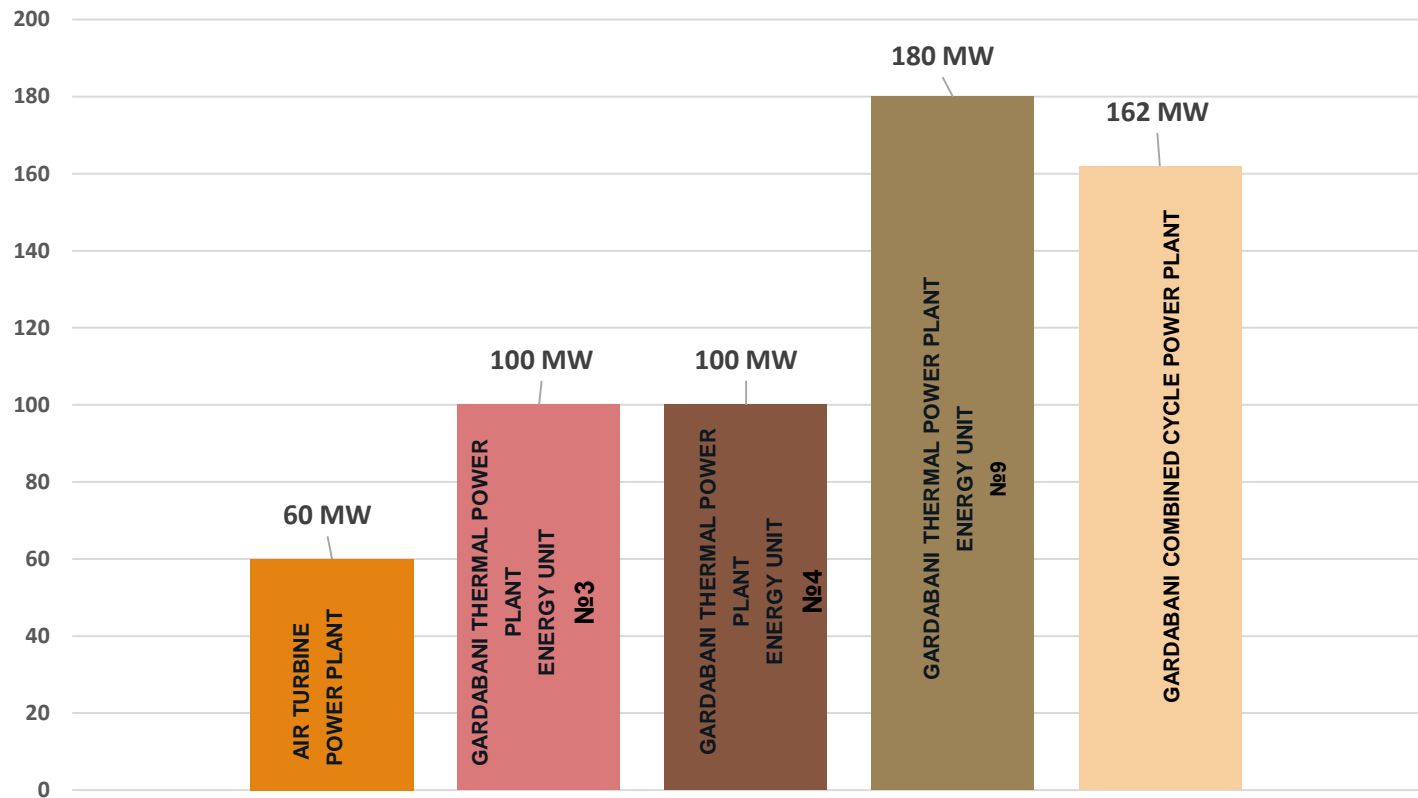
GUARANTEED CAPACITY



- GUARANTEED CAPACITY SERVES TO THE STABILITY, SAFETY AND RELIABLE FUNCTIONING OF THE COUNTRY'S UNIFIED ENERGY SYSTEM;
- GUARANTEED CAPACITY TRADE IS TAKING PLACE ONLY THROUGH ESCO, BASED ON THE STANDARD CONDITIONS OF DIRECT CONTRACT.
- GUARANTEED CAPACITY BUYERS ARE A DISTRIBUTION ENERGY COMPANY, A DIRECT CUSTOMER, A POWER PLANT (WHICH IS IN TRIAL MODE OR COMPLEX TEST MODE FOR COMMISSIONING) AND AN EXPORTER.
- GUARANTEED CAPACITY PURCHASER QUALIFIED ENTERPRISE IS OBLIGED TO REIMBURSE THE GUARANTEED CAPACITY FEE IN PROPORTION TO THE ACTUAL TOTAL CONSUMPTION AND EXPORT OF QUALIFIED ENTERPRISES PURCHASING GUARANTEED CAPACITY OR IN PROPORTION TO THEIR SHARE IN ACTUAL CONSUMPTION OR EXPORT.



