



ANNUAL  
REPORT  
OF  
**BORZEN**  
2009



ANNUAL

REPORT

OF

BORZEN

2009

**Borzen**

Borzen, Power Market Operator, d.o.o.

# INDEX

GENERAL MANAGER'S ADDRESS	9
PRESIDENT OF THE SUPERVISORY BOARD'S ADDRESS	10
A BRIEF OVERVIEW OF FINANCIAL OPERATIONS IN 2009	11
IMPORTANT EVENTS IN 2009	12
IMPORTANT EVENTS AFTER THE END OF BUSINESS YEAR 2009	14
COMPANY ID	16

## 1. Business report

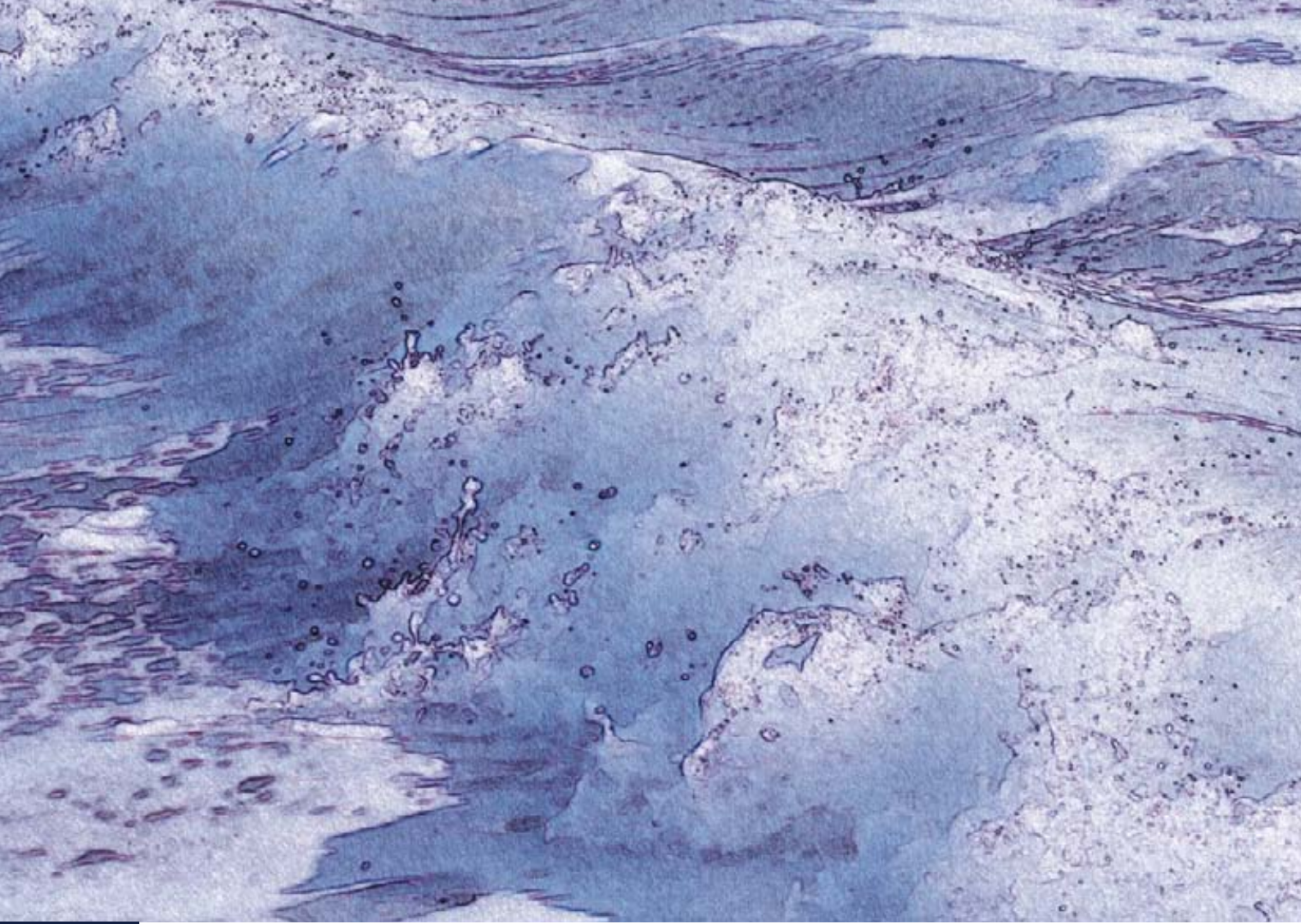
<b>1.1 Company presentation</b>	<b>18</b>
1.1.1 About the company	18
1.1.2 A brief history of the company	19
1.1.3 Business operations strategy	19
1.1.4 Company management	19
1.1.5 Company ownership	20
1.1.6 Affiliated companies	20
<b>1.2 Organisation of electricity market in Slovenia</b>	<b>21</b>
1.2.1 Recording of closed contracts, operational forecasts and preparation of an indicative operating schedule of the transmission and distribution network	21
1.2.2 Imbalance settlement	23
1.2.3 Balance scheme	26
1.2.4 Financial settlement of imbalance settlement	28
1.2.5 Introduction of new rules for the operation of the organised electricity market	28
<b>1.3 The Centre for RES/CHP Support</b>	<b>30</b>
1.3.1 About the centre for RES/CHP support	30
1.3.2 Support scheme for the production of electricity from RES and CHP – transition period	31
1.3.3 New support scheme for electricity production from RES and CHP	33
1.3.4 Support scheme financing and clearing of the centre for RES/CHP support	38
1.3.5 Overview of the centre for RES/CHP support's inflows and outflows in 2009	38
1.3.6 Guarantees of origin registry	39
1.3.7 Wood biomass exchange	41
<b>1.4 Investments</b>	<b>42</b>
<b>1.5 Risk management</b>	<b>42</b>

## 2. Sustainable development

<b>2.1 Human resources</b>	<b>46</b>
2.1.1 Human resources indicators	46
2.1.2 Care for employees	46
2.1.3 Internal communication	47
<b>2.2 Communication with the public</b>	<b>47</b>
<b>2.2 Education</b>	<b>48</b>
<b>2.3 Environmental responsibility</b>	<b>48</b>
<b>2.4 Development and research</b>	<b>48</b>
<b>2.5 Cooperation in international professional associations and working groups</b>	<b>49</b>



<b>3. Financial report</b>	
<b>3.1 Auditor's report</b>	<b>52</b>
<b>3.2 Financial statements</b>	<b>54</b>
3.2.1 Balance sheet	54
3.2.2 Income statement	55
3.2.3 Cash flow statement (version I)	56
3.2.4 Allocation of net profit of the financial year	56
3.2.5 Statement of changes in equity	57
<b>3.3 Notes to the financial statements</b>	<b>58</b>
3.3.1 Notes on balance sheet items	58
3.3.2 Notes on items in the income statement (version II)	63
3.3.3 Additional disclosures on the basis of SRS 35	66
CONTACT WITH BORZEN	68
STATEMENT BY THE MANAGEMENT	69



# GENERAL MANAGER'S ADDRESS



In energy sector circles the name Borzen evokes the beginnings of organised electricity trading. The company, established less than a decade ago, has undergone important ownership and organisational changes, yet it has managed to maintain a responsible, professional, efficient and user-friendly approach. An efficient Centre for RES/CHP Support, a well-organised electricity market and cooperation in the preparation of energy legislation are tasks that continuously encourage us to work even better, but also present a big responsibility for future development.

Borzen is today a modern company whose guiding principle is achieving and maintaining the highest quality in performing the tasks entrusted to us. Borzen's employees are distinguished by their professionalism, development orientation, determination and homogeneity. High quality and up-to-date services are ensured with the help of available technological and information equipment.

At Borzen we have set ourselves important goals for the future. We will participate in the creation of a transparent, efficient and competitive organised electricity market, encourage and ensure efficient use of electricity, contribute to the fulfilment of adopted

obligations in the field of the use of renewable electricity sources and promote the operation and expansion of the regional electricity market.

We are jointly responsible for the use, not the depletion, of energy sources. We recognise the fact that new ideas and approaches to known problems are needed - how to maximize the efficient use of energy and how to increase the share of production from renewable energy sources. We will build upon our achievements in accordance with this and perform our work in step with the times. A responsible attitude towards the owner and the environment, clear business and personal ethics and well-defined goals and vision demonstrate that we understand modern needs and care for those in need of our services.

I would like to express a sincere gratitude to my predecessors who believed and particularly persisted when faced with a more difficult path.

Above all, I would like to thank the Supervisory Board and all former and current employees. Borzen is all of us together.

Karlo Peršolja, M. Sc.  
General Manager



# PRESIDENT OF THE SUPERVISORY BOARD'S ADDRESS

In 2009 the Government of the RS appointed Borzen's first Supervisory Board; it consists of: Vekoslav Korošec, M.Sc., Chairman, Karol Peter Peršolja, M. Sc., Deputy Chairman and Mrs. Mojca Kert Kos, Member. Several legislative amendments and a new organisation form (separation from Elektro-Slovenija d.o.o.) called for the creation of a Supervisory Board which began operating in the spring of 2009. From the start of January 2010 the Supervisory Board has had only two members, since its former Member, Karol Peter Peršolja M. Sc., was appointed General Manager on 1st January 2010 and his function as a Supervisory Board Member was thereby terminated.

In accordance with the provisions of the Act on formation, the Supervisory Board started supervising the Company's business operations throughout the year. The Supervisory Board held 11 meetings.

In the first year of the Supervisory Board's operation significant changes occurred in Borzen's business operations.

This included a diversification of

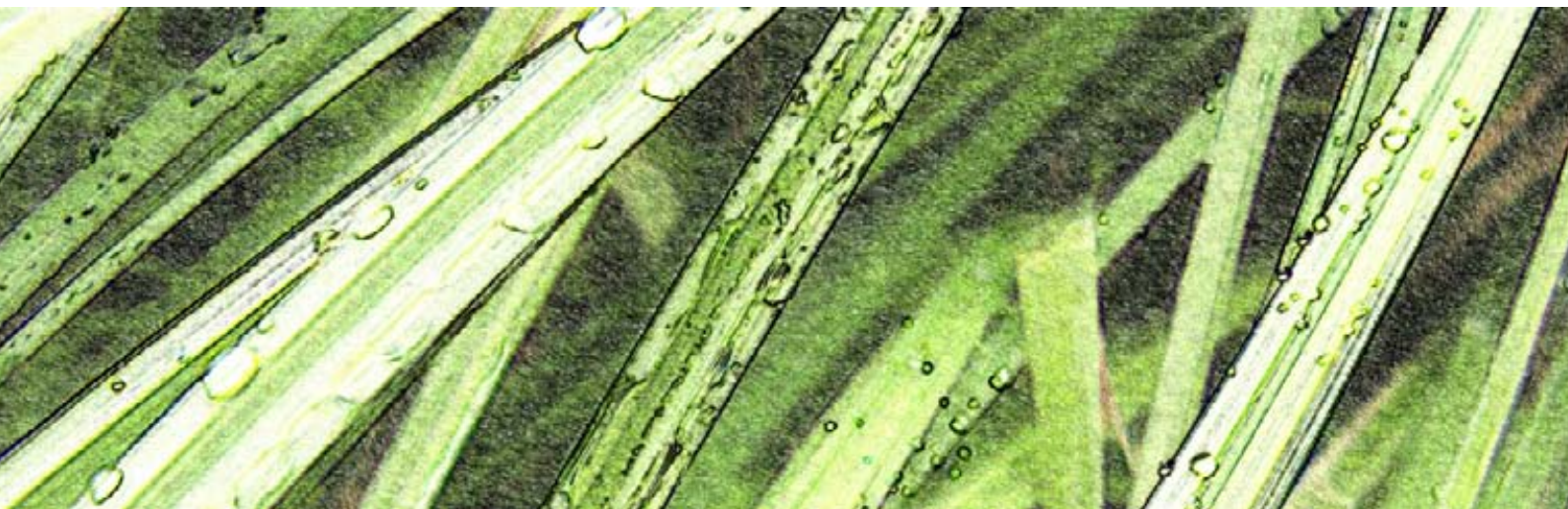
business operations to new fields and the implementation of a Support Scheme for the production of electricity from renewable sources and high-efficiency cogeneration of heat and power. Borzen also implemented changes in the field of electricity market organisation. The new Rules for the operation of the organised electricity market, which were being prepared for quite a long time, were adopted at the end of 2009; on their basis on 1st January 2010 Borzen took over complete management of the Balance Scheme.

With regard to the goals set and achieved, we are pleased to note that Borzen's management and all employees operate in a professional and responsible manner and in accordance with the requirements imposed on them by this important activity. Borzen is a company that builds upon young, highly competent staff. From the viewpoint of the Slovenian energy field Borzen has an important role, and we believe this role will become even more influential in the future at home as well as abroad.

Vekoslav Korošec, M. Sc.  
Chairman of the Supervisory Board

# A BRIEF OVERVIEW OF FINANCIAL OPERATIONS IN 2009

ANNUAL  
REPORT  
OF  
BORZEN  
2009



At the end of 2009 Borzen, organizator trga z električno energijo, d.o.o had 26 employees, who generated 3,147 thousand EUR of total revenues, which were 24% higher than in 2008. Total expenses amounted to 2,981 thousand EUR and were 21% higher than the previous year. Net profit amounted to EUR 55,801.

Borzen has 2,428 thousand EUR of equity capital, which represents 11% of all liabilities, while 89% are short-term operating liabilities which were particularly high in 2009 due to the presentation method of the Centre for RES/CHP Support's items. Namely, the Centre for RES/CHP Support's assets that remained unallocated in 2009 are presented as liability. Only 6% of assets are long-term assets, i.e. fixed assets and long-term investments, whereas 93% of all assets are short-term assets, of

which finances that belong to the Centre for RES/CHP Support account for two thirds and receivables account for less than one third. The introduction of the Centre for RES/CHP Support has significantly transformed the structure of the company's assets and resources which was demonstrated in 2009 in increased short-term assets on one hand and increased short-term liabilities on the other.

With regard to its line of business and field of operations the company was not exposed to any major price, credit or solvency risks. Transactions in which Borzen underwrites risks of fulfilment of financial liabilities are secured since Balance Scheme Members are obliged to submit adequate financial guarantees in the form of a cash deposit or a bank guarantee.

# IMPORTANT EVENTS IN 2009

## **START OF IMPLEMENTATION OF ACTIVITIES OF THE CENTRE FOR RES/CHP SUPPORT**

On 1st January 2009 Borzen started the implementation of activities of the Centre for RES/CHP Support, the Support Scheme operator for the production of energy from renewable energy sources and highly efficient cogeneration of heat and power. In addition to operating the said Support Scheme, the Centre for RES/CHP Support has also undertaken activities regarding the provision of secure energy supply with the use of domestic primary energy sources.

## **INTRODUCTION OF A SEVEN-DAY CONTRACT RECORDING AND ISSUE OF NEW INSTRUCTIONS FOR THE REPORTING OF CLOSED CONTRACTS AND OPERATIONAL FORECASTS**

A seven-day closed contract recording was introduced on 1st July for contracts using cross-border transmission capacities on the Slovene-Italian border. At the same time, Borzen issued new Instructions for reporting closed contracts and operational forecasts in accordance with applicable law.

Among other things, the new Instructions replace the previously applicable Rules for announcing operating schedules and reflect the changed type of operation in the electricity market.

## **NEW RULES FOR THE OPERATION OF THE ORGANISED ELECTRICITY MARKET**

New Rules for the Operation of the Organised Electricity Market, which entered into force on 1st January 2010, were published in the Official Gazette of the RS No. 98/2009 on 4th December 2009.

The Rules for the Operation of the Organised Electricity Market govern the method of the implementation of public service obligation relating to the organisation of the electricity market performed by Borzen in accordance with concession, namely, in the part which refers to Balance Scheme management, the recording of contracts of Balance Scheme Membership, Open and Closed Contracts, the imbalance settlement, the financial settlement of imbalance settlement, and gathering and publishing data for providing transparency of organised electricity market operation.

The new Rules will contribute to a more efficient and transparent operation of the organised electricity market in Slovenia, which is one of Borzen's strategic goals and also the ambition of Slovene energy circles. A well-regulated electricity market in Slovenia is also an important factor in the successful operation of the EU's single electricity market.

## **ADOPTION OF RULES FOR THE OPERATION OF THE CENTRE FOR RES/CHP SUPPORT**

The Rules for the Operation of the Centre for RES/CHP Support were published in the Official Gazette of the RS No. 86/2009 on 30th October and entered into force the following day. The Rules include provisions regarding beneficiaries' access to support within the Support Scheme, the regulation of balancing affiliation, receipt and delivery of electricity, Centre for RES/CHP Support's accounting and financial settlement. The Rules also contain standardised sample agreements on the provision of support and constitute one of the main regulations for the implementation of the support system.



#### **IMPLEMENTATION OF THE CENTRE FOR RES/CHP SUPPORT'S NEW SUPPORT SCHEME**

A new Support Scheme was introduced on 1st November which will be, in accordance with the guidelines and the official confirmation by the EU Commission, one of the instruments to achieve the goals in increasing the share of production from renewable energy sources and high-efficiency cogeneration of heat and power. The new scheme eliminates certain shortcomings of the old scheme and enables accelerated investment in new RES/CHP power plants with a more elaborated approach and higher amounts of support.

#### **VIRTUALISATION SYSTEMS**

Borzen follows information technology trends, which is why we have upgraded our virtualisation systems with advanced servers and a connection to data fields. This has enabled us to virtualise a larger number of key production systems. The introduction and use of modern technology encouraged us to prepare a study together with Microsoft's Slovene representatives on the use of Microsoft's virtualisation, which was presented at the Consultation meeting of energy informatics engineers of the RS (PIES).

#### **CONTINUOUS OPERATION PLAN**

We are aware of how important continuous operation of our working processes is for the entire Slovenian electricity market. This is why we introduced a continuous operation plan a while ago. Recently we also prepared an appendix that will cover potential pandemic influenza events. The pandemic plan covers an operational plan for the event that several employees cannot attend work due to illness. Among other things, the plan also contains a substitution scheme and a crisis communication strategy.

# IMPORTANT EVENTS AFTER THE END OF BUSINESS YEAR 2009

## **BORZEN'S MANAGEMENT CHANGE**

On 1st January Karlo Peršolja, M. Sc. took over Borzen's management. He was elected General Manager for a term of five years at the Supervisory Board's Meeting on 19th November 2009.

Mr. Peršolja started his professional career in 1983 at Elektro Primorska d.d., where he worked as the commercial sector director between 2000 and 2003; he was also the general manager of E3 d.o.o. between 2005 and 2007. Prior to his arrival to Borzen he was the procurator of Vodi Gorica d.d. During his career he has been a member of several supervisory boards, among others he was the Deputy Chairman of Borzen, d.o.o.'s Supervisory Board and he is still an active member of Elektro Primorska d.d.'s Supervisory Board.

## **INTRODUCTION OF NEW RULES FOR THE OPERATION OF THE ORGANISED ELECTRICITY MARKET**

On 1st January, new Rules for the operation of the organised electricity market (Official Gazette of the RS No. 98/2009) which govern the transfer of Balance Scheme management from Transmission System Operator to Borzen entered into force. In accordance with the new Rules all Balancing Agreements were concluded afresh and complete Rules were fully implemented in January.

## **START OF COLLECTION AND MANAGEMENT OF FUNDS FOR PROGRAMMES FOR INCREASING THE EFFICIENCY OF ENERGY USE**

In accordance with the Regulation on energy savings ensured to final customers (published in the Official Gazette No. 114/2009 on 31st December 2009), Borzen started collecting and managing the funds for programmes for increasing the efficiency of energy use within the framework of implementation of the Centre for RES/CHP Support's activities. Within this Borzen issued a Decision on the financial settlement for the implementation of programmes for increasing the efficiency of energy use.

## **THE CENTRE FOR RES/CHP SUPPORT CARRIED OUT THE FIRST AUCTION FOR THE SALE OF ELECTRICITY**

On 18th March 2010 the Centre for RES/CHP Support successfully executed its first auction for the sale of electricity from the Eco Group. This refers to electricity from the so-called guaranteed purchase that the Centre for RES/CHP Support receives from producers in the Support Scheme for the production of electricity from renewable energy sources and high-efficiency cogeneration of heat and power.

