

Standard Conditions of Direct Contract On Selling the Balancing Electricity

Tbilisi

September 1, 2014

Preamble

Standard Conditions on selling Balancing Electricity (hereinafter referred as “Standard Conditions”) have been prepared based on the requirements of Civil Code of Georgia, Georgian Law on Electricity and Natural Gas (Article 221) and the Electricity (Capacity) Market Rules approved by the Order #77 of Georgian Minister of Energy (dated August 30, 2006).

Article 1. General Provisions

1.1 Standard Conditions herein represent the contract terms (sample contract form) worded in advance and intended for multiple use, composed by one party – Ltd “Electricity System Commercial Operator” (hereinafter referred as “the Electricity Market Operator”, registered on August 7, 2009 by Tbilisi Tax Inspection, Register #205170036, represented by its General Director Vakhtang Ambokadze) for the Eligible Enterprise (hereinafter referred as “the Enterprise”) and the Transmission/Dispatch Licensees that are authorized to take part in the wholesale trade of electricity, based on the Law of Georgia on “Electricity and Natural Gas” and “The Electricity (Capacity) Market Rules” (hereinafter referred as “the Market Rules”) in the part of buying the electricity for the purpose of covering losses and providing for the electricity (capacity) transit;

1.2 The Enterprise can be connected to the Standard Conditions in compliance with the Article 4 of these Conditions;

1.3 Standard Conditions regulate the terms and rules of Balancing Electricity purchase by the Enterprise from the Electricity Market Operator as well as other issues connected with these legal relations;

1.4 Standard Conditions are completing the regulations established by active legislation (including the Market Rules). Active legislation regulates the issues not considered by Standard Conditions.

Article 2. Definition of the Terms

2.1 Main terms used in Standard Conditions have the same meaning as considered by the Law of Georgia on Electricity and Natural Gas and corresponding bylaws issued (adopted) by the Ministry of Energy of Georgia and National Energy and Water Regulatory Commission.

Article 3. Subject of Standard Conditions

3.1 Subject of Standard Conditions is selling the Balancing Electricity;

3.2 The Enterprise buys from the Commercial Operator the electricity, which equals to the difference between the volumes of electricity to be purchased (including the actual average losses), by it during the calculation period and the electricity bought based on the direct contracts;

3.3 According to the Standard Conditions, the Electricity Market Operator sells and the Enterprise buys the electricity aimed at meeting the actual needs and provides for full and timely compensation of its cost according to the rules and conditions established by the Standard Condition.

Article 4. Being Connected to the Standard Conditions

4.1 The Enterprise will be considered as the contract party if:

4.1.1. It represents the distribution licensee, direct customer, exporter, electricity generator (in the part of power purchase for the plant's general consumption of electricity), Dispatch Licensee (in the part of power purchase for covering the losses to provide for the electricity (capacity) transit);

4.1.2. It has received the Balancing Electricity at the delivery points during the reporting period for covering the losses to provide for the direct consumption (in case of the electricity generator – for guaranteeing general consumption of the plant), export or transit of electricity (capacity).

4.2 From the moment of connection with the Standard Conditions, the Enterprise becomes the entity with the rights and obligations considered by these Conditions.

Article 5. Balance Electricity Volume, Value and Cost

5.1 The Electricity Market Operator determines the volume and value of Balancing Electricity in compliance with the Market Rules;

5.2 Pricing of Balancing Electricity is taking place in compliance with the Market Rules.

Article 6. Settlement

6.1 The volume of Balancing Electricity sold to the Enterprise is reflected in the receipt- delivery act signed between the Electricity Market Operator and the Enterprise. In addition, if the amendments connected with the electricity generated, delivered and consumed (according to the Market Rules) are introduced to the receipt-delivery acts, it is resulted in making corrections to the volume of Balance Electricity, the corrected receipt-delivery act shall be drawn;

6.2 The Electricity Market Operator submits to the Enterprise four properly composed and approved acts of electricity receipt and delivery, within 12 calendar days. The Enterprise is obliged to return two acts to the Electricity Market Operator within two calendar days;

6.3 Based on the data provided in the receipt-delivery act, the Electricity Market Operator issues appropriate settlement documentation (invoice) on the cost of Balance Electricity and submit it to the Enterprise. Respective Tax Legislation regulates the conditions and rule of submitting the invoice;

6.4 The Enterprise is obliged to directly compensate (via bank transfer) to the Electricity Market Operator the amount indicated in the settlement documentation, not later than 25 calendar days after the end of calculation period. This liability shall be considered fulfilled on the date, when total cost of Balancing Electricity is received on the account of the Electricity Market Operator. Regardless, the Enterprise agrees or not with the electricity receipt-delivery act and/or settlement documentation, the Enterprise shall transfer the amount indicated in the settlement documentation to the account of the Electricity Market Operator.

