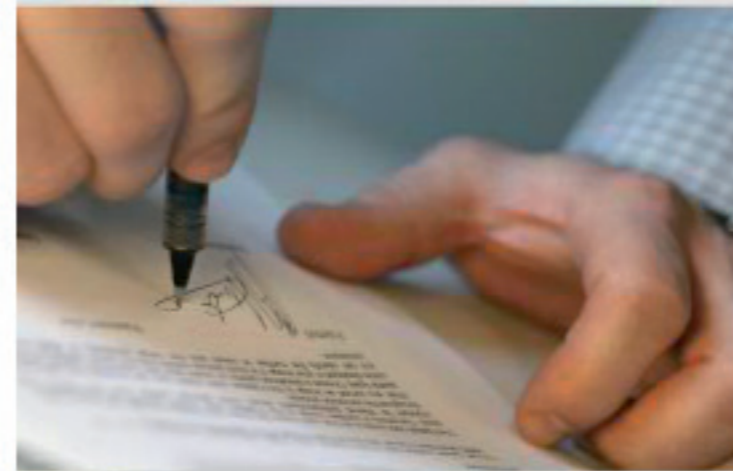




CORPORATE REPORT



2012

# ÍNDEX



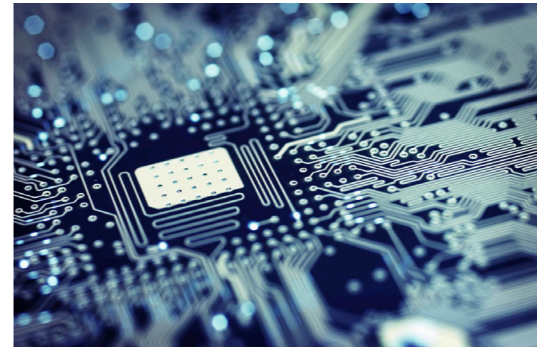
1. Board of directors



2. Steering committee



3. The economic, environmental and energy scenario



4. Omie activities



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Don Pedro Mejía Gómez  
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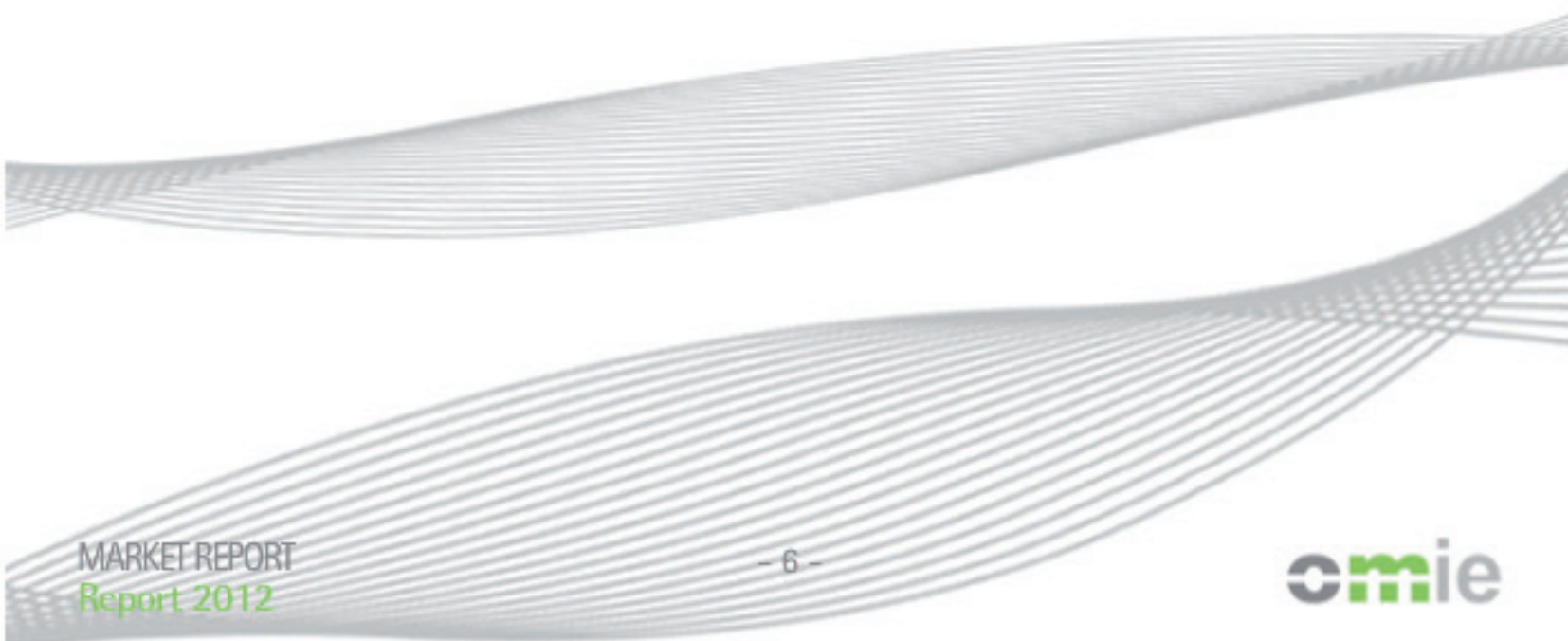
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Director - Information Systems