## **MEMBERSHIP IN EBIX WITHIN THE EDEIEM GROUP**

Borzen is a member of the EDEIEM working group, whose main goal is to develop a harmonised standard for data exchange in the electricity market in Slovenia. The EDEIEM group has suggested joining the international organisation ebIX (European Forum for Energy Business Exchange). By joining this organisation we wish to obtain and share information and experiences with other members, acquire an analysis of examples of good practice, development, optimisation and standardisation of the use of electronic data exchange in the energy industry at the EU level. This will ensure better comparability, transparency and also simplification of the collection of relevant data.

## **BORZEN'S NEW CORPORATE IDENTITY**

We realise that a thoroughly developed and professional corporate identity represents the company's vision, business strategy and culture through visual communication, which is why we decided to completely refresh our existing image. The main reasons for the introduction of our new and fresh logo was the introduction of new tasks, change of structure of the existing tasks, transfer of energy auction activities to our subsidiary and partial changes in the company's mission, which resulted in communication with new public groups.



# IDENTITY CARD

<b>FULL NAME</b>	<b>Borzen, Power Market Operator, d.o.o</b>
<b>SHORT NAME</b>	<b>Borzen, d.o.o.</b>
<b>ADDRESS</b>	<b>Dunajska 128a, 1000 Ljubljana, Slovenia</b>
<b>PHONE</b>	<b>01 620 76 00</b>
<b>FAX</b>	<b>01 620 76 01</b>
<b>E-MAIL</b>	<b>info@borzen.si</b>
<b>WEBSITE</b>	<b>www.borzen.si</b>
<b>PRINCIPAL ACTIVITY</b>	<b>66.110 Administration of financial markets</b>
<b>REGISTRATION NUMBER</b>	<b>1613383</b>
<b>TAX NUMBER</b>	<b>27799468</b>
<b>NUMBER OF ENTRY IN COURT REGISTER</b>	<b>1/34438/00</b>
<b>DATE OF ENTRY IN COURT REGISTER</b>	<b>28th March 2001</b>
<b>PLACE OF ENTRY IN COURT REGISTER</b>	<b>Ljubljana District Court</b>
<b>SHARE CAPITAL</b>	<b>EUR 1,963,279.00</b>
<b>GENERAL MANAGER</b>	<b>Karlo Peršolja M. Sc. (from 1. 1. 2010)</b>
<b>CHAIRMAN OF THE SUPERVISORY BOARD</b>	<b>Vekoslav Korošec M. Sc.</b>

As of 1st January 2010



**1. BUSINESS  
REPORT**



# 1.1 COMPANY PRESENTATION

## 1.1.1 ABOUT THE COMPANY

Borzen, organizator trga z električno energijo, d.o.o. (hereinafter: Borzen) was founded on 28th March 2001 on the basis of provisions in the Energy Act for the implementation of an obligatory public utility service relating to the organisation of the electricity market as a subsidiary of Elektro-Slovenija d.o.o. In the middle of 2007 the Government of the Republic of Slovenia, as the founder and sole partner in the public company Elektro-Slovenija d.o.o., adopted a decision on the proposal by the Ministry of the Economy to transfer Elektro-Slovenija d.o.o.'s complete business share in Borzen to the Republic of Slovenia. Transfer of ownership was performed in December 2007. Today, Borzen is owned solely by the Republic of Slovenia.

The public utility service relating to the organisation of the electricity market, which is performed by Borzen on

the basis of a concession in accordance with the Decree on the method for the implementation of public service obligation relating to the organisation of the electricity market (Official Gazette of the RS No. 8/2009), includes the following tasks:

- Balance Scheme management;
- Recording contracts of Balance Scheme Membership, and Open and Closed contracts;
- Implementation of the balancing market;
- Implementation of activities of the Centre for RES/CHP support;
- Imbalance settlement;
- Gathering and publishing data for providing transparency in the organised electricity market operation;
- Clearing and financial settlement of transactions connected with the aforementioned activities.

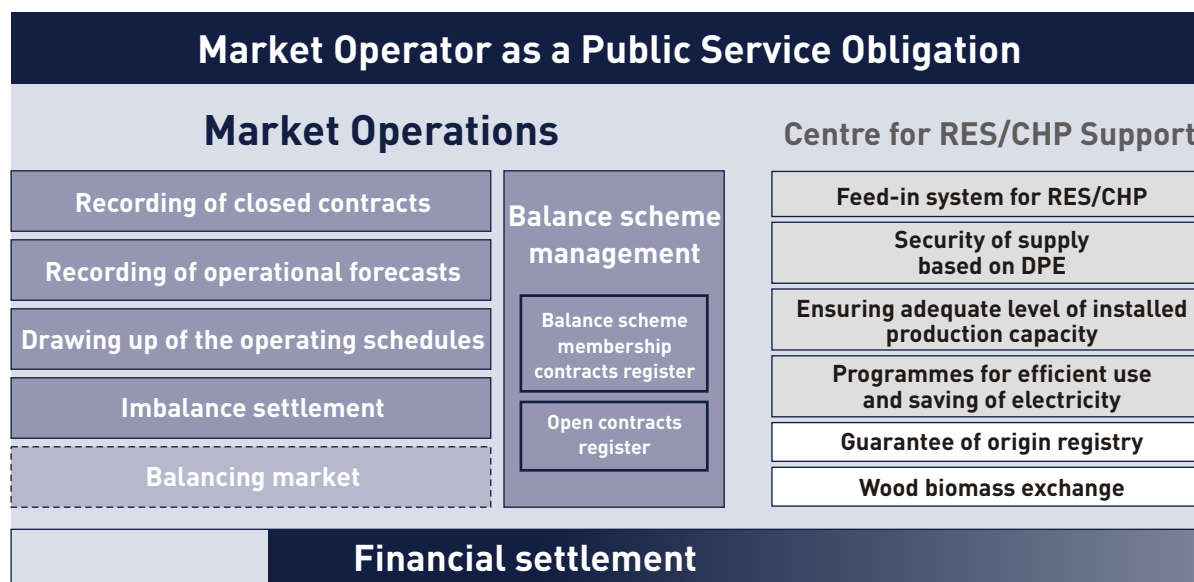


Figure 1: Borzen's main obligations

The company's principal activity is the implementation of the public service obligation relating to the organisation of the electricity market that includes organisation of the electricity market in the strict sense and activities of the Centre for RES/CHP Support - implementation of the Support Scheme for the production of electricity from renewable sources and

high-efficiency cogeneration of heat and power. In addition, the company also manages the Wood Biomass Exchange and the national Guarantees of Origin Registry, and performs various educational workshops and services for BSP Regional Energy Exchange, LL C.

## 1.1.2 A BRIEF HISTORY OF THE COMPANY

Borzen, d.o.o. was established in the spring of 2001 for the implementation of the public utility service relating to the organisation of the electricity market. At the beginning trading between buyers and sellers took place in the form of organised weekly meetings and later on via an electronic trading platform.

In 2002 in addition to providing a daily and weekly market for preferential dispatch electricity, the company also performed daily auctions for the allocation of cross-border transmission capacities for the import and export of electricity on the Slovenian-Italian border. In that year the Association of European Power Exchanges EuroPex was also established. The Association, which is instrumental in the operation of the European electricity market, was established by Borzen and seven other energy exchanges.

In 2004 Borzen started to implement imbalance settlement, which enabled more precise forecasts for the market participants' electricity consumption and production. In the same year, the Wood Biomass Exchange was also set up, where supply and demand for this renewable energy source meet in one place. Its purpose is to provide information and increase transparency in the field of renewable energy sources and to increase the use of biomass as an energy source.

In 2005 we started with daily auctions for the allocation of cross-border transmission capacities for the import and export of electricity on all Slovenian borders except the Hungarian border.

In 2007 the existing central database was upgraded to the Guarantees of Origin Registry by Borzen and the Energy Agency, which enables user-friendly and simple handling of guarantees of origin.

In 2008 Borzen established the BSP Regional Energy Exchange, LL C, together with the German company Eurex, an international derivatives exchange, whose aim is to establish a centralised energy trading centre in SE Europe. The energy exchange activity was consequently transferred from Borzen to the new company.

In 2009 Borzen started the implementation of activities of the Centre for RES/CHP Support, the operator of the Support Scheme for the production of energy from renewable energy sources and highly efficient cogeneration of heat and power.

## 1.1.3 BUSINESS OPERATIONS STRATEGY

### VISION

Borzen's vision is to act as the Slovenian juncture of knowledge and ideas, as well as perform quality services in the field of energy markets. We wish to create high-quality conditions that will enable the development of a modern and advanced energy market.

### MISSION

By providing quality services in the field of energy markets, Borzen wishes to ensure transparent and efficient operation for all participants. As the promoter of the development of these markets, Borzen strives towards a regulated and competitive Slovenian market and the promotion and increased use of green energy.

### VALUES

Our values are embedded in our operation and are reflected in all our relations.

Social Responsibility  
Ethical operation  
Professionalism  
Knowledge  
Development  
Progress

## 1.1.4 COMPANY MANAGEMENT

### MANAGEMENT

On 1st January 2010 Karlo Peršolja M. Sc. became Borzen's General Manager.

Until 31st December 2009 Damjan Stanek M. Sc. acted as the Acting General Manager.

### THE SUPERVISORY BOARD

Until 19th November 2009 the Supervisory Board included:

Chairman of the Supervisory Board:  
Vekoslav Korošec, M. Sc.

Deputy Chairman of the Supervisory Board:  
Karlo Peršolja, M. Sc.

Supervisory Board Member:  
Mojca Kert Kos

After 19th November 2009 the Supervisory Board included:

Chairman of the Supervisory Board:  
Vekoslav Korošec, M. Sc.

Supervisory Board Member:  
Mojca Kert Kos



### **1.1.5 COMPANY OWNERSHIP**

Borzen is owned solely by the Republic of Slovenia.

### **1.1.6 AFFILIATED COMPANIES**

Together with the German company Eurex, an international derivatives exchange, Borzen established the BSP Regional Energy Exchange, LL C in May 2008. Thereby a centralised energy trading centre in SE Europe was established and Borzen's important strategic goal fulfilled. In November 2008 the activities of the energy exchange were transferred to this new company.

On 31st December 2009 Borzen owned a 34% business share in the BSP Regional Energy Exchange, LL C.

In accordance with the contract Borzen performed financial, accounting and information services, as well as clearing and financial settlement services for BSP Regional Energy Exchange, LL C in 2009.

# 1.2 ORGANISATION OF ELECTRICITY MARKET IN SLOVENIA

## 1.2.1 RECORDING OF CLOSED CONTRACTS, OPERATIONAL FORECASTS AND PREPARATION OF AN INDICATIVE OPERATING SCHEDULE OF THE TRANSMISSION AND DISTRIBUTION NETWORK

The Energy Act imposes on the Market Operator the obligation to record contracts of Balance Scheme Membership and Open and Closed Contracts. Recording of Closed Contracts constitutes the basis for the calculation of Balance Scheme Members' market plans, which together with operational forecasts for their delivery points form the basis for the indicative operating schedule of the System Network Operator (ELES). Market plans also constitute the basis for the calculation of the imbalance settlement of the Balance Groups. Recording of contracts includes receipt of contract reports, overseeing the correctness and completeness of reports, intervention in any disputes between contracting parties regarding recorded information, keeping of official records, supervision of compliance between recorded data on concluded contracts and the operational forecasts of the same notifier, as well as recording of official records. Contracts and operational forecasts are reported to the Market Operator by Balance Responsible Parties that are responsible for reporting Closed Contracts and operational forecasts for themselves and for all hierarchically lower members of the Balance Group.

All contracting liabilities in which electricity is bought or sold in the Republic of Slovenia, or the energy is transferred outside of the regulation area, are recorded. This means that all contracts concluded between Balance Scheme Members, all Closed Contracts for import or export, and all concluded transactions on the exchange are recorded; in addition, the contracts between suppliers, consumers, and producers are recorded in the form of operational forecasts of consumption and production.

### QUANTITIES OF RECORDED CLOSED CONTRACTS AND OPERATIONAL FORECASTS

In 2009 a total of 70,550 Closed Contracts were recorded and the total volume of electricity from the recorded operational forecasts under Open Contracts amounted to 55,755,621.90 MWh. Compared to the previous year, the number of recorded Closed Contracts and operational forecasts was 16.4 percent higher and the total quantity of electricity from recorded Closed Contracts and operational forecasts was 4.2 percent higher.

Month	Monthly volumes of CC and OF (in MWh)	The number of reported CC and OF
January	4,885,323.20	5,938
February	4,532,825.00	5,398
March	4,817,917.40	5,994
April	4,062,806.80	5,475
May	4,570,053.80	5,992
June	4,626,015.80	5,738
July	4,870,837.30	5,899
August	4,113,920.10	5,817
September	4,399,333.00	5,953
October	4,792,032.30	6,136
November	4,904,675.10	5,944
December	5,179,882.10	6,266
<b>Total</b>	<b>55,755,621.90</b>	<b>70,550</b>

**Table 1:** Monthly volumes and number of recorded Closed Contracts (CC) and operational forecasts (OF) in the organised market in Slovenia in 2009

Table 2 shows the volumes of electricity sold or bought through Closed Contracts and operational forecasts. Compared to 2008, the volume of electricity from Closed Contracts was 1.4 percent lower, while the volume of electricity sold through operational forecasts was 11.1 percent higher.

Month	Closed Contracts	Operational forecasts
January	2,558,228.10	2,327,095.10
February	2,380,011.60	2,152,813.40
March	2,543,294.20	2,274,623.20
April	2,250,145.20	1,812,661.60
May	2,355,709.40	2,214,344.40
June	2,371,664.00	2,254,351.80
July	2,507,098.90	2,363,738.40
August	2,102,621.30	2,011,298.80
September	2,272,772.80	2,126,560.20
October	2,524,538.70	2,267,493.60
November	2,621,939.50	2,282,735.60
December	2,787,268.30	2,392,613.80
<b>Total</b>	<b>29,275,292.00</b>	<b>26,480,329.90</b>

**Table 2:** Monthly volumes of electricity sold or bought through Closed Contracts and operational forecasts in the organised market in Slovenia in 2009 in MWh

### TRANSFER OF ELECTRICITY ON THE BORDERS OF THE SLOVENIAN REGULATION AREA

Transfer of electricity on the borders of the Slovenian regulation area in 2009 is shown in Table 3. Compared to the previous year, the transfer of electricity from Slovenia, without taking into account electricity from Krško Nuclear Power Plant (NEK), was 35.9 percent higher and amounted to 6,435,981 MWh and the transfer to Slovenia was 0.4 percent lower and amounted to 6,085,572 MWh.

Mesec	Transfer from Slovenia	Transfer from Slovenia incl. NEK	Transfer to Slovenia	Total excl. NEK	Total incl. NEK	Net position excl. NEK
January	525,771	784,543	604,222	1,129,993	1,388,765	-78,451
February	510,737	744,124	525,178	1,035,915	1,269,302	-14,441
March	538,470	796,599	548,444	1,086,914	1,345,043	-9,974
April	535,267	535,439	492,808	1,028,075	1,028,247	42,459
May	590,956	815,372	420,321	1,011,277	1,235,693	170,635
June	594,203	842,204	413,521	1,007,724	1,255,725	180,682
July	619,690	874,582	435,566	1,055,256	1,310,148	184,124
August	355,664	605,744	415,626	771,290	1,021,370	-59,962
September	446,447	692,184	482,941	929,388	1,175,125	-36,494
October	558,916	814,295	566,471	1,125,387	1,380,766	-7,555
November	574,307	824,018	611,989	1,186,296	1,436,007	-37,682
December	585,553	833,696	568,485	1,154,038	1,402,181	17,068
<b>Total</b>	<b>6,435,981</b>	<b>9,162,800</b>	<b>6,085,572</b>	<b>12,521,553</b>	<b>15,248,372</b>	<b>350,409</b>

**Table 3:** Joint transfer of electricity on the borders of the Slovenian regulation area in 2009 in MWh

In 2009 the transfer of electricity from Slovenia was 75.2 percent higher on the Austrian border than in 2008 and amounted to 2,163,415 MWh; the transfer to Slovenia also increased, it was 15.7 percent higher and amounted to 3,547,644 MWh.

By taking into account the NEK export, the transfer from Slovenia was 15.8 percent higher on the Croatian border than in 2008 and amounted to 3,953,740 MWh. In the same period, the transfer to Slovenia was 9.4 percent lower and it amounted to 2,516,204 MWh. It should be noted that due to repair work in April electricity production in NEK was slightly lower in 2009. The Slovenian half of the production was thus 8.5 percent lower than in 2008 and amounted to 2,726,819 MWh.

On the Italian border, the transfer of electricity from Slovenia amounted to 3,045,645 MWh in 2009 and was thus slightly lower than in 2008, i.e. by 0.7 percent. The transfer of electricity from Italy to Slovenia amounted to 21,724 MWh in the same period.

Border	AUSTRIA		ITALY		CROATIA		
	Transfer from Slovenia	Transfer to Slovenia	Transfer from Slovenia	Transfer to Slovenia	Transfer from Slovenia	Transfer to Slovenia	Transfer from Slovenia NEK
January	154,031	312,159	306,745	338	323,767	291,725	258,772
February	206,492	198,470	278,234	0	259,398	326,708	233,387
March	176,524	330,787	303,797	30	316,278	217,627	258,129
April	230,563	227,288	274,268	0	30,608	265,520	172
May	194,879	221,450	222,736	0	397,757	198,871	224,416
June	250,041	258,890	218,354	38	373,809	154,593	248,001
July	168,092	336,505	233,149	3,127	473,341	95,934	254,892
August	64,678	357,595	85,361	5,090	455,705	52,941	250,080
September	113,563	341,886	229,872	3,304	348,749	137,751	245,737
October	176,168	353,213	305,882	9,272	332,245	203,986	255,379
November	225,940	277,560	296,523	300	301,555	334,129	249,711
December	202,444	331,841	290,724	225	340,528	236,419	248,143
<b>Total</b>	<b>2,163,415</b>	<b>3,547,644</b>	<b>3,045,645</b>	<b>21,724</b>	<b>3,953,740</b>	<b>2,516,204</b>	<b>2,726,819</b>

**Table 4:** Recorded Closed Contracts by borders of regulation area for transfer of electricity in 2009 (in MWh)

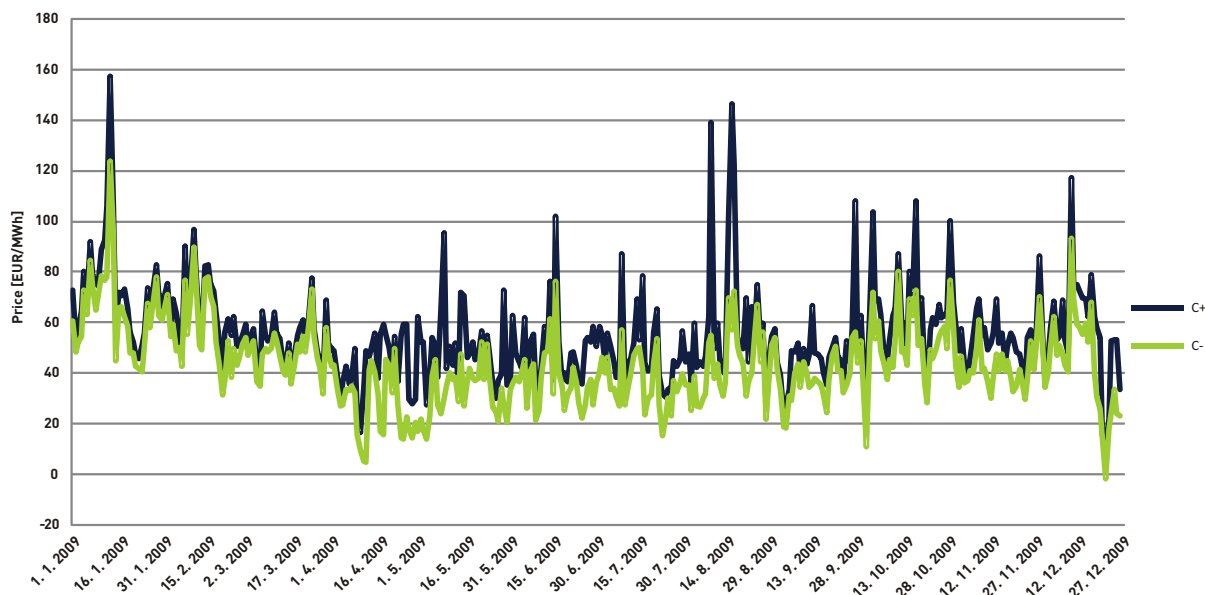
## 1.2.2 IMBALANCE SETTLEMENT

In 2009 Borzen performed activities connected with the imbalance settlement in the delivery and consumption of electricity from announced market plans in accordance with the Rules for the operation of the electricity market (valid until 31st December 2009) and the Decree on the terms of the financial settlement of imbalance settlement in the transition period. The Market Operator performs the imbalance settlement in two steps. The first is the so-called quantitative settlement where the System Operators submit accounting data on the actual realisation of consumption and delivery of the delivery points. This data must be submitted to Borzen by the Distribution System Operator (SODO) and the Transmission System Operator (ELES) on the 15th working day after the end of the accounting period at the latest. Accounting data is aggregated on the level of Balance Groups and Subgroups and then compared to market plans under the quantitative settlement. The resulting differences between the realisation and the market plan are the Balance Group and Subgroup imbalances.