6.5 In case of Balancing Electricity price adjustment, when:

6.5.1. The Balancing Electricity price increases, the Enterprise is obliged to compensate to the Electricity Market Operator additionally payable amount, resulted from the adjustment, not later than 25 calendar days after the end of the month, when correcting settlement documentation (invoice) is issued.

6.5.2. The Balancing Electricity price decreases, the Electricity Market Operator is obliged to compensate to the Enterprise the excess amount, accrued in favor of the Enterprise, not later than 28 calendar days after the end of the month, when correcting settlement documentation (invoice) is being issued.

6.6. As a rule, settlement between the parties takes place via bank transfer, unless the written request about using different common rule of settlement is sent from the Electricity Market Operator's side.

6.7. In the event that the Enterprise fails to pay or partly pays the amount, indicated in correcting settlement documentation (invoice) within the duration, determined by the Standard Conditions, the penalty (0, 06% of unpaid amount) shall be imposed per each delayed day. This penalty shall be billed on the 26th calendar day after the end of the month, when the correcting settlement documentation (invoice) was issued. Billing of this penalty shall stop on the following day (excluding the following day), when the unpaid amount is transferred to the account of Electricity Market Operator;

6.8 The fine is calculated immediately after the reporting period. The Electricity Market Operator sends

the letter (along with the attached calculations) about it to the Enterprise. The Enterprise receives becomes liable for paying the fine upon the receipt of written notification;

6.9 Based on the Standard Conditions, the amount payable by the Enterprise is not subject to the offset with the counter claims or writing off without the consent of the Electricity Market Operator written in advance. Transfer of the liability of the Enterprise on compensating the amount (based on the Standard Conditions) to the other (third) person is not allowed without the consent (written in advance) of the Electricity Market Operator;

6.10 According to the Standard Conditions, the Electricity Market Operator is entitled to take the actions allowed by the legislation in the event of non-payment, partial payment and/or delay of payment of any fee or interest, connected with the cost of Balance Electricity, which includes but is not limited to the Electricity Market Operator's right on restricting or terminating the electricity delivery to the Enterprise according to the rule established by the active legislation.

Article 7. Payment Guarantee

7.1 The Electricity Market Operator is entitled to claim in writing the bank guarantee on the payments due by the time of this claim as well as the amounts expected during the reporting period(s) from the Enterprise, which has violated the obligation imposed by the Articles 6.4 and 6.5.1 of Standard Conditions. The amount insured by the bank guarantee shall not be less than the amount not paid in compliance with the Articles 6.4 and 6.5.1;

7.2 Failure of the Enterprise to present the bank guarantee may become the subject to taking measures, included in the Article 6.10 of Standard Conditions herein. The Electricity Market Operator sends the notification about terminating or limiting the electricity (capacity) supply to the Electricity Dispatch Licensee in compliance with the Market Rules.

Article 8. Force Majeur

8.1 In Standard Conditions herein, Force Majeur and Force Majeur occurrence for any of the Parties means: the circumstances, which cannot be controlled by mentioned Party; when they cannot be avoided, stopped or improved, despite all the efforts of such Party; when as a consequence or as a result, one of the Parties cannot fulfill the obligations imposed by Standard Conditions. The Force Majeur occurrence includes (but is not limited to):

8.1.1 The war, military actions, siege, mobilization, requisition or embargo;

8.1.2 Unrest, revolution, rebellion, civil war, public disorder, civil riot, sabotage and terrorist actions;

8.1.3 Lightning, conflagration, explosion, storm, wind, flood, earthquake, hurricane or other natural disasters.

8.2 None of the Parties is requested to fulfill the Contract and it will not be considered as non-

fulfillment of their obligations, if the reason for non-fulfillment is Force Majeur, if lack of funds by any of the Parties is not considered as the Force Majeur.