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Director - Office of the Chairman and CEO

Don Rafael Ramos Gil  
Director - Legal Affairs

## 2. Steering committee





- 3.1. The world economy continues to show signs of weakness
- 3.2. The energy and environmental scenario
- 3.3. Towards an internal electricity market in the EU

### 3. The economic, environmental and energy scenario

### 3. The economic, environmental and energy scenario



#### 3.1. The world economy continues to show signs of weakness

With five years having passed since the outbreak of the still ongoing global crisis, the world economy continued to show disturbing signs of weakness in 2012. The indications of economic recovery that seemed apparent at the end of 2011 have undergone a significant slowdown, the markets are once again suffering from a crisis of confidence, while the global outlook has worsened. As shown by recent OECD and IMF reports, a double-dip recession at a global level unfortunately cannot be ruled out.

A number of combined causes led to the downturn in the global economy in 2012. These include the austerity policies that have been implemented in many advanced countries – es-

pecially in the euro zone, high levels of unemployment in those countries, and a drop in international trade. In short, the lack of policies that stimulate the economy and thereby reestablish a favourable investment climate has led the world economy to its worst moment since the fall of Lehman Brothers.

Far from inspiring confidence, the policies carried out by the industrialised economies seem to have postponed the recovery, at least over the medium term. These economies showed weak growth in 2012 – around 1.3% – compared to the 1.6% figure from the year before. The long-term viability of the Euro, along with concerns over fiscal stability in the USA, greatly influenced mar-

ket behaviour in 2012. The growth forecast for advanced countries in 2013 is 1.4%<sup>1</sup>, and as a result, OECD countries will continue to shed jobs over the coming year.

Emerging economies, meanwhile, have been affected by the downturn in activity and the negative outlook for industrialised economies in 2013. The falloff in global trade activity has also served to undermine growth in non-OECD countries.

According to the IMF, world economic growth reached 3.2% in 2012, compared with 3.9% in 2011. The forecasted rate for 2013 is 3.5%.

#### Europe

Although the European Union continued to move ahead in agreeing upon joint economic stimulus mechanisms in 2012, delays in the decision-making process and in the implementation of concrete measures continues to hamper European economic recovery.

This has led to significant increases in credit spreads and has served to extend distrust across the continent. Consequently, according to Eurostat<sup>2</sup> data, the eurozone closed out 2012 mired in recession, with GDP shrinking by 0.5%, underperforming the IMF's la-

test estimates from January by one tenth.

It is important for those European economies having problems with excess deficit, and the consequent difficulties in attaining financing for their government debt, to move ahead with their fiscal reform and consolidation programmes.

Nevertheless, in an environment of near-zero growth – or even recession – they must continue to receive support and flexibility from the central and northern European countries. Clearly, effective intervention in European Central Bank secondary markets will ease financing tensions for countries as well as for

#### Eurozone closed out 2012 mired in recession

the European banking system as a whole.

Moreover, the accommodative monetary policy carried out in 2012 should be maintained in order to stimulate domestic demand, given the low threat of

<sup>1</sup> World Economic Outlook, update de 23 de enero de 2013.  
<sup>2</sup> Informe de Eurostat 24/2013 de 14 de febrero de 2013.

### 3. The economic, environmental and energy scenario

inflationary risk over the medium term. According to ECB projections, this risk remains low despite the rise in excise taxes, regulated prices and an expected jump in the price of oil.

On another front, the banking union and fiscal harmonisation must continue to be common goals for eurozone members, so that the eurozone economy – which, according to IMF forecasts will shrink by 0.2% in 2013<sup>3</sup> – can regain a strong growth rate in coming years. Support for banking recapitalisation must also be completed, thereby definitively reinforcing the balance sheets of those entities that still need it and laying the groundwork for a banking union.

Recent agreements for the creation of a



**The banking union and fiscal harmonisation must continue to be common goals for eurozone members**

Europe-wide supervisory body are a step in the right direction. Harmonised regulation, a pooled guarantee fund and a common crisis

resolution mechanism supported by all members – such as that proposed by the IMF – would provide greater credibility and stability to the European project.

