

# Balancing Electricity Trade Electricity System Commercial Operator

Tbilisi, February 2014

## ESCO - BASIC INFORMATION

- *ESCO functions since September 1, 2006*
- *Legal Entity of a Private law with a structure of a Joint Stock Company*
- *JJ “Partnership Fund” is the owner of 100% shares and*
- *Is managed by the Ministry of Energy*
- *ESCO service fee is set by the Regulator ; is payable by Eligible Entity in the amount of 0.019 tetri per each kWh generated, consumed, imported and exported*

## ESCO FUNCTIONS

- *Balancing electricity (capacity) trade*
- *Entering into medium and long-term contracts on import/export*
- *Guaranteed capacity trade*
- *Registration of Eligible Entities*
- *Building and maintaining unified database for the wholesale trade*
- *Calculating the quantity of sold and purchased electricity and submitting information for the settlement*
- *Building and maintaining unified register of metering*
- *Metering system inspection*
- *ESCO is guided by main principles of the state policy when performing its activities*

# QUALIFIED ENTITIES

## ESCO

### Generation Licensee

- ❑ Regulated HPP
  - ✓ The Commission sets the fixed tariff
- ❑ Partly regulated HPP
  - ✓ The Commission sets the cap marginal tariff
- ❑ TPP
  - ✓ The Commission sets the cap marginal tariff for the generated electricity
  - ✓ The Commission sets the Guaranteed capacity cost on a daily bases
- ❑ Deregulated new HPP
  - ✓ No tariff is set

### Deregulated small (up to 13 MW) HPP

- ✓ No license is required
- ✓ No tariff is set

### Importer

- ✓ No license is required
- ✓ The Commission sets the cap marginal tariff

## Distribution Licensee

- ❑ The Commission sets cap marginal tariff on selling the electricity to the retail customer