8.3 The Parties shall be released from full or partial fulfillment of contract obligations considered by Standard Conditions only, when the circumstances indicated in Paragraph 8.1 occur. Under such circumstances, deadline for the fulfillment of contracted obligations will be rescheduled by the length of Force Majeur period.

8.4 In Force Majeur situation, the Party directly affected by it shall send another Party written notification about the occurrence within five workdays. This notification shall include relevant facts, information, possible consequences and duration. The document (the statement issued by the Chamber of Trade and Industry of Georgia), justifying Force Majeur occurrence shall be presented within the following one month.

Article 9. Dispute Resolution

9.1 The Electricity Market Operator and the Enterprise shall take all possible actions to settle any dispute or disagreement occurred in relation with the Standard Conditions (the definition, use and/or fulfillment) herein.

9.2 If the Parties fail to reach common agreement, the subject of argument shall be submitted to the Georgian National Energy Regulatory Commission or the court within the jurisdiction of Georgia.

9.3 The Electricity Market Operator has the right to demand immediate execution of the First Instance Court Decision in compliance with the Civil Code (Article 268, Clause 1¹ of the Convention).

Article 10. Other Conditions

10.1 If one of the provisions or part (or use of this provision or its part towards one of the Parties) of Standard Conditions is illegal or impossible to fulfill, all remaining provisions of the Standard Conditions will be considered effective and sustainable and they will remain in force as far as possible, whereas useless and unsustainable provisions shall be separated from the Standard Conditions, so that the legality and fulfillment possibility of others will be retained.

10.2 The terms included in the Standard Conditions herein are obligatory for the Parties and their respective legatees. Entrustment of the obligations imposed by the Standard Conditions herein to the other Party, without written consent of the second party is unacceptable.

10.3 Standard Conditions herein are regulated and defined by Georgian Legislation.

10.4 The contract performance venue in Tbilisi.

10.5 Standard Conditions shall become effective on December 1, 2010 and remain in force indefinitely.

Electricity System Commercial Operator, JSC

Address: 2 Baratashvili Street, Old Tbilisi District

Tbilisi Georgia Bank Details TBC Bank Vera Branch

Bank Code: TBCBGE22

a/a GE76TB7505936030100001

Identification Code: 205170036

Vakhtang Ambokadze

General Director

GEORGIAN NATIONAL ENERGY AND WATER REGULATORY COMMISSION

DECISION N30/5

August 14, 2014

Tbilisi

About approval of Standard Conditions Of the Contract on Selling the Balancing Electricity

Based on the Law of Georgia on Electricity and Natural Gas (Article 5 and Paragraph 1 of Article 22), the Georgian National Energy and Water Regulatory Commission has decided to:

1. Approve the attached Standard Conditions of Direct Contract on Selling the Balancing Electricity;
2. The decision shall become valid from the date of announcement at the Commission Session;
3. The decision can be appealed in Tbilisi Civil Court (Address: #6 Aghmashenebeli Alley, 12th km) within one month after its official publication;
4. Oblige the Commission's PR Department (N. Lashkhia) ensuring prompt public disclosure of this decision at the publicly accessible place of Commission building, and the Commission website;
5. Assign control of performance to the Commission's Electricity Department (N. Beridze).

Chairman

I. Milorava

Commission Member

M. Nadiradze

Commission Member

G. Shonia

AMENDMENT N1

To the Standard Conditions of the Direct Contract on Selling the Balancing Electricity

Tbilisi

August 11, 2016

The following amendment to the Standard Conditions of the Direct Contract on Selling the Balancing Electricity, dated on September 1, 2014 (Dispatch Licensee Registration N 1/1479-00, dated 26.08.2014) have been prepared based on the decision N36/31 adopted by Georgian National Energy and Water Regulatory Commission, dated on May 24, 2016:

1. The Paragraph 6.4¹. shall be added after the Paragraph 6.4 of the Contract:

“6.4¹. Regardless, the Enterprise agrees or not with the electricity receipt-delivery act and/or facts indicated in the settlement documentation (invoice), the Enterprise shall transfer the amount indicated in the settlement documentation to the account of the Electricity Market Operator. This liability shall be considered fully fulfilled on the date, when total cost of Balancing Electricity is received on the account of the Electricity Market Operator. During the fulfillment of the obligations arising from this contract, the Enterprise is required to specify the purpose of payment in the Payment Order (the name of duty, which must be paid).