In the second part, monthly financial clearings for each Balance Group are established on the basis of the confirmed quantitative settlements. For each accounting interval the basic imbalance price is set on the basis of the electricity price on the exchange and the System Operator's costs for balancing. The financial clearing of imbalance settlement is calculated by multiplying the amount of imbalances in each accounting interval by the basic imbalance price. Such clearing is prepared for Balance Groups with appurtenant consumption or production delivery points. For Balance Groups without appurtenant consumption or production delivery points, i.e. for trading companies' Balance Groups, the financial clearing of imbalance settlement is performed only if forecasted imbalances have been reported.

Recalculation for the previous year, i.e. 2008, was also performed in 2009. The findings of imbalance settlements in 2009 are presented below.

**Average daily values of basic prices C+ and C- in 2009**

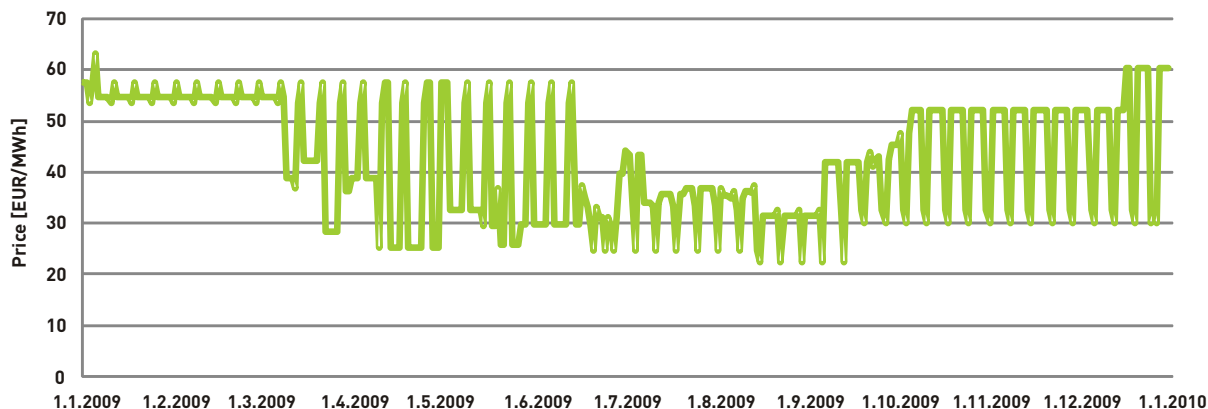


**Figure 2:** Average daily values of basic prices C+ and C- in 2009

In general, the basic imbalance prices C+ and C- were successive in 2009, except in some cases. The average value of the basic imbalance price C+ amounted to 55.31 MWh and the average value of the basic imbalance price C- amounted to 43.31 MWh.

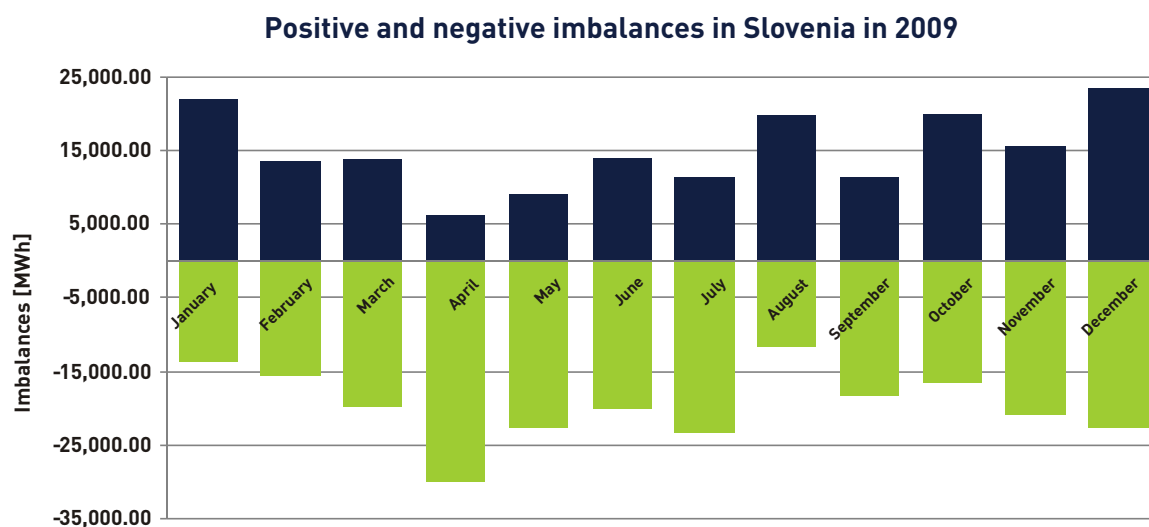
As is evident from the diagram in Figure 2, the highest value of the basic imbalance price C+ was achieved in the second half of January and amounted to 157.23 EUR/MWh. The prices of 138.71 EUR/MWh and 146.34 EUR/MWh achieved in August came closest to this price. In general, the movement of the basic imbalance price C+ in 2009 could be described as slightly decreasing. The biggest fall was recorded in the first half of the year; later on the prices settled. The lowest daily value of the basic imbalance price C+ was recorded in December and amounted to 11.15 EUR/MWh. The price C- could also be described as slightly decreasing. The biggest fall in the basic imbalance price C- was recorded in the first half of the year. The highest value was recorded on 14th January and amounted to 123.47 EUR/MWh. This was followed by the price on 14th December amounting to 93.05 EUR/MWh. The lowest value was recorded on 26th December, as for the basic imbalance price C+, when it amounted to -1.78 EUR/MWh.

**Average daily values of the CSLOeX index in 2009**



**Figure 3:** Average daily values of the CSLOeX index in 2009

Figure 3 shows the SLOeX index fluctuation; at the start of the year the index fluctuated on the same level as in 2008, i.e. between 50 and 60 EUR per MWh. In the second quarter of the year the index changed its value due to base load product trading on the energy exchange; it stabilised again in the second half of the year. The reason for the lesser price movement of the CSLOeX index compared to basic imbalance prices can be found in the small extent of trading in base load products on the BSP energy exchange on which the calculation of the hourly CSLOeX index depends.



**Figure 4:** Positive and negative imbalances in Slovenia in 2009 in MWh

Figure 4 shows the total positive and negative Balance Group imbalances for each individual month in 2009. The total positive Balance Group imbalances were the biggest in December and amounted to 23,633.99 MWh. The biggest negative Balance Group imbalances were recorded in April when they amounted to 29,992.19 MWh. Total positive and negative imbalances throughout the entire period amounted to 180,163.19 MWh and 236,516.24 MWh, which together amounts to -56,353.05 MWh.



### 1.2.3 BALANCE SCHEME

The organised electricity market is hierarchically arranged into a Balance Scheme. Any legal or natural person that wishes to actively operate on the electricity market in Slovenia must become a member of the Balance Scheme, managed by Borzen as the Market Operator.

Balance Scheme Members can act on the market as traders who buy or sell electricity according to volumes known in advance (closed contracts), or as suppliers of electricity who, besides electricity trading, also deal

with electricity supply to consumers or with electricity purchase from producers (open contracts).

In 2009 there were 9 new Balance Groups and 5 Balance Subgroups included in the Balance Scheme. In total there were 42 registered Balance Groups (24 foreign and 18 Slovenian companies) and 20 Balance Subgroups (7 foreign and 13 Slovenian companies) on 31st December 2009.

No.	Balance Groups	Balance Gr. EIC code	Balance Subgroups	Balance Subgr. EIC code
1	VERBUND-Austrian Power Trading SL d.o.o.	28XAPTPOWERTRSLE	Österreichische Elektrizitätswirtschafts-Aktiengesellschaft	13XVERBUND1234-P
2	C&G d.o.o.	28XC-G-----8		
3	Električni finačni tim, d.o.o.	28XEFT-SI000000L	Energy Financing Team (Switzerland) AG	12XEFT-SWITZERLR
4	Elektro Maribor d.d.	28XELEKTROMB6666		
5	Atel Energija d.o.o.	28XENTRADE55201H		
6	EZPADA ENERGIJA, d.o.o.	28XEZPADA-SI---5		
7	Holding Slovenske elektrarne d.o.o.	11XHSE-SLOVENIAG	Elektro Celje d.d.	28XCELJE03-----V
			Elektro Gorenjska d.d.	28XELGOR-----U
			Elektro Ljubljana d.d.	28XELEKTROLJ058W
			Elektro Primorska d.d.	28XEL-PRIMORSKAW
			ENI S.p.A.	17X100A100R03017
			Acroni, d.o.o.	28X-ACRONI-JES-B
			PETROL ENERGETIKA, d.o.o.	28XPETENER-RAV-Y
			TALUM, Tovarna aluminija d.d. Kidričevo	28XTALUM0000000A
8	GEN-I, d.o.o.	11XIGET-----D	ENIPOWER S.p.A.	17X100A100R0076P
			SODO d.o.o., (za distribucijska območja: El.Celje, El.Gorenjska, El. Ljubljana, El.Primorska)	28XSODO-----N
			GEN energija d.o.o.	28XELES-GEN----R
9	UKR-ENERGIJA d.o.o.	28XKORLEASI----I	Ekowatt d.o.o.	28XEKOWATT-----L
			SODO d.o.o., (za distribucijsko območje: Elektro Maribor)	28XSODO-----N
10	Lumius, spol.s.r.o.	11XLUMIUS-----K		
11	EDF Trading Limited	11XEDFTRADING--G		
12	Ezpada s.r.o.	11XEZPADAHANDEL		
13	ELECTRABEL NV/SA	11XELECTRABEL--Z		
14	Elektrizitäts-Gesellschaft Laufenburg AG	12XEGL-H-----0		
15	ENEL TRADE S.p.A.	11XENEL-H-----S		
16	e&t Energiehandels-gesellschaft GmbH	28X-ET-ENERGIE-A		

Št.	Balance Groups	Balance Gr. EIC code	Balance Subgroups	Balance Subgr. EIC code
17	E.ON Energy Trading SE	11XEON-H-----8		
18	Merrill Lynch Commodities Limited	11XMLCELTD-----I		
19	JAS Budapest Zrt.	15X-JAS-----X		
20	Danske Commodities A/S	11XDANSKECOM---P		
21	RE Trading CEE, s.r.o.	27X-RAETIACZ---E	Rezia Energia Italia S.p.A.	12XREZIA-ITA---K
22	RWE Trading GmbH	11XRWETRADING--0		
23	RUDNAP- HUNGARY ENERZIA-KERESKEDELMI KFT.	15X-RUDNAP-H---V		
24	STE ENERGETIKA d.o.o.	28XSTE-ENERGET-X		
25	Exergia S.p.A.	26X00000001721-W		
26	Energieallianz Austria GmbH	14XEAA-BILANZ00K		
27	Edison Trading S.p.A.	11XEDISON-TRADES		
28	INTERENERGO, energetska inženiring, d.d.	28X-INTERENERGO8		
29	Atel Energy AG	11XENTRADEPOWER5	Alpiq Energia Italia S.p.A.	26X0000001391-0
30	E3, energetika, ekologija, ekonomika, d.o.o.	28XE3-DOO-----0		
31	Edelweiss Energia S.p.A.	17X100B100I0001Q		
32	BSP Regionalna Energetska Borza d.o.o.	28XBSPSOUTHPOOLV		
33	HEP Trgovina d.o.o.	28XHEP-TRADE---7		
34	B-P Energia Szolgáltató Kft.	15X-BP-ENERGIA-F		
35	Borzen, d.o.o. - Center za podpore (Eko skupina)	28XBORZEN-SI---D		
36	Statkraft Markets GmbH	11XSTATKRAFT001N		
37	Termoelektrarna Toplarna Ljubljana, d.o.o.	28XTE-TOL-----I		
38	SODO, sistemski operater distribucijskega omrežja z električno energijo d.o.o.	28XSODO-----N		
39	EKSTRA OLJE NOVA, d.o.o.	28X000000000001D	Ekstra olje d.o.o.	28X000000000000F
40	ELEKTRO PRODAJA E.U. d.o.o.	28X000000000002B	Elektro prodaja d.o.o.	28XELE-PRODAJA-2
41	ALPIQ ENERGY SE	27XALPIQ-ENERGYS		
42	NORDJYSK ELHANDEL A/S	11XNEAS-----Q		

**Table 5:** List of Balance Groups and Balance Subgroups with the Power Market Operator in the Republic of Slovenia on 31st December 2009

#### TRANSFER OF BALANCE SCHEME MANAGEMENT FROM TRANSMISSION SYSTEM OPERATOR TO MARKET OPERATOR

With the implementation of the new Rules for the Operation of the Organised Electricity Market, the Balance Scheme management was transferred to Borzen; therefore, all Balance Responsible Parties had to be informed of the new Rules and new Balancing Agreements had to be concluded in December 2009.

As of 1st January 2010 the Market Operator thus took over Balance Scheme management.

## 1.2.4 FINANCIAL SETTLEMENT OF IMBALANCE SETTLEMENT

In accordance with the Decree on the terms of the financial settlement of imbalances in transitional period, which applied until the confirmation of the new Rules for the Operation of the Organised Electricity Market, Borzen performed the financial settlement of imbalance settlement for companies that joined the Slovenian electricity market as the Balance Responsible Party (Balance Scheme Members).

In accordance with the abovementioned Decree the Balance Responsible Party becomes also the Financial Settlement Participant upon signing the Balancing Agreement. Borzen in its form as the Clearing Agent ensures the financial settlement of Financial Settlement Participants' obligations arising from the Imbalance Settlement. The financial settlement is carried out through a settlement account for the financial settlement of imbalance settlement, which is opened at the Settlement Bank.

In order to secure the fulfilment of their financial liabilities arising from the imbalance settlement, Financial Settlement Participants must provide relevant basic and variable financial guarantees in accordance with the Decree.

## 1.2.5 INTRODUCTION OF NEW RULES FOR THE OPERATION OF THE ORGANISED ELECTRICITY MARKET

New Rules for the Operation of the Organised Electricity Market, which entered into force on 1st January 2010, were published in the Official Gazette of the RS No. 98/2009 on 4th December.

These Rules for the Operation of the Organised Electricity Market (hereinafter: the Rules) govern the method of the implementation of public service obligation relating to the organisation of the electricity market performed by Borzen in accordance with concession, namely, in the part which refers to Balance Scheme management, the recording of contracts of Balance Scheme Membership, Open and Closed Contracts, the imbalance settlement, the financial settlement of imbalance settlement, and gathering and publishing data for providing transparency of organised electricity market operation. The new Rules will contribute to the more efficient and transparent operation of the organised electricity market in Slovenia, which is one of Borzen's strategic goals and also the ambition of Slovene energy circles. A regulated electricity market in Slovenia is also important for the successful operation of the EU's single electricity market.

## BALANCE SCHEME MANAGEMENT

The Balance Scheme is governed by the Rules for the operation of the organised electricity market which define the relations between the electricity market participants and the rights and obligations of market participants depending on their role and status in the market.

Market participants are electricity producers, consumers, traders, market agents and market brokers, suppliers, the energy exchange and providers of commercial public services. With the new Rules market participants are divided into active and inactive market participants. The former are those who are included in the Balance Scheme and can therefore conclude Balance Scheme Membership Agreements, closed contracts for the supply of electricity, open contracts for the supply of electricity to consumers or open contracts for the receipt of electricity from producers. This means, only members of the Balance Scheme can be suppliers of electricity to consumers, whereas other market participants, i.e. inactive market members, who are not included in the Balance Scheme cannot actively operate in the market and can only conclude one open contract, i.e. the Delivery Agreement. The latter include most of the electricity consumers and producers. An electricity producer who is not included in the Balance Scheme can conclude only one Delivery Agreement with one of the Balance Scheme Members and cannot conclude additional closed contracts with other Balance Scheme Members. Such electricity producers are not allowed to sell electricity directly to consumers.

## RECORDING OF BALANCE SCHEME MEMBERSHIP CONTRACTS, OPEN AND CLOSED CONTRACTS

A new element of the new Rules is the definition of different types of closed and open contracts; the implications of such contracts that are reflected in the Balance Scheme, records of closed and open contracts and in the balance of Balance Scheme Members are also defined in detail. A more precise breakdown of the terminology regarding recording of closed contracts and operational forecasts should also be noted.

## IMBALANCE SETTLEMENT

The Rules have introduced several changes in several fields of imbalance settlement. More precise provisions on the procedures within the implementation of imbalance settlement, the deadlines market participants must observe in submission of data and other activities connected with imbalance settlement, such as, for example, the submission of objection to imbalance settlement.

Formulas for the calculation of basic imbalance prices and tolerance band have also been changed. With the new Rules the new indices for imbalance prices were introduced for the calculation of basic prices that replace the CSLOeX index, which was recently illiquid due to low volumes of trading on the energy exchange and did not reflect the true value of electricity on the market. The new index follows the movement of balancing energy prices and thereby ensures a liquid and real reference value that is essential for the efficient calculation of imbalance prices.



The Rules also amend the method for the calculation of the tolerance band and the methodology for the Balance Group imbalance penalisation was also improved.

#### **FINANCIAL SETTLEMENT OF IMBALANCES**

Among other things, the Rules govern the field of the financial settlement of imbalances where financial settlement participants, Market Operator responsibility, the method of financial settlement and Market Operator's risk management are defined.

The Market Operator also keeps a special account for imbalance settlement surpluses for the risk management of non-fulfilment of financial obligations by financial settlement participants.

#### **ENERGY EXCHANGE**

The new Rules no longer contain provisions regarding the energy exchange since the energy exchange activity is no longer an activity of the public service obligation relating to the organisation of the electricity market. The energy exchange is performed by the BSP Regional Energy Exchange, LL C, which issues its own exchange trading rules.

# 1.3 THE CENTRE FOR RES/CHP SUPPORT

## 1.3.1 ABOUT THE CENTRE FOR RES/CHP SUPPORT

The Centre for RES/CHP Support is the operator of the Support Scheme for the production of electricity from renewable sources (hereinafter: RES) and high-efficiency cogeneration of heat and power (hereinafter: CHP) that was introduced or amended by the Act amending the Energy Act (EZ-C; The Official Gazette of the RS, No. 70/2008). The Centre for RES/CHP Support is stipulated as one of the obligatory commercial public services in the organisation of the electricity market and is provided by Borzen.

In accordance with the Energy Act and other regulations the activity of the Centre for RES/CHP Support includes the following:

- Management of assets from Article 64.s of the Energy Act;
- Conclusion of Support Agreements;
- Payment of support;
- Electricity purchase under the first indent of Paragraph 4 of Article 64.n of the Energy Act;
- Electricity purchase from producers from Paragraph 11 of Article 64.n of the Energy Act ("old production units");
- Settlement of differences between the announced and realised production for the purchased electricity (»Centre for RES/CHP Support's Eco Balance Group«);
- The sale of purchased energy on the organised electricity market;
- Duties regarding guarantees of origin;
- Keeping of registries connected with the Support System.

In addition to operating the Support Scheme for RES and CHP, the Centre for RES/CHP Support has also undertaken the following activities in accordance with the Energy Act:

- Activities connected to the provision of secure energy supply with the use of domestic primary energy sources from Article 15 of this Act;
  - Activities connected with the provision of adequate production capacities from Article 52.a of this Act;
  - Activities connected with the implementation of energy saving programs from Article 66.b of this Act.
- The Centre for RES/CHP also carries out analyses in the field of RES/CHP and reports to the competent institution.

In 2009 Borzen also managed the Wood Biomass Exchange within the framework of its informative and educational tasks.

The Regulation on energy savings ensured to final customers (The Official Gazette of the RS No. 114/2009) was adopted at the end of 2009 and is the basis for the implementation of 2010's activity regarding the implementation of electricity saving programmes from Article 66.b of the Energy Act.