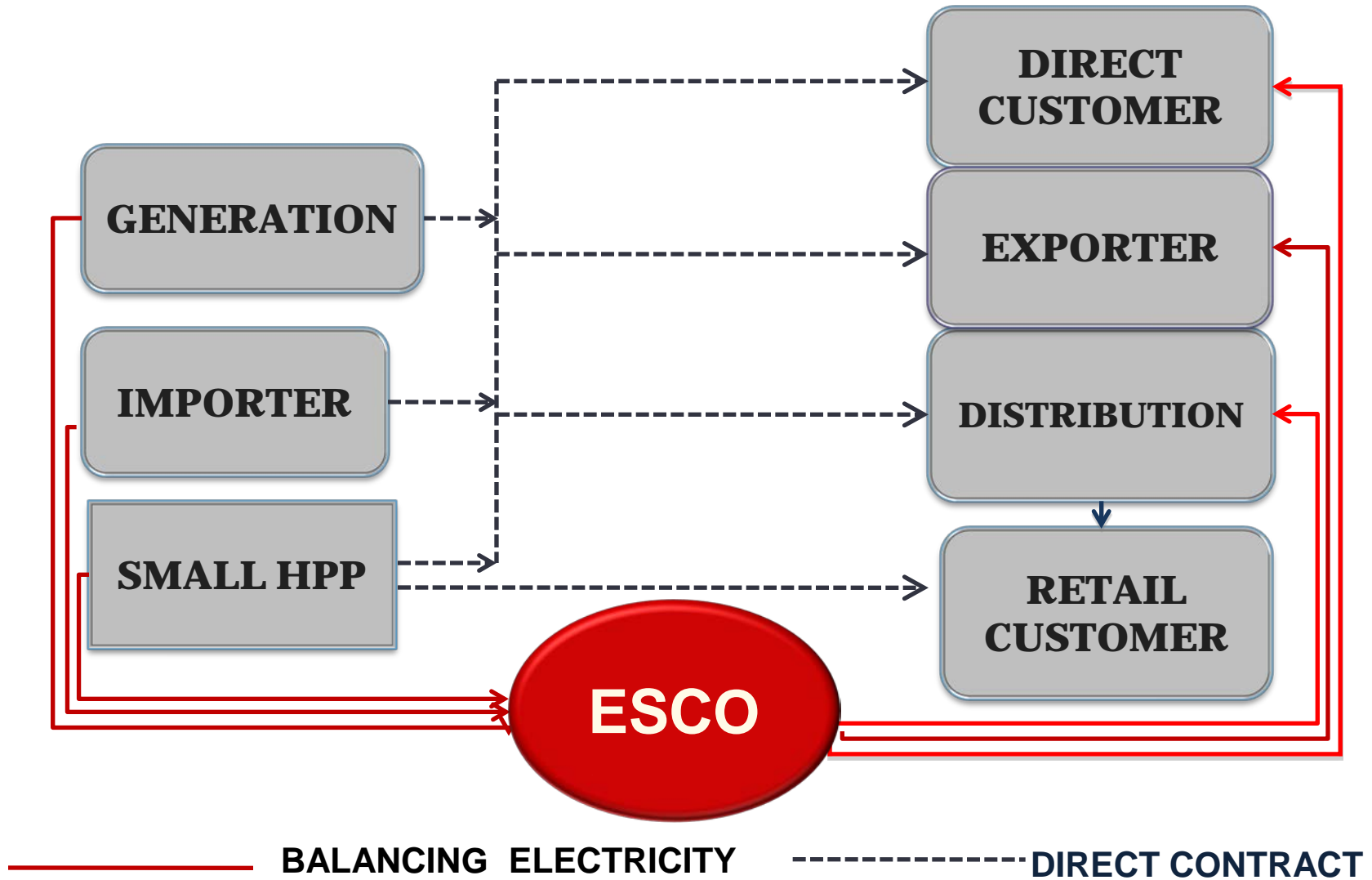
## Direct Customer

- ❑ Shall be allowed to wholesale trade if annually consumes not less than:
  - ✓ 7 Mln. kWh electricity - 2010-2012;
  - ✓ 3 Mln. kWh electricity – 2013-2015;
  - ✓ 1 Mln. kWh electricity - 2016-2017;
  - ✓ 1 kWh electricity – 2017

## Exporter

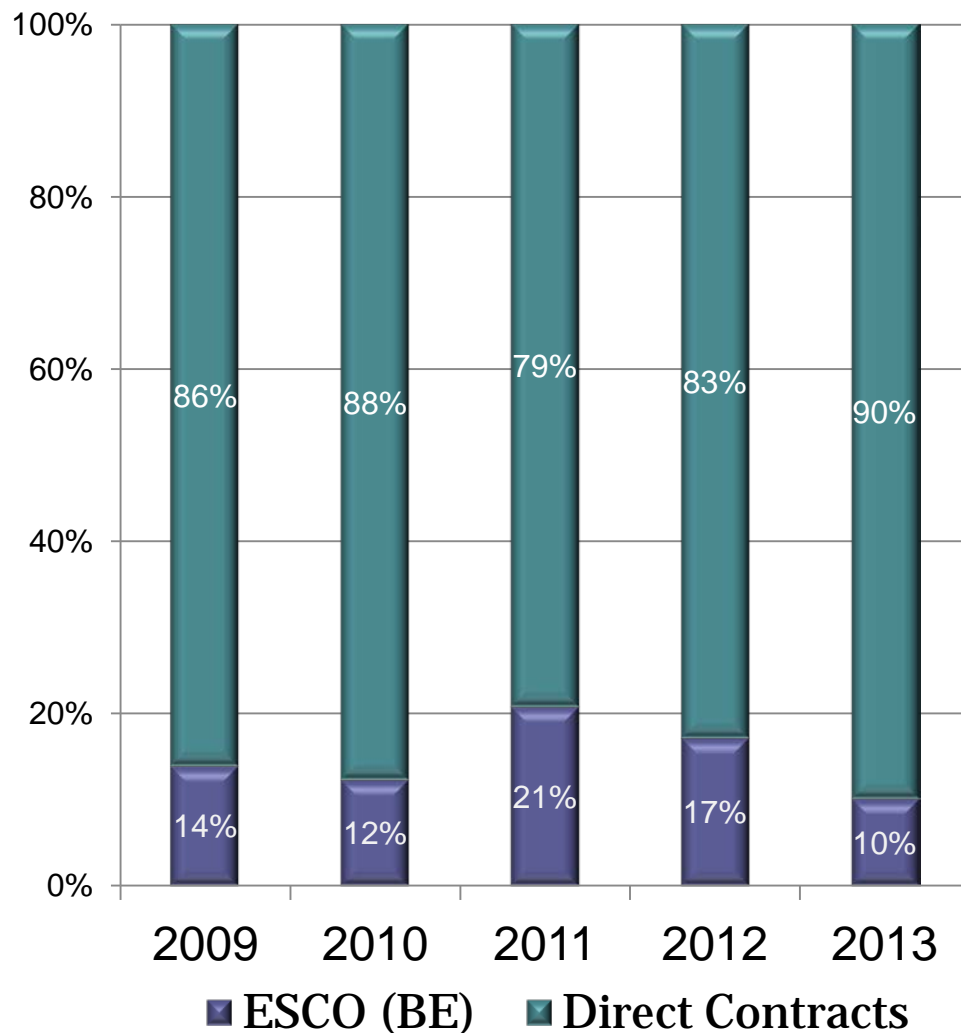
- ✓ No license is required
- ✓ No tariff is set