In the event that the purpose of payment shall not be specified in the Payment Order and paid amount is insufficient to cover the debt to the Electricity Market Operator, the debt should be covered under the terms of article 387 of the Civil Code of Georgia and if requirements have the equal force, the Electricity Market Operator shall allocate the paid amount proportionally between the debts of balancing electricity and guaranteed capacity.”

2. This amendment becomes effective the day of approval by the Georgian National Energy and Water Regulatory Commission and registration by the Dispatch Licensee under the terms of the Electricity (Capacity) Market Rules and remain in force indefinitely.

**JSC “Electricity System
Commercial Operator”**

Address: Georgia, Tbilisi Old
Tbilisi District

2 Baratashvili Street

Bank Details: TBCBGE22

a/a GE76TB7505936030100001
Identification Code: 205170036

Vakhtang Ambokadze

General Director

GEORGIAN NATIONAL ENERGY AND WATER REGULATORY COMMISSION

DECISION N36/31

May 24, 2016

Tbilisi

About amendments to the Standard Conditions Of the Contract on Selling the Balancing Electricity

Based on the paragraph 1 of article 5 and article 22 of Law of Georgia on Electricity and Natural Gas and article 29 of regulation about implementation of administrative procedures adopted by the commission dated on August 7, 2003, the Georgian National Energy and Water Regulatory Commission has decided to:

1. The following amendments shall be made to the standard conditions of selling of the Balancing Electricity approved by the Decision N30/5 on August 14, 2014 of the Georgian National Energy and Water Supply Regulatory Commission:

“6.4¹. Regardless, the Enterprise agrees or not with the electricity receipt-delivery act and/or facts indicated in the settlement documentation (invoice), the Enterprise shall transfer the amount indicated in the settlement documentation to the account of the Electricity Market Operator. This liability shall be considered fully fulfilled on the date, when total cost of Balancing Electricity is received on the account of the Electricity Market Operator. During the fulfillment of the obligations arising from this contract, the Enterprise is required to specify the purpose of payment in the Payment Order (the name of duty, which must be paid).

In the event that the purpose of payment shall not be specified in the Payment Order and paid amount is insufficient to cover the debt to the Electricity Market Operator, the debt should be covered under the terms of article 387 of the Civil Code of Georgia and if requirements have the equal force, the Electricity Market Operator shall allocate the paid amount proportionally between the debts of balancing electricity and guaranteed capacity.”

2. The decision shall become valid from the date of announcement at the Commission Session;

3. The decision can be appealed in Tbilisi Civil Court (Address: #6 Aghmashenebeli Alley, 12th km) within one month after its official publication;

4. Oblige the Commission's PR Department (N. Lashkhia) ensuring prompt public disclosure of this decision at the publicly accessible place of Commission building, and the Commission website;

5. Assign control of performance to the Commission's Electricity Department (N. Beridze).

Chairman

I. Milorava

Commission Member

M. Nadiradze

Commission Member

G. Shonia

AMENDMENT N2

To the Standard Conditions of the Direct Contract on Selling the Balancing Electricity

Tbilisi

August 06, 2018

The following amendment to the Standard Conditions of the Direct Contract on Selling the Balancing Electricity, dated on September 1, 2014 (Dispatch Licensee Registration N 1/1479-00, dated 26.08.2014) have been prepared based on the decision N61/16 adopted by Georgian National Energy and Water Regulatory Commission, dated on July 26, 2018:

1. The Paragraph 1.1. of the Contract shall be formed as follows:

“1.1. Standard Conditions herein represent the contract terms (sample contract form) worded in advance and intended for multiple use, composed by one party – Ltd “Electricity System Commercial Operator” (hereinafter referred as “the Electricity Market Operator”, registered on August 7, 2009 by Tbilisi Tax Inspection, Register #205170036, represented by its General Director Vakhtang Ambokadze) for the Eligible Enterprise (hereinafter referred as “the Enterprise”) and the Dispatch Licensee in the part of buying the electricity for the purpose of covering losses and providing for the electricity (capacity) transit and also in the part of buying the electricity for the purpose of covering losses in transmission network, that are authorized to take part in the wholesale trade of electricity, based on the Law of Georgia on “Electricity and Natural Gas” and “The Electricity (Capacity) Market Rules” (hereinafter referred as “the Market Rules”);