On the basis of a decision dated 11th June 2009, the Government of the RS established the amounts of earmarked funds as of 31st December 2008 that were created under the allowance for the mandatory purchase of electricity in the period between 2002 and 2008 by the Transmission System Operator, Distribution System Operator and companies for the distribution of electricity. The total value of funds transferred from distribution companies to the Centre for RES/CHP Support amounted to EUR 1,392,317 (excl. VAT); in respect of this the Centre for RES/CHP Support paid EUR 626,845 (excl. VAT) to the Transmission System Operator. The transferred funds are intended solely for the Support Scheme implementation.

An agreement has been concluded with a producer selected through public tender (Termoelektrarna Trbovlje d.o.o.) that served as the basis for the payment of funds for the provision of secure energy supply with the use of domestic primary energy sources. The domestic energy source in question is lignite from the RTH coal mine. The producer was obliged to use 400,000 tonnes of the said coal in 2009.

### RULES FOR THE OPERATION OF THE CENTRE FOR RES/CHP SUPPORT

In accordance with two Regulations published in the Official Gazette of the RS on 18th May 2009, Borzen prepared draft Rules for the operation of the Centre for RES/CHP Support that included all provisions regarding the support beneficiary accession, arrangement of balancing affiliation, receipt and delivery of electricity, accounting and financial settlement.

After the harmonisation with the Ministry of the Economy, the Energy Agency, SODO and ELES, the Rules were confirmed by the Government of the RS and published in the Official Gazette of the RS No. 86/2009 on 30th October 2009. They entered into force on the following day, 31st October. The Rules also contain standardised sample agreements on the provision of

support and constitute one of the main regulations for the implementation of the support system.

### **THE ROLE OF GUARANTEES OF ORIGIN**

The guarantees of origin are deemed as the condition for the provision of support (in the transition period as well as under the new Support Scheme) and have to be transferred to the Centre for RES/CHP Support as proof for RES/CHP. The acquisition of such guarantees and their transfer to the Centre for RES/CHP Support is arranged with the issuer of guarantees of origin (the Energy Agency of the RS) upon or after obtaining the production unit declaration that needs to be obtained by all producers who wish to obtain the guarantee of origin and/or support.

The Centre for RES/CHP Support maintains a joint application support for registries that are required for the implementation of the support system in the production of electricity from RES and CHP - this includes the Registry of Guarantees of Origin in the Republic of Slovenia.

### **IMPLEMENTATION PLAN OF THE SUPPORT SCHEME FOR THE PRODUCTION OF ELECTRICITY FROM RENEWABLE ENERGY SOURCES AND HIGH-EFFICIENCY COGENERATION OF HEAT AND POWER IN 2010**

The implementation plan of the Support Scheme for the production of electricity from RES and CHP (RES/CHP Scheme) in 2010 was prepared by Borzen and the Energy Agency of the RS, and was sent to the Ministry of the Economy in November. The document served as the basis for the determination of the amount of required funds for 2010.

## **1.3.2 SUPPORT SCHEME FOR THE PRODUCTION OF ELECTRICITY FROM RES AND CHP – TRANSITION PERIOD**

### **RECEIVING SUPPORT FOR »QUALIFIED PRODUCERS« IN THE TRANSITION PERIOD FROM 1ST JANUARY 2009 ONWARDS**

Qualified producers that had concluded an agreement with the System Operator before 12th July 2008 or had concluded such an agreement by 31st December 2008 on the basis of a valid Decision on the qualified producer status, issued by the Ministry, are in accordance with Article 42 of the EZ-C entitled to continue receiving the existing form of support in the "transition period" at least until 31st December 2011 or until the transition to the new system has been completed.

The condition for receiving support in the "transition period" is the acquisition of the production unit declaration (issued by the Energy Agency of the RS) and the acquisition and transfer of guarantees of origin to the Centre for RES/CHP Support, which has to be done on a yearly basis. The transition to the "transition

period" was undertaken automatically on the basis of the decision that was sent to all qualified producers by mail by the Centre for RES/CHP Support.

The existing producers whose production units meet the age conditions for support under EZ-C (RES up to 15 years and CHP up to 10 years) enter into a new support system. The existing producers who are included in the transition period and whose production units do not meet the age conditions for provision of support under the new system brought about by the EZ-C (more than 15 years for RES and more than 10 years for CHP) can continue to receive support under transition provisions within the framework of Paragraph 3 of Article 42 of the EZ-C until the end of 2011 at the latest.

### **TEMPORARY DECISIONS**

In accordance with regulations in force, after 12th July 2009 the Energy Agency started issuing the so-called "Temporary decisions on the provision of support" to new units that were not included in the transition period; on the basis of such decisions production units were able to receive support, however, in the amount valid in the old system. The final decisions issued were accepted by the Centre for RES/CHP Support, which implemented them on the basis of a Decision sent to the beneficiary, which also constituted the basis for payment. As of 1st November 2009 the Energy Agency started issuing decisions under the new support system, including the conversion of the so-called "temporary decisions".

### **PRODUCTION UNITS INCLUDED IN THE TRANSITION PERIOD**

568 production units were included in the transition period. As shown in Table 6, micro and small hydroelectric power plants and micro solar power stations prevail.

The sum of rated load of the said power plants amounts to just over 211 MW. Hydroelectric power plants whose share amounts to approximately half of this sum prevail in terms of power; district heating plants share amounts to less than a third.

Type of power plant	No. of PP	Sum of power (kW)
Hydroelectric power plants up to and including 1 MW	403	47,408
Solar QPP <sup>[1]</sup> up to and including 50 kW	87	1,023
Hydroelectric power plants more than 1 MW and up to 10 MW	20	53,965
District heating plants more than 1 MW and up to 10 MW	13	65,959
Other QPP	12	13,089
District heating plants up to and including 1 MW	9	7,197
Solar QPP more than 50 kW	9	679
Industrial heating plants up to and including 1 MW	4	2,039
Biomass QPP more than 1 MW	4	14,580
Biomass QPP up to and including 1 MW	3	2,430
QPP or municipal waste heating plant up to and including 1 MW	2	599
Combined QPP using RES	1	630
QPP or municipal waste heating p. more than 1 MW and up to 10 MW	1	1,688
<b>TOTAL</b>	<b>568</b>	<b>211,284</b>

**Table 6:** The number of power plants included in the transition period according to type and sum of power in kW

<sup>1</sup>QPP – qualified power plant

#### SUMMARY PAYMENTS UNDER THE OLD SUPPORT SCHEME

Summary payments for 2009 under the old Support Scheme are shown in the table below<sup>1</sup>.

Type of QPP <sup>1</sup> with regard to the primary energy source	Source no.	Size category	Produced el. on the threshold of QPP <sup>1</sup> (kWh)	Mandatory purchase from QP <sup>3</sup> (EUR)	Independent sale (EUR)	Own consumption QP <sup>2</sup> (EUR)
<b>Hydroelectric PP</b>	1	up to and including 1 MW	215,987,224	17,997.54	2,586,411.31	23,027.99
	2	more than 1 MW and up to 10 MW	211,789,658	0.00	1,996,183.58	29,307.79
<b>Biomass QPP<sup>1</sup></b>	3	up to and including 1 MW	10,658,529	0.00	683,390.14	17,708.60
	4	more than 1 MW	87,285,432	0.00	4,637,223.62	318,455.58
<b>Wind QPP<sup>1</sup></b>	5	up to and including 1 MW	218	6.29	0.00	0.00
	6	more than 1 MW	0	0.00	0.00	0.00
<b>Geothermal QPP<sup>1</sup></b>	7		0	0.00	0.00	0.00
<b>Solar QPP<sup>1</sup></b>	8	up to and including 50 kW	1,470,357	62,991.64	453,997.14	0.00
	9	more than 50 kW	939,189	28,818.97	298,447.60	0.00
<b>Other QPP<sup>1</sup></b>	10		81,502,968	472,308.69	5,102,779.95	49,688.38
<b>Combined QPP<sup>1</sup> using RES</b>	11		1,535,831	0.00	6,404.42	0.00
<b>QPP<sup>1</sup> or municipal waste heating plants</b>	12	up to and including 1 MW	1,789,206	19,144.48	5,835.17	287.65
	13	more than 1 MW and up to 10 MW	27,469,078	0.00	12,736.14	374.28
<b>District heating plants</b>	14	up to and including 1 MW	28,230,616	126,099.55	498,153.88	76,819.51
	15	more than 1 MW and up to 10 MW	264,527,063	7.85	4,550,436.53	477,301.89
<b>Industrial heating plants</b>	16	up to and including 1 MW	2,128,553	114,643.42	0.00	0.00
<b>Biomass co-firing</b>	17	more than 1 MW	6,403,404	7.85	104,503.56	0.00
<b>TOTAL</b>			<b>941,717,326</b>	<b>842,026</b>	<b>20,936,503</b>	<b>992,972</b>

**Table 7:** Summary payments for 2009 – old Support Scheme

<sup>1</sup>Data as of 30th January 2010; due to possible settlements, subsequent invoices and rejection of invoices it might not be final.

<sup>2</sup>QP – qualified producer

### 1.3.3 NEW SUPPORT SCHEME FOR ELECTRICITY PRODUCTION FROM RES AND CHP

Only production units younger than 10 years (high-efficiency cogeneration - CHP) or 15 years (renewable source - RES) can enter the new support system introduced by the amended Energy Act EZ-C. From 1st January 2010 special conditions regarding utilisation rate apply for production units using biomass or combined existing qualified RES power plants using biomass.

The production unit age, as established by the Energy Agency of the RS in the procedure of obtaining the Decision for the provision of support, is relevant for entry into the new support system. If the production unit is older than 10 (CHP) or 15 years (RES) but has undergone reconditioning or reconstruction during this time, an application for the Decision on the provision of support can still be submitted to the Energy Agency of the RS, which then assesses whether the reconstruction met the conditions of the relevant regulations and if the production unit can re-enter the support system as a "reconditioned production unit".

#### THE MAIN ELEMENTS OF THE NEW SUPPORT SYSTEM

Significant changes compared to the old system:

- New method for calculating and adjusting reference costs, implicit market price and consequently the support amount;
- Greater specificity regarding production unit technology (improved regulation particularly for CHP units);
- Faster coordination and adaption to market conditions;
- A more precise definition of responsibilities for the settlement of differences between the announced and realised production and balancing affiliation;
- The amount of the contribution (of the Support Scheme financing source) is independent from the amount of electricity consumed;
- Guarantees of origin as the basis or the precondition for the payment of the support;
- The Support Scheme is transferred from System Operators to the Market Operator (The Centre for RES/CHP Support).

#### TYPES OF BENEFICIARIES IN THE NEW SUPPORT SYSTEM

- CHP production units divided into micro and small (<1 MW) and others (no more than 200 MW);
- RES production units divided into those up to 5 MW and others (no more than 125 MW).

CHP production units with less than 1MW and RES production units with less than 5MW can choose between two types of support – guaranteed purchase and operating support. The larger production units can only receive operating support and are not entitled to guaranteed purchase. For CHP production units the support is limited to those that are not more than 10 years old and for RES production units this limit is 15 years. If the production unit enters the system when it is already operating, the duration of support is reduced by the time from the start of operation to entry into the support system.

#### TYPES OF SUPPORT IN THE NEW SUPPORT SYSTEM

**Guaranteed purchase of electricity:** In the guaranteed purchase of electricity the Centre for RES/CHP Support receives electricity and purchases it at the price stipulated in the decision. The production unit is included in a special Balance Group or Subgroup established by the Centre for RES/CHP Support ("Eco Group"). For production units receiving this type of support, the Centre for RES/CHP Support also manages the settlement of differences between the announced and realised production [i.e. cover of "imbalances"]. Guaranteed purchase is similar to the so-called "mandatory purchase or mandatory price" in the previous support system.

**Operating support** (or "financial support for the current business"): In the case of operating support, the Centre for RES/CHP Support does not receive and purchase any electricity; instead it pays out operating support on the basis of the net amount of electricity produced; the purpose of the operating support is to compensate the difference between production costs and the market price of the production unit on the open market. Production units receiving this type of support have to arrange the settlement of differences between the announced and realised production and the balancing affiliation on their own behalf, or this can be done by the supplier with whom they concluded an Open Contract for the sale of electricity. This type of support is similar to support in the form of a "premium" in the old system.

#### ENTRY OF NEW PRODUCTION UNITS IN THE SUPPORT SCHEME

75 new production units had entered the new Support Scheme by the end of 2009. This refers to production units that started operating at the end of 2008 or in 2009 and also started receiving support in 2009. This mainly includes production units that received so-called "temporary decisions", whereas some production units entered the scheme directly on the basis of decisions issued by the Agency from 1st November 2009 onwards.

Type of power plant	Type of support	Number of power plants	Total power (in kW)	Total production (in kWh)
BIOGAS PLANT	price	2	1,970.00	5,432,104.00
HYDROELECTRIC POWER PLANT	premium	3	717.00	782,087.00
SOLAR POWER STATION	price	29	1,173.40	173,425.24
	premium	37	1,720.04	370,606.42
CHP	price	1	24.80	32,726.27
WIND POWER PLANT	price	3	20.00	3,171.00
<b>TOTAL</b>		<b>75</b>	<b>5,625.24</b>	<b>6,794,119.93</b>

Table 8: Entry of new production units (2009)

**price** – this type of support is similar to guaranteed purchase in the new support system  
**premium** – this type of support is similar to operating support in the new support system



**COMPARATIVE TABLE OF THE OLD SCHEME: NEW SCHEME (SUPPORT AMOUNTS IN 2009)**

The table below shows the comparison between the old and the new Support Scheme; support harmonisation for 2010 is taken into account in the new Support Scheme.

Prices excl. 20% VAT.

Valid from: 1.11.2009

Valid from: 1.1.2010

OLD SUPPORT SCHEME							NEW SUPPORT SCHEME 2010					Index	
Type of QPP with regard to the primary energy source	Source No.	Size category	Uniform annual price (UAPri)	Uniform annual premium (UAPre)	Guaranteed purchase price (GPP)	Operating support (OF)	Size category	Type of production unit	Code	Possible extras	New / Old		
			€/MWh	€/MWh	€/MWh	€/MWh					GPP/UAPri	OF/UAPre	
Hydroelectric power plants	1	up to and including 1 MW	65.72	12.10	105.47	59.54	1	1. Hydroelectric power plants	HE01	/	160	492	
					92.61	46.68	2		HE02		141	386	
	82.34	34.27	3	HE03	130	343							
	(no GP)	28.50	4	HE04	285								
2	more than 1 MW and up to 10 MW	63.41	10.00										
Biomass QPP	3	up to and including 1 MW	123.17	70.79	(individ.)	(individ.)	1	5.1 Power station using wood biomass	LB11	LB			
					225.74	177.14	2		LB12		183	250	
					(individ.)	119.46	1	10. CHP using wood biomass (up to 4,000 h)	SL11	LB			
					327.45	280.45	2		SL12		266	396	
					(individ.)	(individ.)	1	10. CHP using wood biomass (more than 4,000 h)	SL21	LB			
					220.80	171.66	2		SL22		179	242	
	4	more than 1 MW	119.35	66.97	168.60	119.46	3	5.1 Power station using wood biomass	LB13	LB	141	178	
					(no GP)	(individ.)	4		LB14				
					(no GP)	203.76	3	10. CHP using wood biomass (up to 4,000 h)	SL13	LB		304	
					(no GP)	137.95	4		SL14		206		
					(no GP)	105.07	5		SL15		157		
					(no GP)	(individ.)	6		SL16				
					(no GP)	122.76	3	10. CHP using wood biomass (more than 4,000 h)	SL23	LB		183	
					(no GP)	79.50	4		SL24		119		
					(no GP)	58.33	5		SL25		87		
					(no GP)	(individ.)	6		SL26				
Wind QPP	5	up to and including 1 MW	64.84	12.46	95.38	52.65	1	2. Wind power plants	VE01	/	147	423	
					95.38	52.65	2		VE02		147	423	
					95.38	52.65	3		VE03		152	515	
	(no GP)	40.81	4	VE04	399								
6	more than 1 MW	62.61	10.23										
Geothermal QPP	7		61.61	10.23	152.47	103.33	1	4. Geothermal power plants	GT01	T	247	1010	
					152.47	103.33	2		GT02		247	1010	
					152.47	103.33	3		GT03		247	1010	
					(no GP)	(individ.)	4		GT04				
Solar QPP	8	up to and including 50 kW	399.57	347.19	415.46	368.46	1	3.1 Solar power stations - on buildings	SE11	INT	104	106	
							1		SE21		/	98	99
	9	more than 50 kW	399.57	347.19	390.42	343.42		3.2 Solar power stations - self-standing structures					
					380.02	333.02	2		SE12		INT	95	96
					315.36	266.76	3	3.1 Solar power stations - on buildings	SE13	INT	79	77	
					(no GP)	227.30	4		SE14		INT	65	
					359.71	312.71	2	3.2 Solar power stations - self-standing structures	SE22	/	90	90	
					289.98	241.38	3		SE23		73	70	
(no GP)	215.81	4	SE24	62									

OLD SUPPORT SCHEME					NEW SUPPORT SCHEME 2010					Index		
Type of QPP with regard to the primary energy source	Source No.	Size category	Uniform annual price (UAPri)	Uniform annual premium (UAPre)	Guaranteed purchase price (GPP)	Operating support (OF)	Size category	Type of production unit	Code	Possible extras	New / Old	
			€/MWh	€/MWh	€/MWh	€/MWh					GPP/UAPri	OF/UAPre
Other QPS	10		120.89	68.51	160.56	113.56	1	6.1 Biogas units - biomass	BP11	T, S1/S2	133	166
					156.31	107.71	2		BP12	T, S1/S2	129	157
					141.42	92.28	3		BP13	T, S1	117	135
					(not foreseen)	(not foreseen)	4		BP14	T, S1		
					139.23	92.23	1	6.2 Biogas units - waste	BP21	T	115	135
					139.23	90.63	2		BP22	T	115	132
					129.15	80.01	3		BP23	T	107	117
					(not foreseen)	(not foreseen)	4		BP24	T		
Combined QPP using RES <sup>3</sup>	11		66.98	14.60								
QPP or municipal waste heating plants	12	up to and including 1 MW	56.77	4.39	85.84	36.70	1	7. Power plants using biogas from wastewater treatment plants	ČN01	T	151	836
					74.42	25.28	2		ČN02	T	131	576
					99.33	50.19	1	8. Power stations using landfill gas	OP01	T	175	1143
					67.47	18.33	2		OP02	T	119	418
					(not foreseen)	(not foreseen)	1	9. Power stations using biodegradable waste	B001	T		
					77.44	28.30	2		B002	T	136	645
	13	more than 1 MW and up to 10 MW	52.89	0.51	66.09	16.95	3	7. Power plants using biogas from wastewater treatment plants	ČN03	T	125	3324
					(not foreseen)	(not foreseen)	4		ČN04	T		
					61.67	12.53	3	8. Power stations using landfill gas	OP03	T	117	2457
					(not foreseen)	(not foreseen)	4		OP04	T		
					74.34	25.20	3	9. Power stations using biodegradable waste	B003	T	141	4941
					(no GP)	(individ.)	4		B004	T		
District heating plants and industrial heating plants	14	up to and including 1 MW	79.63	27.25	232.01	186.61	1	11. CHP using fossil fuels (up to 4,000 h)	SF11	/	291	685
					150.52	103.52	2		SF12		189	380
	15		77.35	/	174.17	126.10	1	11. CHP using fossil fuels (more than 4,000 h)	SF21	219	463	
					119.99	70.85	2		SF22	151	260	
	16	more than 1 MW and up to 10 MW	75.07	22.69	(no GP)	66.22	3	11. CHP using fossil fuels (up to 4,000 h)	SF13	/	292	
					(no GP)	62.02	4		SF14		273	
					(no GP)	42.01	3	11. CHP using fossil fuels (more than 4,000 h)	SF23		185	
					(no GP)	40.75	4		SF24		180	
					(no GP)	64.13	5	11. CHP using fossil fuels (up to 4,000 h)	SF15			
					(no GP)	54.01	6		SF16			
	(no GP)	38.68	5	11. CHP using fossil fuels (more than 4,000 h)	SF25							
	(no GP)	30.49	6		SF26							
Biomass co-firing	17	/			(no GP)	56.68	1	5.2. Wood biomass co-firing >5%	LB21	LB		
					(no GP)	55.08	2		LB22	LB		
					(no GP)	35.52	1	5.3. Wood biomass co-firing >5%	LB31	/		
					(no GP)	35.52	2		LB32			
	more than 1 MW			22.00	(no GP)	54.54	3	5.2. Wood biomass co-firing >5%	LB23	LB		248
					(no GP)	(individ.)	4		LB24	LB		
					(no GP)	35.52	3	5.3. Wood biomass co-firing >5%	LB33	/	161	
					(no GP)	35.52	4		LB34		161	
							1 do 4	12. Individual treatment of RES	IO			
							1 do 6	13. Individual treatment of CHP	IS			

Table 9: Comparison of support amounts – old scheme : new scheme (support amounts in 2010)

### 1.3.4 SUPPORT SCHEME FINANCING AND ACCOUNTING AND FINANCIAL SETTLEMENT OF THE CENTRE FOR RES/CHP SUPPORT

As of January 2009 and in accordance with the amendments and supplements of the Energy Act and the adopted Regulations the financing source of the scheme was also changed. All electricity consumers are charged with two new contributions, namely:

- contribution for the provision of secure energy supply with the use of domestic primary energy sources,
- contribution for the provision of support for the production of electricity from renewable energy sources and high-efficiency cogeneration.