# ELECTRICITY MARKET MODEL



# WHOLESALE TRADE PRINCIPLES

- *Calculation period is one calendar month*
- *Only the generator and the importer are the electricity sellers*
- *The electricity is sold at the seller's busbar. Hence, the transportation related expenses are imposed on the electricity buyers, that include:*
  - ✓ *Dispatch service fee*
  - ✓ *Transmission service fee*
  - ✓ *Wheeling (if such occurs) service fee*
  - ✓ *Actual average grid loss*
- *Only distribution licensee, direct customer and exporter are the electricity buyers. The generator represents the electricity buyer only for securing its own consumption*
- *Balancing electricity is traded only through ESCO*
- *Re-sale of balancing electricity to ESCO by distribution licensee, direct customer and exporter is prohibited*
- *Balancing electricity trade is not a profitable activity for ESCO*



## ESCO SHARE IN THE TRADE

*Balance electricity (BE) trade is one of the activities of ESCO*

*Balance electricity balances delivery and consumption*

*In average, ESCO share in the total trade is around 14%*

*Usually, increase of the quantity of balance electricity takes place in winter period*

# GUARANTEED CAPACITY TRADE



*The players of guaranteed capacity (GC) trade are:*

- *Guaranteed capacity sources (GC sources)*
- *ESCO*
- *Guaranteed capacity buyers (GC buyers)*
- *GC provides for the stability, safety and reliability of the power system*
- *Electricity delivery-consumption is balanced (if required) by GC*
- *GC trade is carried out in a centralised manner through ESCO, by standard condition of the contract*



# SUPPORT OF CONSTRUCTION OF NEW POWER PLANTS

- *On the construction of new power plants MOU is signed between the Government of Georgia , the Investor and ESCO*
- *In the period defined by the MoU, from the date of the operation commencement during 10 (ten) years , 20% of the the annual generation of the plant shall be soled to ESCO based on the guaranteed PPA signed in advance*
- *the price applied in guaranteed PPA signed with ESCO is negotiated and fixed in MoU*

# FUTURE OUTLOOK

- *Market Model development*
- *Developing new Balancing and Settlement Rules with the “Day-Ahead Market” principles*
- *IT infrastructure and trading software upgrade*
- *Introduce recommendations in the Market Rules and Legislation*
- *Enhance management on the issues related to organizational structure and human resources*

- ***Donor Community***

*USAID/HIPP*

*INOGATE*

*WORLD BANK*

# TARGETS

- *Establish new strong financial institution*
- *Provide the Investor with solid guarantees*
- *Trade with free market principles locally as well as on the regional level*
- *Maintain liquidity, financial stability, profitability, reliability, transparency and publicity*

**THANK YOU !**

*WWW.ESCO.GE*  
*INFO@ESCO.GE*