The measures being taken – all of which should be quickly implemented – must become deeply rooted in the Monetary Union so that the deficiencies uncovered during this crisis can be successfully remedied.

2013 should be the year for removing any doubts about the political ability of eurozone countries to carry out the kind of reforms that can guarantee needed adjustments and economic growth. One would also hope that European monetary institutions are capable of effectively implementing the mechanisms set up to restore trust in the single currency project.

#### Spain and Portugal

Economic conditions on the Iberian Peninsula continued to decline throughout 2012. The Spanish and Portuguese economies are shrinking at a higher rate, with GDP drops of 1.4% and 3.2%, respectively. Domestic demand has continued to fall off, due partly to reductions in public spending and an increase in taxes, both of which have significantly cut into

the purchasing power of households and businesses. Job loss continues to be one of the most serious problems facing both countries, with unemployment rates the IMF cites at 25.1% for Spain and 16% for Portugal in 2013.

On the other hand, the competitiveness of the Spanish economy continues to improve with implemented reforms and a current account balance remaining on a course of readjustment. Accordingly, in 2012 the economy achieved a monthly surplus for the first time since 1998, allowing the country to finish out the year with something close to a balanced budget that could foreseeably allow the country to reach a surplus in 2013. In Portugal as well, competitive improvements and a drop in imports will allow the nation to achieve a trade balance in coming years – particularly with improvements in exports to non-EU member countries.

The clearing up of regulatory uncertainties in the EU after recent agreements reached in the European Council, along with banking sector recovery are both of vital importance for economic growth, leading to improved credit terms for our financial systems. An increase in credit

is a necessary condition for once again setting off on the path to growth.

The outlook for 2013 would indicate a recession scenario, due to fiscal consolidation efforts and an unemployment situation that will continue to worsen – although at a slower rate. IMF forecasts estimate GDP shrinkage of 1.5% for Spain and 1% for Portugal.



Increased competitiveness will continue to positively affect exports. However, economic decline amongst central EU countries will not allow sufficient growth in the trad surplus for an environment more favou-

<sup>3</sup> World Economic Outlook, update de 23 de enero de 2013.

### 3. The economic, environmental and energy scenario

rable for economic growth. In any case, the Banco de España estimates that 2013 will see a current account balance surplus of 2% – an indication that the Spanish economy is beginning to deleverage.

Improvements in the employment and economic growth situation are expected in the last quarter of 2013, with this process maturing throughout 2014 as the measures taken at the national and European level regarding the financial system begin to have an effect on the real economy.

#### 3.2 The energy and environmental scenario.

The international energy scenario is marked by profound changes waiting on the horizon, resulting from new geostrategic challenges along with new dynamics in certain raw material markets and in world trade in general.

In the years to come, developments in the international energy sector will be marked by an increase in oil and gas production

in the United States (which will place it as the world's top producer by 2020, according to the International Energy Agency), the uncertainty felt in many countries about the future of nuclear energy, the unstoppable expansion in installed capacity of renewable energy generation, and finally, increased production of non-conventional gas.

Although there has been a slight improvement in energy intensity at the global level – with a 0.6% decrease in 2011 – world energy consumption continues to grow at an unsustainable rate of close to 5%. Accordingly, the IEA estimates that by 2035, consumption will have grown by 33% over the current figure, with China and India accounting for 60% of that increase. Each day it becomes more obvious that raw materials markets serve as the best indicator



IEA estimates that by 2035, consumption will have grown by 33%

of the international situation in terms of tensions and demand – and how they are reflected in prices. The best example can

be seen with natural gas – lower gas prices in the United States have reduced coal use, which has thus become available for export. Europe, meanwhile, has increased its use of imported coal while decreasing gas consumption, given that the price of the latter has spiked due to its being indexed to the price of oil, and also due to Japan's large demand for that commodity. In 2012, the price of natural gas in the United States was very low – 80% lower than the import price paid in Europe, and one eighth of the import price in Japan<sup>4</sup>.

Regional raw material markets are increasingly more interconnected, making trade in those commodities more flexible while expanding the variety of contracts used in that trade. This will have the effect of transferring price impacts from one market to others at a much faster rate than in the past.

Regarding the environmental scenario, and more specifically the fight against climate change, it is important to note the agreement reached at the Doha Summit in December 2012.

From among other issues, it is worth highlighting the agreement to extend the Kyoto Protocol for a period of eight years (until 2020), starting from 1 January, 2013,



thereby avoiding an international legal vacuum. Thanks to this agreement, instruments such as clean development mechanisms (CDM), joint implementation (JI) and the emissions trading scheme (ETS) will continue from 2013 onward. Governments also agreed at Doha to review their emission reduction commitments for 2014, and to make a serious effort to adopt a new international climate agreement by 2015 at the latest, setting higher goals starting from 2020. The 2015 summit will be held in Paris, with work being done in the intervening years (2013-2014) to prepare the ground for reaching an agreement on a new, post-2020 framework.