These contributions replace the previous addition to network charges to cover the mandatory purchase of electricity from qualified producers (so-called "addition for preferential dispatch") that was charged for the same purpose. Contributions are charged monthly per unit of accounting power as a special item on the bill for the use of the network. These are separate contributions and are not part of the price for the use of the network.

The amount of each contribution depends on the power and voltage levels of the delivery point, consumer's category and the intended use of electricity. The Government sets the amount of contributions for each calendar year by 1st December of the preceding year at the latest on the basis of the Energy Agency of the RS and the Centre for RES/CHP Support's assessment of the funds needed for the implementation of support programmes and other purposes for which these funds can be used by law.

The change of the accounting basis (the previous contribution depended on the volume of electricity consumed) is also a consequence of complying with EU rules since it was noted that the previous accounting method discriminated against foreign "green" energy.

Accounting of support is performed on a monthly basis. In the current month and on the basis of the received decision or a contract concluded with the Centre for RES/CHP Support, the eligible producer issues the Centre for RES/CHP Support an invoice for the previous month with a payment deadline of 30 days from its date. The financial settlement is performed through the transaction account intended for the settlement of the Centre for RES/CHP Support's activities.

### 1.3.5 OVERVIEW OF THE CENTRE FOR RES/CHP SUPPORT'S INFLOWS AND OUTFLOWS IN 2009

In accordance with Paragraph 2 of Article 49 of the Decree on the method for implementing public service obligation relating to the organized electricity market the Market Operator is obliged to keep separate accounting records and accounts by each contribution from Article 64 of the Energy Act and their use. The contributions are paid into a special account of the Centre for RES/CHP Support and used for the provision of support, the operation of the Centre for RES/CHP Support and other purposes stipulated by law.

The table below shows the inflows and outflows of the Centre for RES/CHP Support, namely the planned values and the realisation for 2009.

Item	Plan 2009	Realisation 2009
<b>1 Inflows</b>	<b>46,382,518.19</b>	<b>47,391,288.23</b>
CHP-RES contribution	37,998,931.72	37,250,418.54
DES (domestic energy source) contribution	8,383,586.47	8,748,552.69
Decision – mandatory purchase 2002-2008	0.00	1,392,317.00
<b>2 Outflows</b>	<b>48,584,469.00</b>	<b>32,738,630.44</b>
CHP-RES support	39,209,471.00	22,736,787.44
DES support	8,783,998.00	8,783,998.00
Operation of the CP	591,000.00	591,000.00
Decision – mandatory purchase 2002-2008		626,845.00
<b>Total (1-2)</b>	<b>-2,201,950.81</b>	<b>14,652,657.79</b>

value excl. VAT

**Table 10:** The Centre for RES/CHP Support's inflows and outflows in 2009

As shown in Table 10 the Centre for RES/CHP Support received EUR 37,250,418.54 net RES/CHP contributions and EUR 8,748,552.69 net DES contributions. The RES/CHP contributions also include the funds received from imbalance settlement for Eco Groups in a net value of EUR 456,002.73.

The planned values of RES/CHP inflows are derived from the planned data of the accounting power by each month for distribution and transmission network, and contributions set by the Decision on determining the amount of the contribution for the provision of support for the production of electricity from renewable energy sources and high-efficiency cogeneration (Official Gazette No. 8/2009). The DES contribution estimate is also derived from the planned data of the accounting power by each month for distribution and transmission network and the contributions set by the Decision on determining the amount of the contribution for the provision of secure energy supply with the use of domestic primary energy sources (Official Gazette No. 8/2009). As shown in the Table, the deviation between the realised values of both contributions and the estimated revenues is relatively low.

The RES/CHP outflows for 2009 amounted to EUR 22,736,787.44 net, and the DES payments to EUR 8,783,998.00 net. The contribution for the operation of the Centre for RES/CHP Support amounted to EUR 591,000 net in 2009 and was set in the Decision on determining the amount of the contribution for the provision of support for the production of electricity from renewable energy sources and high-efficiency cogeneration (Official Gazette No. 8/2009). The planned outflow value was set by the Ministry of Economy in the procedure of adopting the Decisions regarding contributions.

In the RES/CHP item there was a deviation between the realised value and the planned value, namely the realisation value is lower by approx. EUR 16 million net. The imbalance has occurred particularly due to the delay in the introduction of the new Support Scheme.

The Table also shows that the value under the mandatory purchase 2002-2008 is also present on the side of inflows and outflows. Namely, the Government of the RS defined the amounts of earmarked funds on 31st December 2008 with its Decision No. 36001-8/2009/3 dated 11th June 2009 that were created under the allowance for the mandatory purchase of electricity in the period between 2002 and 2008 by the Transmission System Operator, Distribution System Operator and companies for the distribution of electricity. The total value of funds transferred from distribution companies to the Centre for RES/CHP Support amounted to EUR 1,392,317 net (excl. VAT); in respect of this the Centre for RES/CHP Support paid EUR 626,845 net (excl. VAT) to the Transmission System Operator. The remaining transferred funds as well as the total surplus of inflows over outflows are intended only for the implementation of the Support Scheme.

### 1.3.6 GUARANTEES OF ORIGIN REGISTRY

The guarantees of origin (GoO) are electronic certificates that certify that a certain amount of energy was produced in a certain amount of time in a certain power plant in a way that is determined by the guarantee of origin of electricity.

The Guarantees of Origin Registry is computer support for the system of issuing the guarantees of origin of electricity. The users can gain, transfer, and redeem GoO in a transparent and simple manner using the World Wide Web. Different lists supported by the GoO Registry enable the permanent overview of a user's accounts. Data can also be exported and freely processed using appropriate software.

The introduction of a system of GoO is required by EU Directive 2001/77/EC (electricity from RES; the so-called RES-E directive). GoO should also cover cogeneration of heat and electricity - CHP (in this regard, the provisions of EU Directive 2004/8/EC on cogeneration are also relevant). The introduction of guarantees for other, so-called "grey" forms of energy, is envisaged subsequently.

The Energy Act stipulates that the Energy Agency of the RS is responsible for the issue of Guarantees of Origin for the whole of Slovenia. In accordance with Article 32 of the Decree on the method for implementing public service obligation relating to the organized electricity market (Official Gazette of RS, No. 8/2009), in its role as the Centre for RES/CHP Support Borzen is also responsible for maintaining a joint application support for registries that are required for the implementation of the support system for the production of electricity from RES and CHP, which includes the Guarantees of Origin Registry.

The GoO Registry, which is an upgrade of the central guarantees of origin database, was established in cooperation with the Energy Agency of the RS. Borzen administers the application software, while the Energy Agency of the RS issues the guarantees of origin.

The GoO Registry consists of a web portal and a database. The web portal serves for the overview, entry, and printing of wanted data, whereas the database contains all information regarding the issue, transfer, printing, and redemption of GoO.

**pozdravljeni na straneh Registra PoI**

Uredba o izdajanju potrdil o izvoru električne energije (Uradni list RS, št. 121/09) določa vsebino in način izdaje potrdil o izvoru električne energije iz obnovljivih virov in iz kogeneracije.

Potrdila o izvoru predstavljajo dokaz, da je bila v določenem proizvodnem objektu v določenem obdobju proizvedena določena količina električne energije na način, kot ga določa potrdilo o izvoru električne energije.

Register PoI je računalniška podpora sistema izdajanja potrdil o izvoru električne energije. Uporabnikom na pregledni in enostaven način preko spletnega spleta omogoča izstaj, prenos in uveljavljanje potrdil o izvoru. Hkrati seznanja, ki se poopri v registru ter omogočajo uporabniku stalen pregled nad njegovimi računi, podatke se lahko tudi izvezi ter pošljejo sodeljke v .za in namenjajo programskih orodjih. Trgovsko izmenjivo uporabniki pa bodo lahko izkoristili možnost, ki jih jih nudi posebna funkcionalnost registra - borza PoI. Namenjena je vsem, ki želijo kupovati ali prodajati potrdila o izvoru.

Želimo, da to vam register PoI natvne dobro služijo pri vašem vsakodnevnem poslovanju z električno energijo!

**POMEMBNO OBVESTILO ZA PREJEMNIKE PODPOR**

Če vaša proizvodna naprava prejema podporo od Centra za podporo oziroma jo bo prejela, se NE REGISTRIRAJTE na Registru potrdil o izvoru, temveč Javni Agenciji RS za energijo pošljite pooblastilo za upravljanje PoI (Vloga za odprtje računa proizvajalca - enostaven postopek), ki ste ga dobili skupaj z odločbo o dodelitvi deklaracije deklaraciji za proizvodno napravo "Vloga za odprtje računa proizvajalca - enostaven postopek". S tem boste izpolnili svoje obveznosti kar se bče potrdil o izvoru.

Če se nate oddal vlogo za DEKLARACIJO za proizvodno napravo (zakonski pogoj za vse prejemnike podpor - tudi po starem sistemu podpor) Javni Agenciji RS za energijo vlogo pošljite čim prej.

Če ste obrazec za pooblastilo slučajno založili ali ga nimate dobili ga dobite na naslednji **pozivni** (Vloga za odprtje računa proizvajalca - enostaven postopek (word, 97Kb))

Na isti strani dobite tudi vlogo za deklaracije za proizvodno napravo in tudi vlogo za odločbo o dodelitvi podpore, na podlagi katere naprava, ob priloženi deklaraciji za

naslov	datum
<b>POMEMBNO OBVESTILO ZA PREJEMNIKE PODPOR</b>	13.11.2009
Register PoI ponovno dostopen	13.8.2009
Obvestilo o nedostopnosti registra PoI	11.8.2009
Obvestilo glede PoI za proizvajalce, ki prejemajo podporo (dostopni arhivski)	28.1.2009
Varnostno potrdilo spletnega mesta	3.7.2008
Register PoI ponovno dostopen	2.6.2008
Obvestilo o nedostopnosti registra PoI	28.5.2008
Nova uredba o ocenah za ustotobitev službne kvalifikacije	...

© 2006-2009 Borzen. Vse pravice pridržane.  
 Obvestilo o dostopnosti / Posvetilo uporabnikom

Figure 5: The Guarantees of Origin Registry's entry page (<https://poi.borzen.si>)

The Registry enables the following basic functions:

- Entry of measuring data of produced energy (system operator);
- Issue of GoO (producer);
- Transfer of GoO to another producer or trader's account (producer or trader);
- Export of GoO (producer, trader);
- Import of GoO (producer, trader);
- Redemption of GoO (for personal use or third parties);
- Overview of lists (public list of registered devices; availability of other reports depends on the user profile);
- GoO bulletin-board (producer, trader).

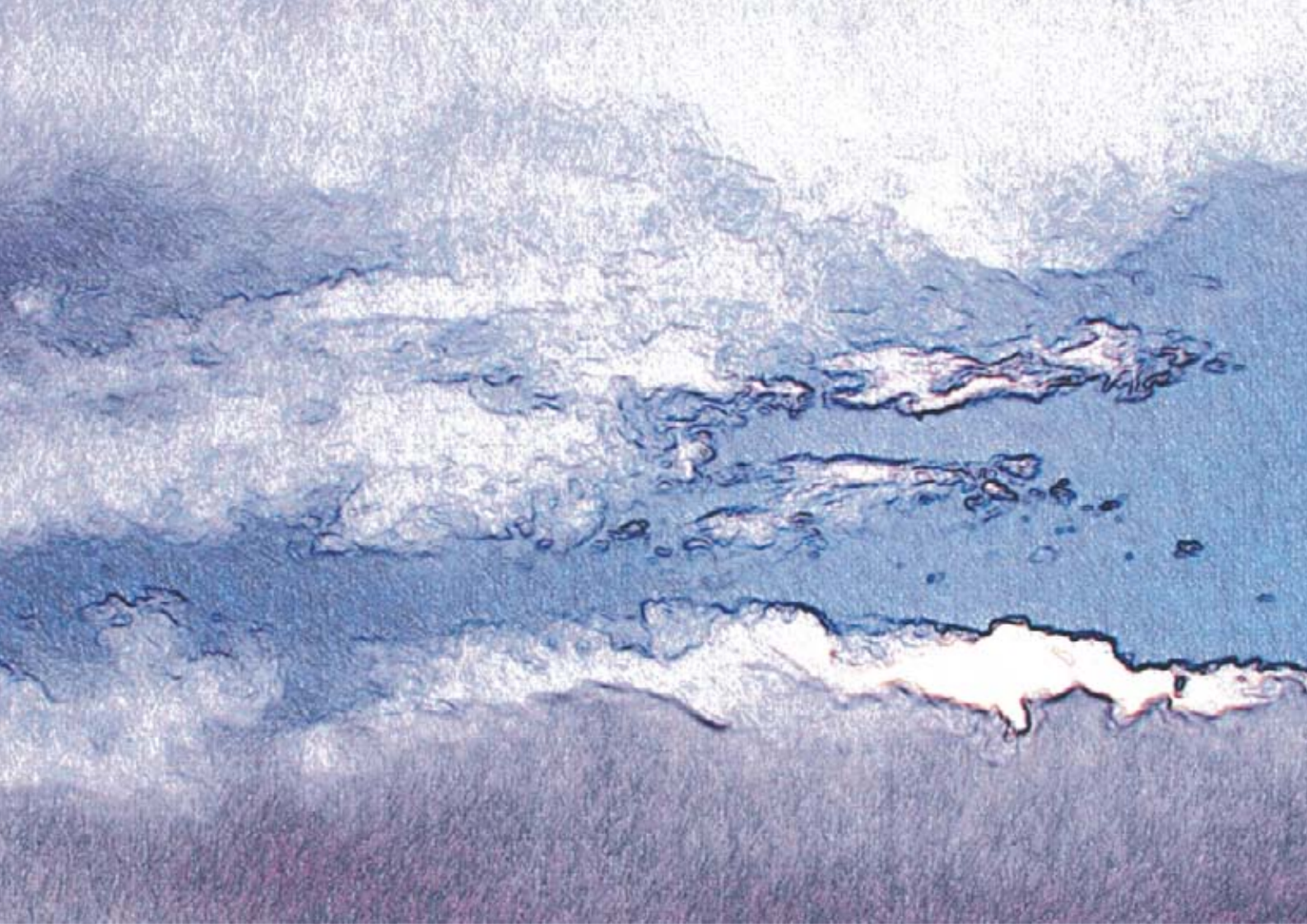
At the start of 2009 the new Regulation on issuing Declarations for production units and the Guarantees of Origin (Official Gazette of the RS, No. 8/2009) which governs the issuing of the guarantees of origin anew was adopted. At the same time, the role of guarantees of origin changed with the Act amending the Energy Act since they became one of the conditions for receiving support for electricity produced from RES and CHP.

Some additional functionalities were added to the Registry in 2009 and some issues were resolved. A special account of the Centre for RES/CHP Support

intended for the management of the GoO transferred to the Centre for RES/CHP Support within the Support Scheme for the production of electricity from RES and CHP was also established. Regular help to the System Operators with the entry of measuring data and the correction of erroneous entries was also provided.

On 31st December 2009 the Guarantees of Origin Registry included 52 users: administrator account (Borzen), issuer of guarantees of origin account (Energy Agency of the RS), the Centre for RES/CHP Support account and 6 System Operators accounts, 8 trading accounts and 35 producer accounts. A total of 99 production units were registered with a combined rated load of 986,254 kW, from which two were CHP and the rest RES. In seven RES units the source energy was solar, the other units were smaller or larger hydroelectric plants.

In 2009 the issued GoO covered 2,281,834,754 kWh, from which GoO for 2,049,836,594 kWh were issued for production in the calendar year 2008. 1,896,755.00 kWh were redeemed and a total of 239,313,000 kWh were transferred between user accounts in this period.



### **1.3.7 WOOD BIOMASS EXCHANGE**

In Slovenia wood biomass represents great energy potential. For energy purposes it can be used for the production of heat and the cogeneration of heat and electricity.

In 2004 Borzen set up the Wood Biomass Exchange together with the Ministry of the Environment and Spatial Planning – the Agency for Energy Efficiency and Renewable Energy Sources (AURE) – in order to encourage interest in this renewable energy source and increase information flow regarding it. The exchange began to operate on 15th April 2004 and is a combination of two services: a general online information portal and an online application for the exchange of supply and demand. Individuals as well as

companies can become members of the Wood Biomass Exchange; use of the exchange and the application is free-of-charge.

In 2009 29 new members joined the exchange; a total of 24 bids were entered, from which most were for wood chips, pellets and briquettes. A total of 6 transactions were concluded, mainly regarding wood chips and pellets.

On 31st December 2009 the exchange's operation can be summarised as follows:

- 338 members,
- 207 bids entered,
- 56 transactions concluded,
- 29 posted advertisements on the Slovenian site, 8 on the English,
- 7 offers for rental/lease of equipment.

# 1.4 INVESTMENTS

Borzen's biggest and most important investments concern information technology that is key for the successful implementation of its duties within the public service obligation. Namely, these are to a great extent supported by high-tech information equipment thus ensuring high-quality services. Some of the most important investment and security projects carried out in 2009 are presented below.

## VIRTUALISATION SYSTEMS

Borzen follows information technology trends, which is why we have upgraded our virtualisation systems. Due to the upgrade to more advanced servers and a connection to data fields, the virtualisation of a larger number of servers is possible. By using proven technology more key production systems can also be virtualised in the future. This will result in a lesser environmental burden and reduced costs of investment in the data centre.

## UPGRADE OF OPERATING SCHEDULES APPLICATION

The operating schedules application has been part of the production environment since 2006. Throughout its use additional user demands appeared which were met with the application upgrade; this also increased the application's functionality and thereby its effectiveness.

## SOFTWARE FOR DATA WAREHOUSES "COMMAND VIEW"

The data warehouse upgrade and expansion was followed by the software upgrade for the monitoring and management of data warehouses. With regard to the quantity of existing data and ongoing projects, the licence for an unlimited amount of data seemed the most favourable purchase. The upgrade of the said licence constitutes the last big investment in data warehouse software.

# 1.5 RISK MANAGEMENT

The openness of the electricity market and thereby its varied structure and number of participants bring about greater risks and insecurities. For successful operation, particularly in the period when the banking and real estate sectors are faced with the consequences of the financial crisis, it is crucial to manage risks as efficiently as possible. Borzen has developed a comprehensive risk management process that includes controlled management of key risks, as well as risk identification.

We are faced with different risks in all fields of work, in continuation priority risks are presented.

## FINANCIAL RISKS

**The risk of non-fulfilment of financial obligations** means that there is a risk that the counterparty would not fulfil its financial obligations in accordance with contractual terms. This risk is present mainly in the financial settlement of the imbalance settlement. This is why credit ratings of Balance Scheme Members are carefully verified by Borzen upon their entry and their business operation is monitored. Prior to joining the Balance Scheme members are also obliged to submit adequate financial guarantees in the form of a cash deposit or a bank guarantee payable upon first call. The process of managing the risks of non-fulfilment of financial obligations includes the calculation of requisite variable financial guarantees when joining the Balance Scheme, as well as in case of imbalances. The

variable financial guarantees are increased on the basis of forecasted imbalances (on a daily level) or every time an invoice for positive imbalances is issued. In case of Financial Settlement Participants' non-fulfilment of financial obligations, Borzen can use their financial guarantees and, as a last resort, exclude a Balance Scheme Member from the Balance Scheme.

**Foreign-exchange risks** within operation with foreign exchange are minimal since the clearing is done in Euro.

Exposure to **the risk of interest rate changes** includes the possibility of increased financing costs for resources due to a change in interest rates on the market. Since the company took out no loans in 2009 and previous years and is also the sole owner of its share capital, these risks are deemed insignificant.