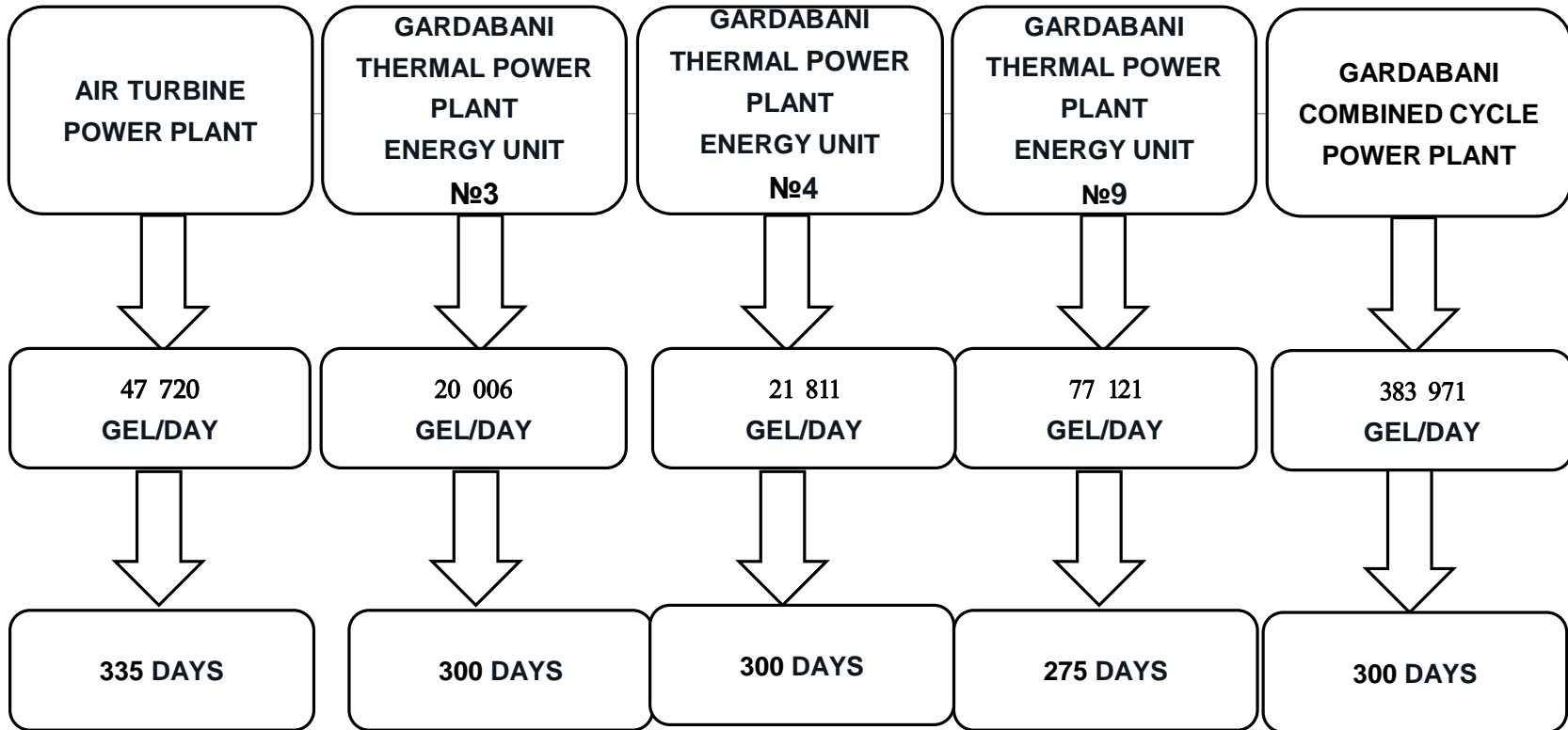
GUARANTEED CAPACITY SOURCES AND MINIMUM QUANTITY OF GUARANTEED CAPACITY, DETERMINED BY THE GOVERNMENT OF GEORGIA, 2019



The guaranteed capacity source and the minimum amount of guaranteed capacity for each capacity source shall be determined by the Government of Georgia.



