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

- GENERATION
- IMPORTER
- SMALL HPP
- ESCO
- DIRECT CUSTOMER
- EXPORTER
- DISTRIBUTION
- RETAIL CUSTOMER

BALANCING ELECTRICITY
DIRECT CONTRACT
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 annual generation of the plant shall be sold to ESCO based on the guaranteed PPA signed in advance.

- The price applied in the 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**

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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!

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