**Liquidity risks** arise if the company is unable to fulfil its financial obligations upon their maturity. Borzen ensures the highest financial liquidity by always having at its disposal sufficient liquid assets for the settlement of due obligations within the deadline. On a daily basis, the company plans its short-term solvency by regularly monitoring cash flows. A system for the management and optimisation of short-term financial surpluses is also in place. In addition, diversification of financial investments and coordination of maturity of liabilities and receivables and their consistent recovery are also ensured thus enabling the successful management of cash flows.

#### **OPERATIONAL RISKS AND RISKS REGARDING HUMAN RESOURCES**

**Operational or administrative risks** are connected with errors that occur due to technological reasons (e.g. computer system failure) as well as the human factor. More important information system risks include possible disruptions to the operation of the applicative and system software, hardware, and communication and network connections; special attention is also given to information security risks. The effects of these

risks are managed with a network architecture based on using two hot sites and a system duplication for individual types of applicative and system software, hardware, and communication and network connections in the system; these effects are also managed by planning management practices for the event of information support failure, regular maintenance of software and hardware and communication and network connections, management of changes in the information system development, by training employees and other measures.

Other operational risks are limited by clearly defined processes, precisely defined roles, responsibilities and authorities of the employees, and adopted rules.

Additional tasks allocated to Borzen each year demand that the employees constantly upgrade their existing knowledge and obtain new knowledge. A potential loss of key employees presents a **risk regarding human resources**. This is why special attention is given to social dialogue, additional professional training, motivation of employees and providing stimulating working conditions and working environment.

#### **REGULATORY RISKS**

**Regulatory risks** arising from changes in market rules or legislation that affect the company's business operation are the most difficult to control since it is difficult to quantify them and limit their effects. That is why our employees follow and participate in the development of the Slovenian electricity market and the changing regulations. The company responds to regulatory changes by regularly adapting its business operation.







# 2. SUSTAINABLE DEVELOPMENT

# 2.1 HUMAN RESOURCES

The development of human resources is one of the most important elements for successful business operation since it enables continued employee satisfaction by ensuring their constant growth and development in accordance with their potential. Trained, motivated, satisfied and flexible employees who respond to changes in the social environment successfully fulfil the company's vision, strategies and goals.

## 2.1.1 HUMAN RESOURCES INDICATORS

### EMPLOYEES

At the end of the business year 2009 Borzen employed 26 people, which is 18 percent more than at the end of the previous year. Due to increased workload and maternity leaves, five new employees were employed and one employee left the company.

### AGE STRUCTURE

The average age of Borzen's employees is 34 years. The age structure shows that most of the employees are aged between 26 to 30 years, i.e. 38 percent of all employees. Close behind it with 31 percent is the 31 to 35 age group; the fewest employees, i.e. less than 4 percent, are employees who are 45 or more years old. A young and ambitious team works at the company.

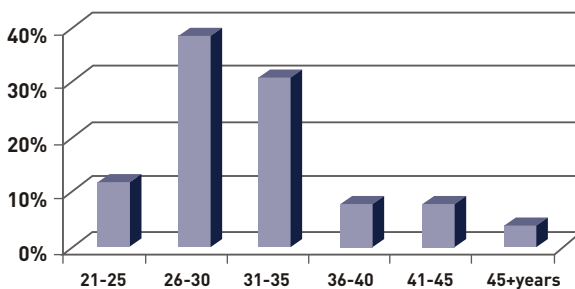


Figure 6: Age structure of employees in percentages as of 31st December 2009

### EDUCATIONAL STRUCTURE

Compared to the previous year, the educational structure of the employees has slightly improved due to the need for staff with a higher level of education. Some employees also concluded their ongoing training. The majority of employees has the seventh level of education, namely 58 percent, this is followed by the fifth level with 23 percent and the eighth level with 12 percent; the fewest employees, i.e. 8 percent, have the sixth level of education.

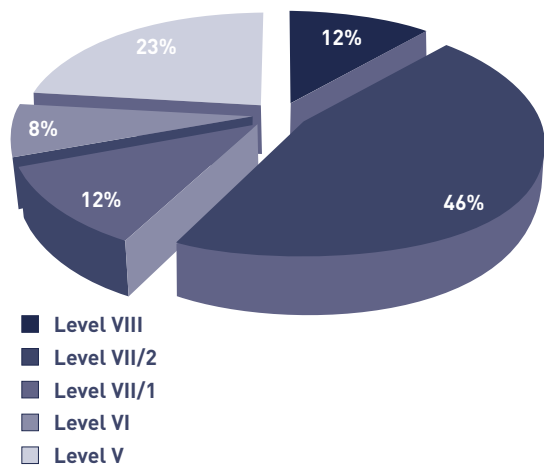


Figure 7: Educational structure of employees in percentages as of 31st December 2009

## 2.1.2 CARE FOR EMPLOYEES

Borzen realises that the professional development of employees is crucial for achieving strategic goals, particularly, since the nature of the work demands high personal, professional and safety competence from its employees. The personal and professional development of employees is ensured through formal and professional training, as well as training required by law, various training programmes, seminars and professional meetings; during these, employees' wishes and interests are also taken into account.

The employees' medical condition is also regularly monitored and health-friendly solutions for a safe and healthy working environment are regularly introduced. Collective voluntary pension insurance is possible and all employees are covered by accident insurance.

### **2.1.3 INTERNAL COMMUNICATION**

Quality relations between colleagues in the company are ensured through clear, timely and appropriate communication. Through various communication channels and highly competent management open and trust-based relations are built, alliances between employees strengthened and a high-level of motivation and commitment ensured.

Employees use various tools for internal communication that enable the fast and accurate transfer of information. Intranet, bulletin board, e-mail and other messages intended for employees strengthen and facilitate communication between employees. Weekly meetings, colleges, trainings and professional meetings include employees in activities that help them achieve the goals set and fulfil the company's vision.

## **2.2 COMMUNICATION WITH THE PUBLIC**

The purpose of communicating with the public is to establish and maintain communication and mutual understanding between the company and its public groups. Planned and respectful communication strengthens the company's reputation in energy circles as well as the broader public. Participants in the organised electricity market, Support Scheme Members, business partners, media and employees all represent different groups of the public; hence communication methods are adapted to suit each of them.

A successful and creative relationship has been built with the organised market participants and Support Scheme Members and we wish to build on this relationship with good communication. The company's website has proven to be one of the most appropriate and successful channels for communication with energy market participants, which is why its content and form were upgraded in 2009.

Appropriate relations that are based on ongoing communication are also maintained with our business partners and the public at large, at home and abroad. Business partners are informed about the company's business operation with the help of annual reports and certain events are organised for them in order to improve mutual relations even further. The so-called tailor-made workshops, which we have been performing for a while, have proven to be a very important tool.

The media is one of the most important groups of the public and Borzen is aware how important it is to create and maintain fair, open and mutual relations. Through various forms of cooperation, such as the regular publishing of Market Operator's reports, responses to interviews, information about the most important events in the Company's operation and preparation of press conferences, we strive to create the best possible relations for communication with the media that follow and are connected to the business operation of our company.

## 2.3 EDUCATION

Our insights in the energy field are regularly transferred to others in Slovenia. We perform various educational activities either on our own or in cooperation with other professionals and institutions. The content, complexity and duration of the programmes is adapted to each target group; the programmes include everything from basics to professional and research topics in the field of energy.

We also perform complementary training for our members when certain innovations are introduced in the work process or due to statutory demands.

## 2.4 ENVIRONMENTAL RESPONSIBILITY

The concept of social responsibility is becoming an increasingly important and also an indispensable part of day-to-day business operation. The company's responsibility is no longer just a trend; participants from all sides demand that the company include solutions regarding social and environmental issues in its business activities and relations with its stakeholders.

### RESPONSIBILITY TOWARDS THE SOCIAL ENVIRONMENT

Borzen's operation is integrated in the social environment in which it operates. We believe that each company co-creates the environment which it is part of. By donating and sponsoring sport, cultural, health and humanitarian activities, Borzen has a positive effect on their development and the development of the entire society, and at the same time strengthens its reputation in Slovenia and abroad.

### RESPONSIBILITY TOWARDS THE NATURAL ENVIRONMENT

Borzen recognises the fact that a healthy and safe working and living environment constitutes a fundamental condition for the positive development of our society, and therefore follows the guidelines for sustainable development. We demonstrate our social responsibility by supporting environmental projects and organisations.

Our responsibility towards the natural environment is also strongly intertwined in our business operation. By performing activities within the Centre for RES/CHP Support, managing the Wood Biomass Exchange and Guarantees of Origin Registry we wish not only to provide information and increase awareness on the use of renewable energy sources but also to contribute to their actual use.

A responsible attitude towards the environment has become a part of our every day life, which is why we look after it even at our company's headquarters: through separated waste collection, reduced dumping of batteries, collection of empty cartridges, use of recycled materials and other things. Our motto is: Let's reduce and recycle.

## 2.5 DEVELOPMENT AND RESEARCH

Research and development play an important role in the strengthening and continued development of the company. In order to ensure the highest level of quality in our business processes and of the systematically arranged, efficient, transparent and competitive electricity market, we follow guidelines in all fields and

at the same time follow new directions in the energy sector by knowing, monitoring and co-creating the regulatory demands.

# 2.6 COOPERATION IN INTERNATIONAL PROFESSIONAL ASSOCIATIONS AND WORKING GROUPS

Borzen actively co-creates the trends of the Slovenian as well as the European energy sector. We are aware of the importance of cooperation between different actors on the energy podium. One of the more important ones is our co-operation with Eurelectric, a European association for producers, transmission, distribution, trading and supply of electricity, where Borzen is part of the Legal Affairs and the Regional Implementation working group, as well as co-operation in the EuroPex, the Association of European power exchanges and electricity market operators. Also important is our co-operation in the European Regulators' Group for Electricity and Gas, ERGEG, where we actively participate within the Central/South European region.

Borzen is also a member of the programme and expert council of the study "Action plan for achieving shares of final energy consumption from RES by 2020" at the Energy Industry Chamber of Slovenia. In 2009 we also participated in the "Feed in cooperation" group; this group was established by Germany, Spain and Slovenia in order to ensure development in the field of support mechanisms for RES/CHP in the form of purchasing systems.

More specific projects in which Borzen participated in 2009 and which had a significant effect on the making of Slovenian and European policy are presented in continuation.

## **IMPLICIT ALLOCATION OF DAILY TRANSMISSION CAPACITIES ON THE SLOVENIAN – ITALIAN BORDER**

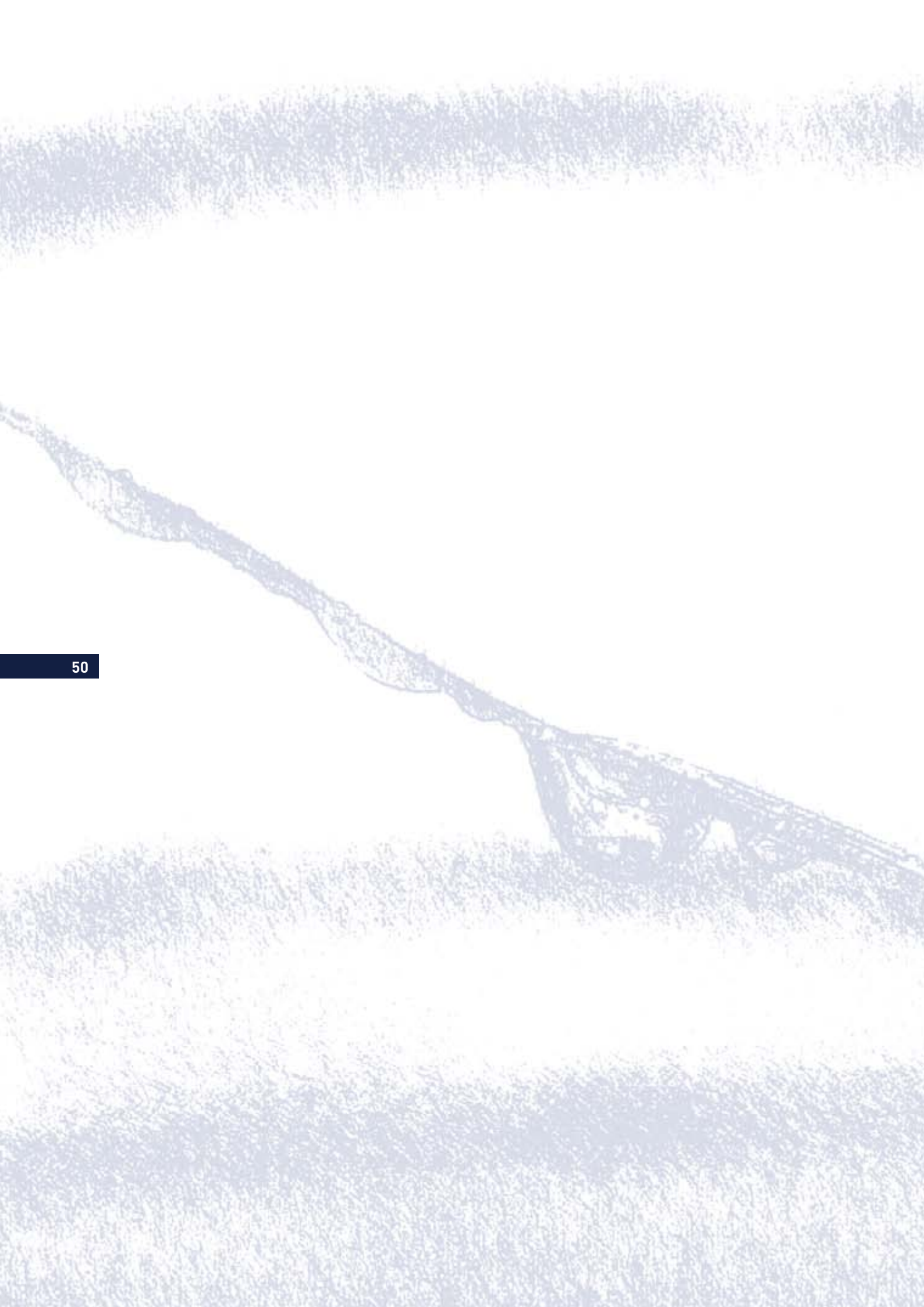
Within the ERGEG, the European Regulators' Group for Electricity and Gas, and in co-operation with GME, the Italian electricity exchange and BSP SouthPool, the Slovenian electricity exchange, we presented an initiative in 2008 for the implicit allocation of transmission capacities on the Slovenian-Italian border. In 2009 a working group was formed that, in addition to Borzen, also included the Slovenian and Italian regulators, both competent ministries, Transmission System Operators (Terna and ELES) as well as BSP SouthPool and GME. The initiative for the implicit capacity allocation was defined and supported in a joint declaration by the Slovenian and Italian Foreign Ministries. This method for capacity allocation will improve the liquidity and transparency of the Slovenian electricity market and its integration in the inner European market.

## **EDEIEM WORKING GROUP – EFFICIENT DATA EXCHANGE IN THE ELECTRICITY MARKET**

In 2009 the EDEIEM working group was established, whose aim is to set a standard for efficient data exchange in the electricity market. In addition to Borzen, the group also includes the Energy Agency of the RS, SODO, the Ministry of Economy of the RS, Informatika, ELES and distribution representatives. The working groups has taken a big step in the process of creating a Slovenia-wide standard for data exchange that is a precondition for establishing efficient data exchange in the electricity market. The first step is based on the selection of standards, technologies and the performed analysis with which the harmonised eBIX/ENTSO/EFET role model for the Slovenian market has been amended. Currently the identification of all processes of data exchange by using the thus acquired role model is underway, including data flow consolidation that will finalise the results of the first step.

## **PILOT PROJECT – DAILY SUBMISSION OF MEASURING DATA**

As a result of our efforts to ensure the smooth information flow of measuring data required by Borzen in order to perform the tasks stipulated within the public service obligation, a pilot project for the daily submission of measuring data was performed in the last quarter of 2009 in agreement with Elektro Ljubljana and SODO. The project entailed the daily submission of measuring data on the consumption and delivery of electricity which was then analysed at Borzen; this should ensure more efficient risk management connected with Balance Scheme management. On the basis of data submission, Borzen will have a daily insight into the Balance Scheme Members' realisation and thereby an insight into the movement of Balance Groups' imbalances. In the first phase of the project the existing standard for data exchange between SODO and suppliers is being used. However, in the second phase we plan to perform data exchange in the XML format on the basis of a joint harmonisation and conclusions of the EDEIEM working group.



# 3. FINANCIAL REPORT

BORZEN, organizator trga z električno energijo, d.o.o., concluded the 2009 business year with a net profit in the amount of EUR 55,801. In 2009 it posted 3,147 thousand EUR in total revenues, which is 24% higher than in the previous year. Total expenses amounted to 2,981 thousand EUR and were 21% higher than the previous year.

From 27th December 2007 Borzen is owned solely by the Republic of Slovenia.

Until 31st December 2009 the company was represented by Damjan Stanek M. Sc., the acting General Manager. On 1st January 2010 Karlo Peršolja M. Sc. took over as Borzen's General Manager.



# 3.1 AUDITOR'S REPORT



Tel: +386 1 53 00 920  
Fax: +386 1 53 00 921  
E-mail: info@bdo.si  
www.bdo.si

BDO Revizija d.o.o.  
Cesta v Mestni log 1  
SI-1000 Ljubljana  
Slovenija

## INDEPENDENT AUDITOR'S REPORT (translation from original Slovene report)

To the owner of  
Borzen, d.o.o.  
Dunajska 128a  
1000 Ljubljana

We have audited the accompanying financial statements of Borzen d.o.o. (the Company), which comprise the balance sheet as of December 31, 2009 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Slovene Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards of Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Opinion*

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Borzen d.o.o. as of December 31, 2009, and its financial performance and its cash flows for the year then ended, in accordance with Slovene Accounting Standards.



## **BDO**

### *Report on other legal and regulatory requirements*

Management is also responsible for preparing a business report in accordance with the Slovenian Companies Act. Our responsibility is to assess whether the business report is consistent with the audited financial statements. Our work regarding the business report is performed in accordance with ISA 720 and restricted to assessing whether the business report is consistent with the financial statements and does not include reviewing other information originated from unaudited financial records.

The business report is consistent with the audited financial statements.