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



- **THE GEORGIAN NATIONAL ENERGY AND WATER SUPPLY REGULATORY COMMISSION SETS THE DELIVERY PERIODS AND THE DAILY PRICE OF GUARANTEED CAPACITY FOR EACH GUARANTEED CAPACITY SOURCE.**
- **ACCORDING TO THE REGULATORY COMMISSION RESOLUTION, THE PROVISION PERIODS (NUMBER OF DAYS) FOR THE GUARANTEED CAPACITY SOURCES ARE DETERMINED FROM JANUARY 1, 2019 TILL (INCLUDING) DECEMBER 31, 2019 (12 MONTHS), BASED ON THE CALENDAR YEAR.**

FUNDS RECEIVED FOR THE GUARANTEED CAPACITY PROVIDED BY THE SOURCES, 2019

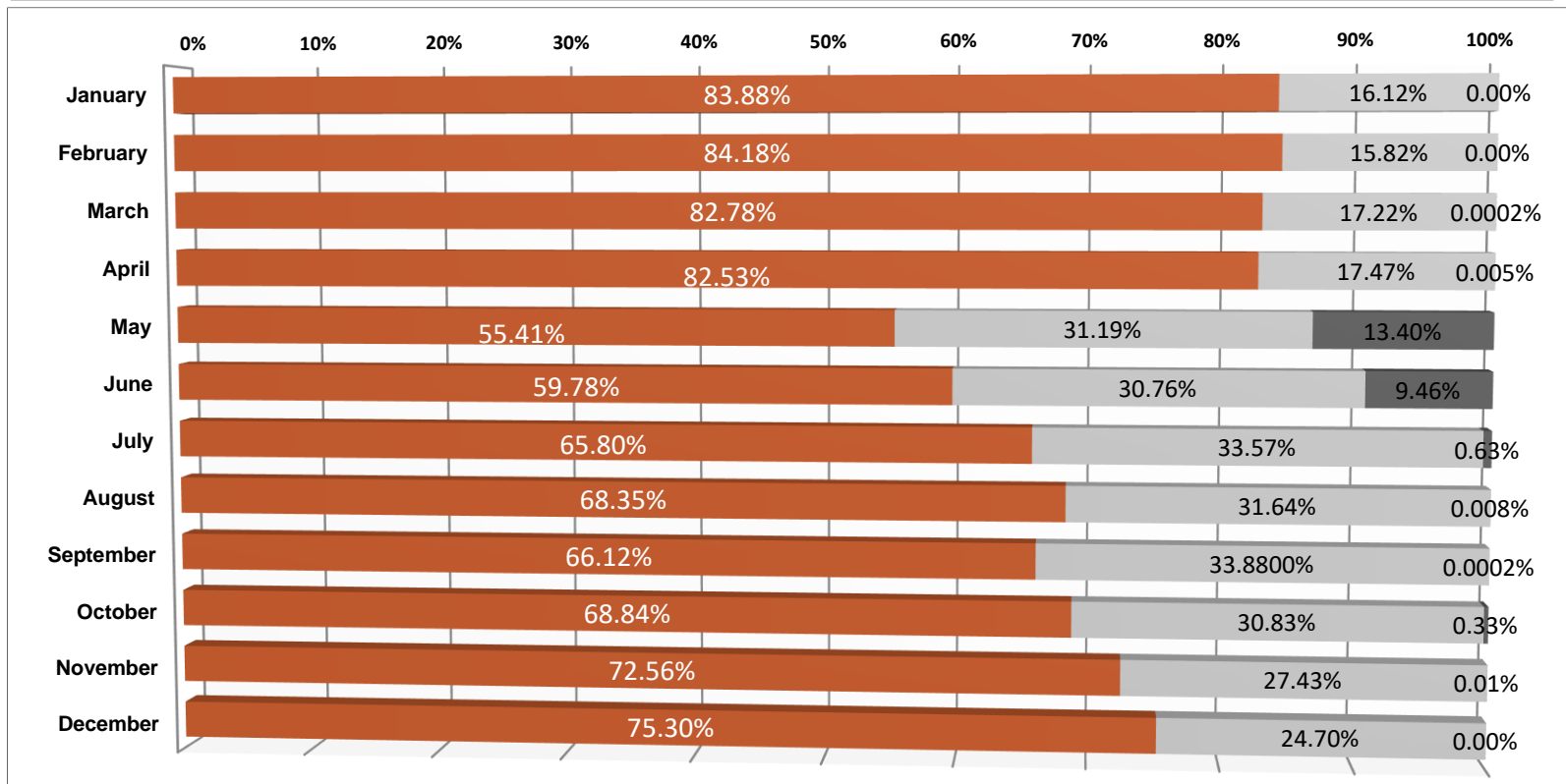


ESCO COMPENSATES THE COST OF GUARANTEED CAPACITY ONLY TO THOSE SOURCES OF GUARANTEED CAPACITY, READINESS, AND STANDBY PERIOD OF WHICH IS CONFIRMED BY THE DISPATCH LICENSEE.

COST OF PROVIDED GUARANTEED CAPACITY, 2019	LTD "MTKVARI ENERGY"	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)	275	300	300	335	300	
GUARANTEED CAPACITY COST (M GEL)	21.208	6.002	6.543	15.986	115.191	



PURCHASE SHARE OF GUARANTEED CAPACITY BUYER QUALIFIED ENTREPRISES IN TOTAL PURCHASE, 2019



■ Distribution Companies

■ Direct Customers

■ Exporters



IMPORT AND EXPORT CARRIED OUT BY ESCO

- IN 2019, THE QUANTITY OF ELECTRICITY IMPORTED BY ESCO WAS 1 144.57 M KWH, WHICH IS 70.37% OF ACTUAL IMPORT (1 626.51) CARRIED OUT BY ESCO. THE ELECTRICITY WAS IMPORTED FROM THE RUSSIAN FEDERATION (524.533 M KWH), THE REPUBLIC OF AZERBAIJAN (1 101.975 M KWH) AND ARMENIA (0.001 M KWH). SIGNIFICANT SHARE IN THE IMPORT CARRIED OUT BY ESCO WAS THROUGH THE ELECTRICITY TRANSMISSION LINES, CONNECTED WITH THE REPUBLIC OF AZERBAIJAN.