2. The Paragraph 3.2. of the Contract shall be formed as follows:

“3.2. The Enterprise buys from the Commercial Operator the electricity, which equals to the difference between the volumes of consumed electricity, by it during the calculation period and the electricity bought based on the direct contracts.”;

3. The paragraph 3.2¹. shall be added after the Paragraph 3.2. of the Contract:

“3.2¹. Dispatch Licensee:

a) In purpose to cover transmission network losses buys the amount of electricity to purchase losses in the transmission network specified in the reporting period according to the paragraph 3¹ of Article 23 of the “the Market Rules” from Electricity Market Operator under the Standard Conditions;

b) In purpose to cover losses for providing electricity (capacity) transit buys the amount of electricity equivalent to the difference between the quantity of electricity purchased for transit and the amount of electricity purchased on the basis of the direct agreement for these purposes specified in the reporting period according to the paragraph 3¹ of Article 23 of the “the Market Rules” from Electricity Market Operator under the Standard Conditions.”;

4. Paragraphs 4.1.1. and 4.1.2. of Article 4 of the Contract shall be formed as follows:

„4.1.1. It represents the distribution licensee, direct customer, exporter, electricity generator (in the part of power purchase for the plant’s general consumption of electricity), Dispatch Licensee (in the part of power purchase for covering the losses to provide for the electricity (capacity) transit and in purpose to cover losses in transmission network);

4.1.2. It has received the Balancing Electricity at the delivery points during the reporting period for covering the losses to provide for the direct consumption (in case of the electricity generator – for guaranteeing general consumption of the plant), export or in purpose of covering losses for providing transit of electricity (capacity) and of covering losses in transmission network.“

5. Paragraphs 6.1. and 6.2. of Article 6 of the Contract shall be formed as follows:

„6.1 The volume of Balancing Electricity sold to the Enterprise is reflected in the receipt- delivery act materially or electronically signed between the Electricity Market Operator and the Enterprise. In addition, if the amendments connected with the electricity generated, delivered and consumed (according to the Market Rules) are introduced to the receipt-delivery acts, it is resulted in making corrections to the volume of Balance Electricity, the corrected receipt-delivery act shall be drawn materially or electronically;

6.2 The Electricity Market Operator materially or electronically submits to the Enterprise four properly composed and approved acts of electricity receipt and delivery, within 12 calendar days. The Enterprise is obliged to return materially or electronically two acts to the Electricity Market Operator within two calendar days;“

6. The paragraph 6.11. shall be added after the Paragraph 6.10. of the Contract:

„6.11. In cases specified in paragraphs 6.1 and 6.2 of this Agreement, the electronic version of the receipt and delivery act shall be formulated and signed through the electronic system on the website of the Electricity Market Operator (www.esco.ge). An electronic and electronically signed receipt and delivery act has the same legal force as material and materially signed receipt and delivery act.

7. This amendment becomes effective the day of approval by the Georgian National Energy and Water Regulatory Commission and registration by the Dispatch Licensee under the terms of the Electricity (Capacity) Market Rules and remain in force indefinitely.

JSC “Electricity System Commercial Operator” Address:

Georgia, Tbilisi Old Tbilisi District
2 Baratashvili Street

Bank Details: TBCBGE22

a/a GE76TB7505936030100001

Identification Code: 205170036

Vakhtang Ambokadze

General Director

GEORGIAN NATIONAL ENERGY AND WATER REGULATORY COMMISSION

DECISION N61/16

July 26, 2018

Tbilisi

About amendments to the Standard Conditions Of the Contract on Selling Balancing Electricity

Based on the Law of Georgia on Electricity and Natural Gas (Article 5 and Paragraph 1 of Article 22¹) and Article 63 of General Administrative Code, the Georgian National Energy and Water Regulatory Commission has decided to:

1. The following amendments shall be made to the standard conditions of selling of the Balancing Electricity approved by the Decision N30/5 on August 14, 2014 of the Georgian National Energy and Water Supply Regulatory Commission:

a) The Paragraph 1.1. of the Contract shall be formed as follows:

“1.1. Standard Conditions herein represent the contract terms (sample contract form) worded in advance and intended for multiple use, composed by one party – Ltd “Electricity System Commercial Operator” (hereinafter referred as “the Electricity Market Operator”, registered on August 7, 2009 by Tbilisi Tax Inspection, Register #205170036, represented by its General Director Vakhtang Ambokadze) for the Eligible Enterprise (hereinafter referred as “the Enterprise”) and the Dispatch Licensee in the part of buying the electricity for the purpose of covering losses and providing for the electricity (capacity) transit and also in the part of buying the electricity for the purpose of covering losses in transmission network, that are authorized to take part in the wholesale trade of electricity, based on the Law of Georgia on “Electricity and Natural Gas” and “The Electricity (Capacity) Market Rules” (hereinafter referred as “the Market Rules”);

b) The Paragraph 3.2. of the Contract shall be formed as follows:

“3.2. The Enterprise buys from the Commercial Operator the electricity, which equals to the difference between the volumes of consumed electricity, by it during the calculation period and the electricity bought based on the direct contracts.”;

c) The paragraph 3.2¹. shall be added after the Paragraph 3.2. of the Contract:

“3.2¹. Dispatch Licensee:

c) In purpose to cover transmission network losses buys the amount of electricity to purchase losses in the transmission network specified in the reporting period according to the paragraph 3¹ of Article 23 of the “the Market Rules” from Electricity Market Operator under the Standard Conditions;

d) In purpose to cover losses for providing electricity (capacity) transit buys the amount of electricity equivalent to the difference between the quantity of electricity purchased for transit and the amount of electricity purchased on the basis of the direct agreement for these purposes specified in the reporting period according to the paragraph 3¹ of Article 23 of the “the Market Rules” from Electricity Market Operator under the Standard Conditions.”;

d) Paragraphs 4.1.1. and 4.1.2. of Article 4 of the Contract shall be formed as follows:

„4.1.1. It represents the distribution licensee, direct customer, exporter, electricity generator (in the part of power purchase for the plant's general consumption of electricity), Dispatch Licensee (in the part of power purchase for covering the losses to provide for the electricity (capacity) transit and in purpose to cover losses in transmission network);

4.1.2. It has received the Balancing Electricity at the delivery points during the reporting period for covering the losses to provide for the direct consumption (in case of the electricity generator – for guaranteeing general consumption of the plant), export or in purpose of covering losses for providing transit of electricity (capacity) and of covering losses in transmission network.“

e) Paragraphs 6.1.. and 6.2. of Article 6 of the Contract shall be formed as follows:

„6.1 The volume of Balancing Electricity sold to the Enterprise is reflected in the receipt- delivery act materially or electronically signed between the Electricity Market Operator and the Enterprise. In addition, if the amendments connected with the electricity generated, delivered and consumed (according to the Market Rules) are introduced to the receipt-delivery acts, it is resulted in making corrections to the volume of Balance Electricity, the corrected receipt-delivery act shall be drawn materially or electronically;

6.2 The Electricity Market Operator materially or electronically submits to the Enterprise four properly composed and approved acts of electricity receipt and delivery, within 12 calendar days. The Enterprise is obliged to return materially or electronically two acts to the Electricity Market Operator within two calendar days;“

f) The paragraph 6.11. shall be added after the Paragraph 6.10. of the Contract:

„6.11. In cases specified in paragraphs 6.1 and 6.2 of this Agreement, the electronic version of the receipt and delivery act shall be formulated and signed through the electronic system on the website of the Electricity Market Operator (www.esco.ge). An electronic and electronically signed receipt and delivery act has the same legal force as material and materially signed receipt and delivery act.

2. The decision shall become valid from the date of announcement at the Commission Session;

3. The decision can be appealed in Tbilisi Civil Court (Address: #6 Aghmashenebeli Alley, 12th km) within one month after its official publication;

4. Oblige the Commission's PR Department ensuring prompt public disclosure of this decision at the publicly accessible place of Commission building, and the Commission website;

5. Assign control of performance to the Commission's Electricity Department.

Chairman

I. Milorava

Commission Member

G. Phangani

Commission Member

M. Melikidze

Commission Member

D. Narmania