Ljubljana, May 21<sup>st</sup> 2010

BDO Revizija d.o.o.  
Cesta v Mestni log 1, Ljubljana

Mag. Nadja Knez  
Certified auditor  
Managing Partner

**BDO**  
BDO Revizija d.o.o.  
Skupščina za reviziranje

# 3.2 FINANCIAL STATEMENTS

## 3.2.1 BALANCE SHEET

in EUR

DESCRIPTION	31.12.2009	31.12.2008
<b>ASSETS</b>	<b>22,514,614</b>	<b>2,573,676</b>
<b>A. LONG-TERM ASSETS</b>	<b>1,435,318</b>	<b>1,472,090</b>
I. INTANGIBLE ASSETS AND LONG-TERM DEFERRED COSTS AND ACCRUED REVENUES	318,006	398,648
1. Intangible assets	318,006	398,648
2. Long-term deferred costs and accrued revenues	0	0
II. TANGIBLE FIXED ASSETS	204,128	304,269
III. LONG-TERM FINANCIAL INVESTMENTS	835,873	769,173
1. Shares in companies in a group	0	765,000
2. Shares in associated companies	70,625	0
3. Long-term loans given to others	765,248	4,173
IV. DEFERRED TAX ASSETS	77,311	0
<b>B. SHORT-TERM ASSETS</b>	<b>21,029,361</b>	<b>1,048,646</b>
I. SHORT-TERM FINANCIAL INVESTMENTS	750,000	550,000
II. SHORT-TERM OPERATING RECEIVABLES	6,246,951	272,897
1. Short-term accounts receivable	5,437,821	230,422
2. Short-term receivables from others	809,130	42,475
III. CASH	14,032,411	225,749
<b>C. SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUES</b>	<b>49,935</b>	<b>52,940</b>
Off-balance-sheet assets	2,191,837	1,467,288
<b>LIABILITIES</b>	<b>22,514,614</b>	<b>2,573,676</b>
<b>A. EQUITY</b>	<b>2,427,652</b>	<b>2,371,851</b>
I. CALLED-UP CAPITAL	1,963,279	1,963,279
1. Share capital	1,963,279	1,963,279
II. CAPITAL RESERVES	395	395
III. REVENUE RESERVES	25,959	23,168
1. Statutory reserves	25,959	23,168
IV. NET PROFIT FROM PREVIOUS FINANCIAL YEAR	385,009	335,553
V. NET PROFIT OR LOSS FOR THE FINANCIAL YEAR	53,011	49,456
1. Net profit for financial year	53,011	49,456
<b>B. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES</b>	<b>41,512</b>	<b>35,934</b>
<b>C. SHORT-TERM LIABILITIES</b>	<b>20,041,872</b>	<b>163,292</b>
I. SHORT-TERM OPERATING LIABILITIES	20,041,872	163,292
1. Short-term trade liabilities	4,844,012	77,145
2. Other short-term operating liabilities	15,197,860	86,147
<b>Č. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUES</b>	<b>3,578</b>	<b>2,599</b>
Off-balance-sheet liabilities	2,191,837	1,467,288

Table 11: Balance Sheet as of 31.12.09

### 3.2.2 INCOME STATEMENT

in EUR

DESCRIPTION	1.1.-31.12.09	1.1.-31.12.08
<b>1. NET SALES REVENUES</b>	<b>3,005,119</b>	<b>2,517,532</b>
a. Revenues from addition to network charges	1,464,999	1,640,656
b. Revenues - recorded contracts - cross-border transmission capacities	836,671	615,723
c. Revenues from annual membership fees	0	141,497
č. Revenues from the Centre for RES/CHP Support	591,000	0
d. Revenues from BSP	111,404	0
e. Other revenues	1,045	119,656
<b>2. OTHER OPERATING REVENUES</b>	<b>1,104</b>	<b>0</b>
<b>TOTAL OPERATING REVENUES</b>	<b>3,006,223</b>	<b>2,517,532</b>
<b>3. COSTS OF GOODS, MATERIAL, AND SERVICES</b>	<b>872,991</b>	<b>1,104,741</b>
a. Material costs	73,266	70,344
b. Costs of services	799,724	1,034,398
<b>4. LABOUR COSTS</b>	<b>1,059,705</b>	<b>964,671</b>
a. Wage costs	771,043	697,633
b. Pension insurance costs	100,732	90,445
c. Costs of other social insurances	59,246	52,252
d. Other labour costs	128,684	124,342
<b>5. WRITE DOWNS</b>	<b>346,988</b>	<b>387,991</b>
a. Depreciation	346,740	357,192
b. Revalued operating expenses	248	30,799
<b>6. OTHER OPERATING EXPENSES</b>	<b>6,052</b>	<b>7,282</b>
<b>OPERATING PROFIT OR LOSS</b>	<b>720,487</b>	<b>52,846</b>
<b>7. FINANCIAL REVENUES</b>	<b>139,866</b>	<b>29,137</b>
a. Interest revenues	139,740	29,025
b. Other financial revenues with revaluation financial revenues	126	112
<b>8. FINANCIAL EXPENSES</b>	<b>694,974</b>	<b>6</b>
a. Fin. expenses due to write-downs and impairment of investments	694,375	0
b. Financial expenses for operating liabilities	599	6
<b>NET PROFIT OR LOSS ON ORDINARY ACTIVITIES</b>	<b>165,379</b>	<b>81,978</b>
<b>9. OTHER REVENUES</b>	<b>420</b>	<b>0</b>
<b>10. OTHER EXPENSES</b>	<b>1</b>	<b>0</b>
<b>PROFIT OR LOSS ON EXTRAORDINARY ACTIVITIES</b>	<b>420</b>	<b>0</b>
TOTAL REVENUES	3,146,509	2,546,669
TOTAL EXPENSES	2,980,711	2,464,692
<b>TOTAL PROFIT</b>	<b>165,798</b>	<b>81,978</b>
<b>11. CORPORATE INCOME TAX</b>	<b>187,308</b>	<b>29,715</b>
<b>12. DEFERRED TAX</b>	<b>77,311</b>	<b>0</b>
<b>NET PROFIT OR LOSS FOR ACCOUNTING PERIOD</b>	<b>55,801</b>	<b>52,263</b>

Table 12: Income Statement for the period between 1st January 2008 and 31st December 2009

### 3.2.3 CASH FLOW STATEMENT (VERSION I)

in EUR

DESCRIPTION	2009	2008
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>a. Income statement items</b>		
Operating revenues (excluding revaluation) and financial revenues from operating receivables	3,005,539	2,517,532
Operating expenses without depreciation (excluding revaluation) and financial expenses for operating liabilities	-1,933,622	-2,072,825
Income taxes and other taxes not included in operating expenses	-187,308	-29,715
	<b>884,609</b>	<b>414,992</b>
<b>b. Changes in net operating assets in balance sheet items (including accruals and deferrals)</b>		
Opening less closing operating receivables	-5,973,928	20,189
Opening less closing deferred costs and accrued revenues	2,857	23,109
Closing less opening operating liabilities	19,878,580	-79,231
Closing less opening accrued costs and deferred revenues and provisions	979	-2,012
	<b>13,908,488</b>	<b>-37,945</b>
<b>c. Net cash from operating activities</b>	<b>14,793,097</b>	<b>377,047</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>a. Cash receipts from investing activities</b>		
Cash receipts from received interest related to invest. activities	128,666	29,025
Cash receipts from disposal of intangible assets	1,104	0
Cash receipts from disposal of short-term financial investments	0	140,000
	<b>129,770</b>	<b>169,025</b>
<b>b. Cash disbursements from investing activities</b>		
Cash disbursements for acquisition of intangible assets	-40,396	-126,325
Cash disbursements for acquisition of tangible fixed assets	-125,809	-35,994
Cash disbursements for acquisition of long-term financial investments	-750,000	-250,000
Cash disbursements for acquisition of short-term financial investments	-200,000	-
	<b>-1,116,205</b>	<b>-412,319</b>
<b>c. Net cash from investments</b>	<b>-986,435</b>	<b>-243,294</b>
<b>C. CLOSING BALANCE OF CASH</b>	<b>14,032,411</b>	<b>225,749</b>
Net cash flow for period	13,806,662	133,753
Opening balance of cash	225,749	91,996

Table 13: Cash flow statement (version I)

### 3.2.4 ALLOCATION OF NET PROFIT OF THE FINANCIAL YEAR

in EUR

	31.12.2009
Net profit from previous financial years	385,009
Net profit for the financial year	55,801
Part of net profit for statutory reserves	2,790
<b>Accumulated profit for financial year</b>	<b>438,020</b>

Table 14: Allocation of net profit of the 2009 financial year

The accumulated profit for the 2009 financial year amounts to EUR 438,020 and is comprised of net profit from previous periods and net profit for the 2009 financial year minus the reserves pursuant to Paragraph 4 of Article 64 of the Companies Act.

### 3.2.5 STATEMENT OF CHANGES IN EQUITY

in EUR

	Share capital	Cap. Reserves General reval. equity cap. adjust.	Reserves	Retained net profit	Net profit for financial year	Total equity
<b>Closing balance as of 31st December 2007</b>	1,963,279	395	20,362	303,762	63,856	2,351,653
New accounting policy Creating reserves for severance pay and long service awards on 31st December 2007				-32,065		-32,065
<b>Closing balance as of 31st December 2007 after the introduction of a new accounting policy</b>	1,963,279	395	20,362	271,697	63,856	2,319,588
<b>Movement to equity</b>						
Entry of net profit or loss for financial year					52,263	52,263
<b>Movements within equity</b>						
Transfer of profit from 2007				63,856	-63,856	0
Creating mandatory reserves			2,807		-2,807	0
<b>Closing balance as of 31st December 2008</b>	1,963,279	395	23,168	335,553	49,456	2,371,851
<b>Movement to equity</b>						
Entry of net profit or loss for financial year					55,801	55,801
<b>Movements within equity</b>						
Transfer of profit from 2008				49,456	-49,456	0
Creating mandatory reserves			2,790		-2,790	0
<b>Closing balance as of 31st December 2009</b>	1,963,279	395	25,959	385,009	53,011	2,427,653

Table 15: Statement of changes in equity for 2008 and 2009

# 3.3 NOTES TO THE FINANCIAL STATEMENTS

## BASIS FOR THE FINANCIAL STATEMENTS

The financial statements were prepared in accordance with the Slovenian Accounting Standards and the Companies Act. The figures contained in the financial statements are based on accounting documents and ledgers administered in accordance with the Slovenian Accounting Standards. The basic accounting assumptions applied in the financial statements: going concern basis, and accrual basis and consistency. The basic accounting principles taken into account in the accounting guidelines were transparency, the precedence of content over form, and significance.

### 3.3.1 NOTES ON BALANCE SHEET ITEMS

#### INTANGIBLE ASSETS AND LONG-TERM DEFERRED COSTS AND ACCRUED REVENUES

For intangible fixed assets their historical cost and adjustments to the value as a cumulative write-down as the result of depreciation are declared separately in ledgers; in the balance sheet the assets are declared at the net book value, which is the difference between the historical cost and the adjustment to the value.

in EUR

	Software	Software in production	Total
<b>Purchase value</b>			
01.01.2009	1,436,938	109,174	1,546,112
Direct increases - purchases	4,738	35,658	40,396
Transfer from assets being acquired	127,190	-127,190	0
Disposals	825,602	0	825,602
31.12.2009	743,264	17,642	760,906
<b>Write-down value</b>			
01.01.2009	1,147,464	0	1,147,464
Yearly depreciation	121,039	0	121,039
Disposals	825,602	0	825,602
31.12.2009	442,901	0	442,901
<b>Current value</b>			
01.01.2009	289,474	109,174	398,648
31.12.2009	300,364	17,642	318,005

**Table 16:** Intangible assets and long-term deferred costs and accrued revenues

In 2009 we invested a total of EUR 40,396 in new software. At the start of 2009 two applications for the imbalance settlement were activated and an upgrade of the clearing application performed. Production of both applications started before 2009 and their combined value amounted to EUR 127,190. At the end of 2009 an upgrade to the information system for operating schedules and an upgrade to the internet portal where Balance Scheme Members can access data on imbalance settlement was performed. Disposals refer to old software that was no longer used and was also a write-off.

The straight-line depreciation method is used. The depreciation rate for software ranges from 20% to 33% and reflects the projected useful life.

## TANGIBLE FIXED ASSETS

For tangible fixed assets, the purchase value and value adjustments are declared separately in ledgers, whereby the value adjustment represents the cumulative write-down as a result of depreciation. They are declared in the balance sheet at the net book value, which is the difference between the purchase value and the write-down value.

The actual purchase value of a tangible fixed asset includes its purchase price and all costs that can be directly ascribed to making it fit for its intended use. Costs in connection with a tangible fixed asset that are subsequently incurred increase its purchase value if they increase future benefits in comparison with the previous estimates.

in EUR

	Information systems	Office equipment	Tools, instruments, devices	Small tools	Total
<b>Purchase value</b>					1,081,550
01.01.2009	879,730	84,611	109,934	7,275	125,809
Purchases	110,795	0	15,015	0	236,568
Disposals	212,325	0	21,288	2,955	970,792
31.12.2009	778,200	84,611	103,661	4,321	
<b>Write-down value</b>					777,281
01.01.2009	645,533	55,607	69,401	6,741	225,701
Depreciation	200,433	9,902	14,905	462	236,320
Disposals	212,160	0	21,204	2,955	766,663
31.12.2009	633,805	65,509	63,102	4,248	
<b>Current value</b>					304,269
01.01.2009	234,197	29,004	40,533	535	204,128
31.12.2009	144,395	19,101	40,559	73	

**Table 17:** Tangible fixed assets

Investments in tangible fixed assets amounted to EUR 125,809 and were used mostly for the purchase of computer equipment as is evident from the table above. These investments were made mainly in order to replace old and deteriorated equipment as well as to upgrade the information system. Disposals refer to deteriorated equipment that was replaced.

The straight-line depreciation method is used.

Depreciation was charged on equipment at the following rates:

- computer equipment 20,00 to 33,33 %
- company vehicles 12,5 to 14,00 %
- office furniture 11,00 to 12,00 %
- other equipment 10,00 to 25,00 %.

## LONG-TERM FINANCIAL INVESTMENTS

Long-term financial investments are valued at the purchase value that corresponds to the cash or other assets invested.

in EUR

	31.12.2009	31.12.2008
Long-term financial investment in shares	70,625	765,000
Long-term loans and interest	761,075	0
Long-term deposits with banks	4,173	4,173
<b>Total</b>	<b>835,873</b>	<b>769,173</b>

**Table 18:** Long-term financial investments

On 8th May 2008 Borzen and Eurex Frankfurt A. G. founded BSP Regional Energy Exchange, LL C. EUR 765,000 was invested in the company, which amounted to a 34% share at the end of 2009. On the basis of an appraisal performed in April 2010, the investment was estimated at EUR 70,625 on 31st December 2009. The appraisal was performed by an authorised business appraiser at the Slovenian Institute of Auditors.



A long-term loan in the amount of EUR 750,000 was given to BSP in October 2009 for the duration of 3 years. The accrued interest by the end of 2009 amount to EUR 11,075 and is due together with the loan. We estimate that Borzen is not exposed to the risk of non-repayment of the BSP loan since activities for BSP's successful business operation are underway (entry of new investors). Therefore, we believe the loan will be repaid within the deadline and including the accrued interest.

The amount of the long-term deposit refers to assets at Probanka d.d. that are bound for a period of 5 years, i.e. until May 2011.

#### DEFERRED TAX ASSETS

Deferred tax assets mainly refer to the deferred tax from the impairment of financial investment in BSP (EUR 69,438). The actual impairment of the financial investment is not a recognised tax expense in the year of the impairment but will become a partially (up to 50%) recognised tax expense in the year of the actual disposal of investment (sale etc.), which is why the company has disclosed this in its books of account. In addition, the company is also disclosing deferred tax receivable from reservations for severance pay and long service awards (EUR 4,151) and from depreciation charged at higher levels than those taxable (EUR 3,723) for business purposes.

#### SHORT-TERM FINANCIAL INVESTMENTS

Short-term financial investments are valued upon initial recognition at the historical cost, which corresponds to the cash or other assets invested.

	in EUR	
	31.12.2009	31.12.2008
Short-term deposits with banks	750,000	550,000
<b>Total</b>	<b>750,000</b>	<b>550,000</b>

**Table 19:** Short-term financial investments

The amount of short-term deposit refers to two deposits bound for a short period at Probanka. The financial investments are disclosed at their fair value. The risk of non-payment or a change in interest rates is in our opinion minimal since all assets are bound for a short term.

#### SHORT-TERM OPERATING RECEIVABLES

Receivables are initially recognised in the amounts recorded in the relevant documents under the assumption that they will be paid. Receivables from legal and natural persons abroad are converted into the domestic currency on the day of appearance. Exchange rate differences that arise up to the day the receivables are settled or up to the day the balance sheet is compiled are deemed to be financial revenues or financial expenses. Before compiling the financial statements the company verifies whether the declared amounts of individual receivables are correct.

	in EUR	
	31.12.2009	31.12.2008
Short-term accounts receivable	5,437,821	230,422
- short-term domestic accounts receivables	5,417,033	215,545
- of which receivables from associated companies	10,800	38,822
- short-term foreign accounts receivables	20,788	14,877
Short-term advances and securities	9,077	9,038
Short-term interest receivables	4,114	1,922
Other short-term receivables	795,939	31,515
<b>Total</b>	<b>6,246,951</b>	<b>272,897</b>

**Table 20:** Short-term operating receivables

On 31st December 2009 the largest portion of the short-term domestic accounts receivables is accounted for by receivables from the Centre for RES/CHP Support (95%) and 3% from services of recording bilateral contracts. Receivables from associated companies refer to receivables from BSP.

Almost all accounts receivables (99.9%) were not due yet on the last day of 2009, and were paid in 2010. The risk of non-payment is in our opinion minimal even though the receivables are not separately protected.

Other short-term receivables refer to input VAT from invoices received in January 2010 and refer to December 2009. The majority of these invoices is from the beneficiaries of the Centre for RES/CHP Support.

#### CASH

In cash funds the Centre for RES/CHP Support's funds are disclosed separately; they are kept in a special account or as a redeemable deposit. Both deposits refer to redeemable deposits at Volksbank d.d.

in EUR

	31.12.2009	31.12.2008
<b>Cash in hand</b>	<b>21</b>	<b>32</b>
<b>Cash in banks</b>	<b>14,032,390</b>	<b>225,717</b>
- Cash in business transaction account	18,222	19,290
- Cash in special accounts - The Centre for RES/CHP Support	83,212	0
- Redeemable deposit	215,908	206,427
- Redeemable deposit - The Centre for RES/CHP Support	13,715,048	0
<b>Total</b>	<b>14,032,411</b>	<b>225,749</b>

Table 21: Cash funds

### SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUES

Costs that were charged in 2009 but that relate to the next financial year and will be met as costs in 2010 are declared as deferred costs and accrued revenues.

in EUR

	31.12.2009	31.12.2008
Short-term deferred costs or expenses	49,935	52,940
<b>Total</b>	<b>49,935</b>	<b>52,940</b>

Table 22: Short-term deferred cost and accrued revenues

### EQUITY

The company's total equity consists of the share capital, reserves, retained earnings or previous losses, net profit not yet distributed or net loss not yet settled.

in EUR

	31.12.2009	31.12.2008
Called-up capital	1,963,279	1,963,279
Share capital - capital role	1,963,279	1,963,279
Capital reserves - general revaluation equity capital adjustment	395	395
Revenue reserves	25,959	23,168
- Statutory reserves	25,959	23,168
Net profit from previous financial years	385,009	335,553
Net profit for the financial year	53,011	49,456
<b>Total</b>	<b>2,427,652</b>	<b>2,371,851</b>

Table 23: Equity

In 2009 the company generated a net profit of EUR 55,801. After creating mandatory reserves pursuant to Paragraph 4 of Article 64 of the Companies Act in the amount of EUR 2,790, a remaining net profit in the amount of EUR 53,011 was declared. The company's accumulated profit thus amounts to EUR 438,020, consisting of the remaining net profit for 2009 and net profit from previous years.

An estimate of the operating result based on a revaluation in order to retain purchasing power on the basis of growth in the cost of living:

- Revaluing the equity capital based on the growth rate of the cost of living (1.8%) for 2009, the revaluation expenditures would amount to EUR 42,693 and the positive result to EUR 13,108 (without taking into account the corporate tax).

### RESERVATIONS

On the basis of an actuarial calculation the company created reservations for severance pay upon retirement and long-service awards. Since the reservations were first calculated in 2009, the non-allocated earnings from previous years were reduced by the initial amount of reservations on the basis of a change in accounting policy. In 2009 a total of EUR 4,783 reservations were used; at the end of 2009 reservations for severance pay upon retirement amounted to EUR 21,738 and reservations for long-service awards to EUR 19,774.

in EUR

	31.12.2009	31.12.2008
Reservations for long-service awards and severance pay	41,512	35,934
<b>Total</b>	<b>41,512</b>	<b>35,934</b>

Table 24: Reservations

**SHORT-TERM LIABILITIES**

Short-term liabilities are declared separately as short-term financial liabilities and short-term operating liabilities. Short-term financial liabilities are loans that have been acquired. Short-term operating liabilities consist of advances acquired from customers, accounts payable to domestic and foreign suppliers, liabilities to employees, liabilities to state institutions and other liabilities. All liabilities are declared at the fair value.

in EUR

	31.12.2009	31.12.2008
<b>Short-term trade liabilities</b>	<b>4,844,012</b>	<b>77,145</b>
Short-term trade liabilities - regular suppliers	156,281	74,132
Short-term trade liabilities – the Centre for RES/CHP Support’s suppliers	4,687,731	0
Short-term foreign trade liabilities	0	3,013
<b>Short-term trade liabilities for the Centre for RES/CHP Support</b>	<b>14,652,833</b>	<b>0</b>
<b>Short-term liabilities to employees</b>	<b>102,136</b>	<b>57,489</b>
Liabilities for net salaries and wage compensations	41,040	31,726
Liabilities for contributions from gross salaries and wage compensations	21,485	11,888
Liabilities for taxes from gross salaries and wage compensations	20,477	9,711
Liabilities for other benefits from employment	19,134	4,164
<b>Liabilities to state and other institutions</b>	<b>440,349</b>	<b>26,501</b>
Liabilities for charged VAT	262,259	17,253
Liabilities for corporate income tax	161,308	585
Other short-term liabilities to state and other institutions	16,782	8,663
Other short-term liabilities	2,542	2,157
<b>Total</b>	<b>20,041,872</b>	<b>163,292</b>

**Table 25:** Short-term operating liabilities

On 31st December 2009 accounts payable consist of open items to regular suppliers and open items to the beneficiaries of the Centre for RES/CHP Support, where the amount refers to invoices for December that were paid in January 2010. Accounts payable are regularly settled.

Short-term accounts payable for the Centre for RES/CHP Support refer to funds not yet allocated to beneficiaries in 2009 that are transferred to 2010. These funds are also seen as cash funds.

**SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUES**

in EUR

	31.12.2009	31.12.2008
Accrued costs or expenses	2,069	1,093
VAT from advances paid	1,509	1,506
<b>Total</b>	<b>3,578</b>	<b>2,599</b>

**Table 26:** Short-term accrued costs and deferred revenues

Costs charged in the 2009 financial year for which no invoices were received in 2009 and VAT from advances paid are declared among the accrued costs and deferred revenues.

**OFF-BALANCE-SHEET ITEMS**

The company’s off-balance-sheet assets amounted to EUR 2,191,837. From this, EUR 1,191,837 represents Balance Scheme Members’ cash in deposit sub-accounts opened in the Balance Scheme Members’ names. Funds refer to security for the fulfilment of financial liabilities stemming from imbalance settlement. The basic security must be submitted by the Balance Responsible Part upon signing the Balancing Agreement with the Market Operator, in accordance with the rules for the financial settlement of the imbalance settlement applicable for the transition period. The assets are not declared on the company’s balance sheet as they have no direct impact on the size and composition of the assets or liabilities: they merely represent a guarantee for the fulfilment of Balance Scheme Members’ liabilities.

In addition to cash guarantees, Balance Scheme Members may also submit financial coverage in the form of bank guarantees payable upon first call. On 31st December 2009 the value of received bank guarantees of the Balance Scheme Members amounted to EUR 1,000,000.

### 3.3.2 NOTES ON ITEMS IN THE INCOME STATEMENT (VERSION II)

#### NET SALES REVENUE

Sales revenue consists of the selling price of services provided in the accounting period. Revenues are recognised on the basis of the invoices issued on the basis of the selling prices, minus discounts approved when the sale is made or subsequently.

in EUR

	2009 Share in %		2008 Share in %	
Net sales revenue				
Revenues from addition to network charges	1,464,999	48.7	1,640,656	65.2
Revenues from recorded contracts with the use of cross-border transmission capacities	836,671	27.8	615,723	24.4
Revenues from annual membership fees	0	0	141,497	5.6
Revenues from the Centre for RES/CHP Support	591,000	19.6	0	0
Revenues from BSP	111,404	3.7	0	0
Other revenues	1,045	0.0	119,656	4.8
<b>Total sales revenues</b>	<b>3,005,119</b>	<b>100.0</b>	<b>2,517,532</b>	<b>100.0</b>
Other operating revenues	1,104	0.0	0	0
<b>Total</b>	<b>3,006,223</b>	<b>100.0</b>	<b>2,517,532</b>	<b>100.0</b>

Table 27: Net sales revenue

In 2009 revenues from addition to network charges again accounted for the largest proportion of revenues. In accordance with provisions of the Rules on setting prices for the use of electricity networks and criteria for the justification of costs (Official Gazette of the RS, No. 134/03) and Article 90 of the Act determining methodologies for the calculation and settlement of network charges and the criteria for determining eligible costs for electricity networks (Official Gazette of the RS, No. 121/05), the Market Operator charges a fee for contract recording services on the organised electricity market in the amount of EUR/MWh 0.13 to the Distribution System Operator (SODO) and Transmission System Operator (ELES);

The second largest share of revenues was accounted for by revenues from recording of contract with the use of cross-border transmission capacities. The contracting party supplying electricity outside of the regulation area is obliged to pay the provision for contract recording on the border of the regulation area, in accordance with the issued invoice.

With the introduction of the Centre for RES/CHP Support, almost a fifth of revenues is accounted for through it.

#### OPERATING EXPENSES

Operating expenses are all expenses arising in the financial year, and are recorded by type such as material costs, costs of services, labour costs, amortisation/depreciation, revaluation operating expenses and other operating expenses. Revaluation operating expenses arise upon the alienation of tangible fixed assets, and in connection with intangible fixed assets and current assets owing to their impairment, if the reduction in their value is not covered by the specific equity capital revaluation adjustment.

in EUR

	2009 Share in %		2008 Share in %	
Material costs	73,266	3.2	70,344	2.9
Costs of services	799,724	35.0	1,034,398	42.0
Labour costs	1,059,706	46.3	964,671	39.1
Depreciation	346,740	15.2	357,192	14.5
Revalued operating expenses	248	0.0	30,799	1.2
Other operating expenses	6,052	0.3	7,282	0.3
<b>Total</b>	<b>2,285,736</b>	<b>100.0</b>	<b>2,464,686</b>	<b>100.0</b>

Table 28: Operating expenses

**COSTS OF MATERIALS AND SERVICES**

Material costs, which amounted to EUR 73,266 in 2009, consist primarily of electricity costs (52.1%), professional literature (21.5%), other material costs (14.8%) and office supplies (11.6%).

Costs of services, which amounted to EUR 799,724, consisted primarily of costs of advisory services and expert studies (29.1%), rental costs (21.7%), computer software and hardware maintenance and other maintenance costs (10.8%), employees' travel expenses (5.6%), training costs (4.8%) and public relations costs (4.8%).

Advisory services costs included the costs paid to auditors for auditing services in 2009 in the amount of EUR 8,080. Auditing costs include the costs of auditing annual reports and the examination of objective justification of criteria used for distribution of revenues, expenses, funds and liabilities to their sources, to individual activities in accordance with the Transparency of Financial Relations and Maintenance of Separate Accounts for Different Activities Act.

**LABOUR COSTS**

Total labour costs amounted to EUR 1,059,706 in 2009. At the end of 2009 the company had 26 employees. From which 25 were employed through a collective agreement and one employee was employed on the basis of an individual employment contract. The average number of employees based on work hours was 21.7. Labour costs are calculated in accordance with the Rules on the employment relationships and the Government Regulation on the reimbursement amounts for work-related expenses and other remuneration recognised as expenses in the determination of the tax basis.

**WRITE-DOWNS**

In 2009 depreciation amounted to EUR 346,740, and is slightly lower than in the previous year. The straight-line depreciation method is used.

**OTHER OPERATING EXPENSES**

Other operating expenses, which primarily refer to construction land contribution, amounted to EUR 6,052 in 2009.

**FINANCIAL REVENUES**

in EUR

	2009	Share in %	2008	Share in %
Interest revenues	139,740	99.9	29,025	99.3
Other financial revenues with revaluation financial revenues	126	0.1	112	0.7
<b>Total</b>	<b>139,866</b>	<b>100.0</b>	<b>29,137</b>	<b>100.0</b>

**Table 29:** Financial revenues

Interest revenues refer to interest on deposits made with banks and interest on demand cash deposits in accounts, as well as interest on the loan made to BSP. Other financial revenues refer to revenues from the revaluation of receivables in order to preserve their value.

**FINANCIAL EXPENSES**

in EUR

	2009	Share in %	2008	Share in %
Financial expenses due to write-downs and impairment of investments	694,375	99.9	0	0
Financial expenses for operating liabilities	599	0.1	6	100.0
<b>Total</b>	<b>694,974</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>

**Table 30:** Financial expenses

Expenses from investment impairment and write-downs refer to the impairment of the investment in BSP, LL C. At the end of the year Borzen owned 34% of BSP Regional Energy Exchange, LL C. The investment amounted to EUR 765,000 and was estimated at EUR 70,625.

The financial expenses for operating liabilities in 2009 refer to interest on late payment and revaluation of liabilities for preservation of value. These values are minimal.

**NET PROFIT OR LOSS FOR THE PERIOD**

in EUR

	2009 Share in %		2008 Share in %	
<b>Revenues</b>	<b>3,146,509</b>	<b>100.0</b>	<b>2,546,669</b>	<b>100.0</b>
Net sales revenue	3,005,119	95.5	2,517,532	96.7
Other operating revenues	1,104	0.0	0	0.1
Financing revenues	139,866	4.5	29,137	1.5
Other revenues	420	0.0	0	1.7
<b>Expenses</b>	<b>2,980,711</b>	<b>100.0</b>	<b>2,464,692</b>	<b>100.0</b>
Costs of sale of services incl. write-downs	2,279,684	76.5	2,457,403	99.7
Other operating expenses	6,052	0.2	7,282	0.3
Financing expenses	694,974	23.3	6	0.0
Other expenses	1	0.0	0	0.0
Corporate income tax	187,308		29,715	
Deferred tax	77,311		0	
<b>Net profit or loss for the period</b>	<b>55,801</b>		<b>52,263</b>	

**Table 31:** Net profit or loss for the period**DEFERRED AND CHARGED TAX**

in EUR

	2009	2008
Operating profit before tax	165,798	81,978
a) Corporate income tax in Slovenia 21% (2008 – 22%)	-34,818	-18,035
b) Reduced revenues	0	0
c) Unrecognised tax expenses	-159,507	-18,227
d) Tax relief	7,017	6,547
e) Tax loss (regarding use)	0	0
f) Deferred tax effect	77,311	0
Deferred and charged tax (sum of a) to f))	-109,997	-29,715

**Table 32:** Deferred and charged tax

In 2009 Borzen had quite a few expenses that were not recognised tax expenses or will be recognised in the future, either whole or in part. Therefore the charged tax on profit for 2009 is relatively high compared to the profit declared. Expenses from the impairment of investment in BSP that was not recognised at all in 2009 represents the largest share; Borzen will be able to partially take it into account as a recognised tax expense in the year of impairment, which is evident from the charged deferred tax.

**OTHER DISCLOSURES**

The total earnings, including bonuses, of Borzen's management amounted to EUR 101,169 in 2009. The company has no receivables from members of the management, and did not pay or approve any advances, loans or sureties for liabilities to these persons.

**PERFORMANCE AND FINANCIAL SITUATION INDICATORS**

With the introduction of the Centre for RES/CHP Support in 2009 significant changes have occurred in the structure of funds. The share of capital among all financing sources was reduced significantly as was the share of fixed assets among all assets, which is, however, very dependent on the activity performed.

The most illiquid assets and part of the current assets are wholly financed by equity capital, which increases creditors' security. The immediate solvency ratio shows that the company could settle 70% of all its liabilities with the available funds on a given day. The accelerated liquidity indicator and current ratio are slightly above 1 which means that the company also finances a part of its short-term assets in the long-term.

The return on equity capital is low; however, lower return is typical for companies with a low-risk operation.

in EUR

INDICATOR TYPE	2009	2008
<b>Basic financing indicators</b>		
1. Equity financing rate	0.108	0.922
2. Long-term financing rate	0.110	0.936
<b>Basic investing indicators</b>		
3. Operating fixed assets rate	0.023	0.273
4. Long-term assets rate	0.064	0.572
<b>Basic horizontal financial structure indicators</b>		
5. Equity to fixed operating assets ratio	4.674	3.374
6. Immediate solvency ratio	0.700	1.382
7. Quick ratio	1.012	3.054
8. Current ratio	1.049	6.422
<b>Basic economic indicators</b>		
9. Operating efficiency ratio	1.315	1.021
<b>Basic profitability indicators</b>		
10. Net return on equity ratio in %	0.023	0.023

Table 33: Performance and financial situation indicators

**LABOUR COSTS INDICATORS**

in EUR

INDICATOR TYPE	2009	2008
1. Net sales revenue	3,005,119	2,517,532
2. Costs of materials and services	872,991	1,104,741
3. Labour costs	1,059,705	964,671
4. Added value	2,132,128	1,412,791
5. Average no. of employees	23.9	24.8
6. Added value per employee	89,210	56,967
7. Labour costs share in added value	0.4970	0.6828
8. Revenues per employee	125,737	101,513

Table 34: Labour costs indicators

**3.3.3 ADDITIONAL DISCLOSURES ON THE BASIS OF SRS 35**

The field of certain activities, performed by Borzen, d.o.o., is governed by Slovenian Accounting Standards (SRS 35) and also the Transparency of Financial Relations and Maintenance of Separate Accounts for Different Activities Act. The latter stipulates that public companies have to keep separate financial statements for individual commercial public services and other activities.

In accordance with the Energy Act (Official Gazette of the RS, No. 27/07 – UPB2 and 70/08), the Decree on the method for implementation of public service obligation relating to the organisation of the electricity market (Official Gazette of the RS No. 8/2009), the Act on the formation of Borzen, organizator trga z električno energijo, d.o.o. and other applicable regulations Borzen performs the commercial public service relating to the organisation of the electricity market, which also includes the implementation of the Centre for RES/CHP Support's activities. In addition it also performs a commercial activity (services for BSP, LLC).

The Energy Act defines the activities regarding the organisation of the electricity market and the activities of the Centre for RES/CHP Support as one commercial public service; however, it also stipulates that separate accounts should be kept for the activity of the Centre for RES/CHP Support. For the purpose of keeping the market organisation (hereinafter "MO") and the Centre for RES/CHP Support (hereinafter "CS") accounts separate, they are regarded as two separate business entities where the funds used by both activities are divided according to predetermined keys.

The starting point for demonstrating successful operation of a particular activity is to include funds as well as assets and liabilities as revenues and expenses directly by activities to the maximum extent possible. For items that cannot be assigned unambiguously to a particular activity keys are used that are based mainly on assumptions regarding their distribution to each activity. The keys for the division of general revenues and expenses are set in Borzen's Rules on separate accounts for revenues, expenses, assets and liabilities by individual activities. In 2009 an auditing company verified the keys' objective justification and confirmed them.

The company has set certain cost centres to which revenues are allocated and direct and indirect costs are accorded. Cost centres belong indirectly to individual activities or are of general nature and are charged indirectly to each activity. The company has established keys that are examined on a yearly basis and amended according to new facts.

Borzen's Income Statement is prepared separately for each commercial public service and separately for its commercial activity.

In 2009, the company as a whole generated a net profit of EUR 55,801. The public service obligation regarding the organisation of the electricity market generated a loss of EUR 2,519 due to the impairment of the investment, and the Centre for RES/CHP Support generated a profit of EUR 55,567; the commercial activity generated a profit of EUR 2,753.

#### INCOME STATEMENT BY ACTIVITIES FOR THE PERIOD BETWEEN 1.1.2009 AND 31.12.2009

in EUR

Elements	BORZEN in total	Market organisation	Centre for Support	Commercial activity
<b>1. Net domestic sales revenue:</b>	<b>3,005,119</b>	<b>2,301,670</b>	<b>592,045</b>	<b>111,404</b>
a. - Revenues from addition to network charges	1,464,999	1,464,999		
b. - Revenues from recorded contracts CBT cap.	836,671	836,671		
c. - Revenues from BSP	111,404			111,404
d. - Revenues from the Centre for RES/CHP Support	591,000		591,000	
e. - Other revenues	1,045		1,045	
<b>2. Other operating revenues:</b>	<b>1,104</b>	<b>773</b>	<b>276</b>	<b>55</b>
<b>TOTAL OPERATING REVENUES</b>	<b>3,006,223</b>	<b>2,302,443</b>	<b>592,321</b>	<b>111,459</b>
<b>3. Costs of materials and services:</b>	<b>872,991</b>	<b>605,021</b>	<b>232,397</b>	<b>35,572</b>
a. - Material costs	73,266	52,696	17,156	3,415
b. - Costs of services	799,724	552,326	215,241	32,157
<b>4. Labour costs:</b>	<b>1,059,705</b>	<b>722,896</b>	<b>285,929</b>	<b>50,881</b>
a. - Wage costs	771,043	522,072	210,547	38,424
b. - Health care contrib., contrib. for maternity leave	59,246	40,594	15,818	2,834
c. - Pension insurance (mandatory + additional)	100,732	68,454	27,182	5,096
d. - Other labour costs	128,684	91,775	32,382	4,527
<b>5. Write-downs:</b>	<b>346,988</b>	<b>258,317</b>	<b>64,592</b>	<b>24,079</b>
a. - Depreciation	346,740	258,144	64,530	24,067
b. - Revaluated operating expenses	248	174	62	12
<b>6. Other operating expenses:</b>	<b>6,052</b>	<b>4,236</b>	<b>1,513</b>	<b>303</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>2,285,736</b>	<b>1,590,471</b>	<b>584,431</b>	<b>110,835</b>
<b>NET OPERATING PROFIT OR LOSS</b>	<b>720,487</b>	<b>711,972</b>	<b>7,890</b>	<b>625</b>
<b>7. Financial revenues:</b>	<b>139,866</b>	<b>35,919</b>	<b>92,831</b>	<b>11,117</b>
a. - Other fin. revenues with revaluated fin. revenues	126	126		0
b. - Interest revenues	139,740	35,792	92,831	11,117
<b>TOTAL FINANCIAL REVENUES</b>	<b>139,866</b>	<b>35,919</b>	<b>92,831</b>	<b>11,117</b>
<b>8. Financial expenses:</b>	<b>694,974</b>	<b>694,909</b>	<b>65</b>	<b>0</b>
a. Fin. expenses - write-off and impairment of invest.	694,375	694,375	0	0
b. Financial expenses for operating liabilities	599	534	65	0
<b>TOTAL FINANCIAL EXPENSES</b>	<b>694,974</b>	<b>694,909</b>	<b>65</b>	<b>0</b>
<b>NET PROFIT FROM ORDINARY ACTIVITIES</b>	<b>165,379</b>	<b>52,982</b>	<b>100,656</b>	<b>11,741</b>
<b>9. Other revenues</b>	<b>420</b>	<b>294</b>	<b>105</b>	<b>21</b>
<b>10. Other expenses</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>
TOTAL REVENUES (3+10+14):	3,146,509	2,338,656	685,257	122,597
TOTAL EXPENSES (8+12+15):	2,980,711	2,285,380	584,496	110,835
<b>NET PROFIT FOR ACCOUNTING PERIOD</b>	<b>165,798</b>	<b>53,275</b>	<b>100,761</b>	<b>11,762</b>
<b>11. Tax on profit</b>	<b>187,308</b>	<b>131,116</b>	<b>46,827</b>	<b>9,365</b>
<b>12. Deferred taxes</b>	<b>77,311</b>	<b>75,321</b>	<b>1,633</b>	<b>356</b>
<b>NET PROFIT FOR ACCOUNTING PERIOD</b>	<b>55,801</b>	<b>-2,519</b>	<b>55,567</b>	<b>2,753</b>

Table 35: Profit or loss by activities for the period between 1.1.2009 and 31.12.2009



# CONTACT WITH BORZEN

**Borzen, organizator trga  
z električno energijo, d.o.o.**  
Dunajska 128a, 1000 Ljubljana

**info@borzen.si**  
**www.borzen.si**  
**phone: 01 620 76 00**

General Manager  
**Karol Peter Peršolja M. Sc.**

karlo.persolja@borzen.si  
phone: **01 620 76 00**

Market Operations Department

evidentiranje@borzen.si  
phone: **01 620 76 35**

Head of Department  
**Andraž Šavli**

andraz.savli@borzen.si  
phone: **01 620 76 30**

Renewables and R&D Department  
(the Centre for RES/CHP support)

cp@borzen.si  
phone: **01 620 76 55**

Head of Department  
**Borut Rajer**

borut.rajer@borzen.si  
phone: **01 620 76 50**

Finance and Accounting Department  
Head of Department  
**Valerija Štiblar M. Sc.**

valerija.stiblar@borzen.si  
phone: **01 620 76 10**

Information Technology Department

tis@borzen.si  
phone: **01 620 76 25**

Head of Department  
**Aleš Kreže**

ales.kreze@borzen.si  
phone: **01 620 76 20**

Legal Department  
**Aleš Jurak**

ales.jurak@borzen.si  
phone: **01 620 76 07**

Public Relations  
**Eva Činkole Kristan**

eva.cinkole@borzen.si  
phone: **01 620 76 05**

# STATEMENT BY THE MANAGEMENT

In accordance with Article 60 of the Companies Act, the management hereby ensures that the annual report of Borzen, organizator trga z električno energijo, d.o.o. was compiled and published in accordance with the Slovenian Accounting Standards and the Companies Act.

The management approves and confirms Borzen's financial statements for the year finishing 31st December 2009 and Notes on financial statements compiled on the assumption of the company's continued operation and in accordance with the applicable legislation and the Slovenian Accounting Standards.

The management confirms that appropriate accounting policies were used in the creation of the financial statements and that the accounting estimates were made according to the precautionary principle and the principle of good management, and that the financial statements reflect the true and fair picture of the company's assets and results of its business operations for 2009.

The management is also responsible for the appropriate accounting, the adoption of appropriate measures for the protection of assets and other funds, and for the prevention and detection of deceptive practices and other irregularities; it confirms that the financial statements together with their notes were compiled on the basis of the assumption of the company's continued operation and in accordance with the applicable legislation and the Slovenian Accounting Standards.

Ljubljana, 14th May 2010

Karol Peter Peršolja M. Sc.  
General Manager