- IN 2019, ESCO EXPORTED 76.72 M KWH OF ELECTRICITY, WHICH IS 31.52% OF ACTUAL EXPORT (243.42 M KWH) FROM THE COUNTRY. THE EXPORT WAS CARRIED OUT TO FOUR NEIGHBOURING COUNTRIES: THE RUSSIAN FEDERATION (59.215 M KWH), TURKEY (112.794 M KWH), THE REPUBLIC OF AZERBAIJAN (12.106 M KWH) AND ARMENIA (59.303 M KWH).



MONITORING OF METERING SYSTEMS

In 2019, the auditors of the Electricity Metering Control Department, in cooperation with the parties concerned (according to the approved schedule), inspected 1307 electricity settlement metering nodes to monitor the electricity settlement metering points. They drew up the inspection act per each wholesale (commercial) metering node;

When registering a qualified enterprise or amending its registration, as a participant of wholesale trade, the Commission inspected and put into service 221 new settlement metering nodes (intended for the wholesale trade) and drew up the inspection acts of metering nodes that will be used in wholesale trade;

The JSC “Electricity System Commercial Operator” reacted to all the deficiencies revealed during the inspection following legislation;

The unified database of metering nodes to be used for wholesale trade has been renewed.



SUPPORT OF CONSTRUCTION OF NEW POWER PLANTS

IN 2019, COMMENSURATE TO THE MEMORANDUMS, CONCLUDED BETWEEN THE GOVERNMENT AND THE INVESTOR, 7 CONTRACTS WERE SIGNED ON THE OBLIGATORY POWER PURCHASE BETWEEN THE MARKET OPERATOR AND THE INVESTOR:

- GOVERNMENT – ESCO - "VM ELECTRIC" LLC
- GOVERNMENT – ESCO - "PSHAVI HYDRO" LLC
- GOVERNMENT – ESCO - "ENKA RENEWABLES" LLC
- GOVERNMENT – ESCO - "ENKA RENEWABLES" LLC
- GOVERNMENT – ESCO - "ENERGO ARAGVI" LLC
- GOVERNMENT – ESCO - "ENERGY INVESTING AND TRADING COMPANY" LLC
- GOVERNMENT – ESCO - "ALTER ENERGY" LLC



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