In the European scenario, the economic

<sup>4</sup> World Energy Outlook 2012, IEA.



### 3. The economic, environmental and energy scenario

crisis has led to a generalised reduction in energy consumption and a sharp drop in investment in new electricity capacity – especially acute in renewable technologies. Nevertheless, the European Commission remains optimistic about meeting emissions reduction goals, as well as targets for the development of installed renewable technology capacity by 2020.

The European Council's conclusions from 3 December, 2012 highlighted the support provided by renewable energies for



reaching the goals set out in the Commission's roadmap, aimed at meeting the Commission's 20-20-20 targets. The Council's conclusions also stressed the technology industry's contribution

to employment and growth in the energy and electricity field, with special emphasis placed on the area of renewable energy.

However, aware of the challenges the industry is currently facing, the Council expressed concern over integrating these new technologies into the grid. They encouraged the harmonisation of public and private finance support mechanisms for those renewables in the process of technological maturation, recommending more extensive use of market instruments for strengthening their development.

The European Council once again insisted in 2012 on the need to eliminate current barriers to proper market functioning, to offer regulatory certainty and to improve regulations in order to favour the market integration of renewables.

#### 3.3. Towards an internal electricity market in the EU

The creation of a true Internal Energy Market (IEM) is one of the key aspects

of the EU's integrated energy and environmental policy. In February, 2011, heads of state agreed that "...We must establish an internal energy market between now and 2014, in order to assure the free circulation of gas and electricity..." Thus did the European Council strengthen its political support for an effective integration process, specifying a deadline and speeding up the implementation of the so-called "Third Legislative Package" from 2009 on the internal electricity and natural gas market.

Within this scenario, in line with the roadmaps<sup>5</sup> set out at the end of 2011 by the Agency for the Cooperation of Energy Regulators (ACER) and the European Commission – with the help of other interested parties – 2012 was a year of close cooperation between market operators in the following projects:

- The coupling of daily European markets to the same algorithm for the purpose of matching purchase and sale orders throughout the EU – known as "Price-Coupling of Regions" (PCR), and
- The launching of a pan-European platform enabling the establishment of a continuous market (implicitly assigned with cross-border

capacity) on an intraday basis, a platform that will be compatible with sub-regional intraday auctions. One example is MIBEL (Iberian Electricity Market), which has much higher market liquidity than the rest of Europe.

 2012 was a year of close cooperation between market operators

Although the roadmaps laid out for meeting 2014 targets included plans for the coupling of daily markets in the northwest region (NWE) – which comprises central Europe (CWE), the Nordic countries and Great Britain – by the end of 2012, the project was postponed until the third quarter of 2013 due to technical problems. Given that the ACER plan included the coupling of Spain and Portugal at the same time as the NWE, our own integration will have to wait until the end of 2013, despite the fact that, at a regulatory level, the MIBEL is ready to couple with the rest of Europe much sooner.

<sup>5</sup> [http://www.acer.europa.eu/Electricity/Regional\\_initiatives/Cross\\_Regional\\_Roadmaps/Pages/Cross-Regional-Roadmaps.aspx](http://www.acer.europa.eu/Electricity/Regional_initiatives/Cross_Regional_Roadmaps/Pages/Cross-Regional-Roadmaps.aspx)

### 3. The economic, environmental and energy scenario

These inter-regional wholesale market integration projects are supported by European institutions and associations within the context of ACER's Regional Initiatives, as an effective way to create a true internal electricity market by 2014. The projects are progressing alongside the formal process of drawing up a network code for capacity allocation and congestion management – the first draft of which was presented by ENTSOE to the Electricity Regulator Forum (Florence Forum) in November, 2012. In December of that year, ACER announced its opinion on the ENTSOE proposal, and the EC is expected to submit its final text for comitology procedure by mid-2013.



In November 2012 the EC issued a report entitled "Making the internal energy market work"

2013 will be a very important year in the effort to assure the compatibility of the mentioned integration projects, and for the development of European regulations cover-

ring the technical and economic administration of the interconnections offered by the network code for capacity allocation and congestion management.

Nevertheless, as the European Commission has pointed out, although great progress has been made, much work remains to be done in order to take full advantage of the potential of a truly integrated European market.

More specifically, among other problems, some Member States have yet to incorporate the 2009 energy legislation into their own legal systems. Many Member States maintain regulated energy prices for final consumers, and only a third of European consumers can compare service offers in an environment offering them easily accessible and clear information.

With these concerns in mind, in November 2012 the EC issued a report entitled "Making the internal energy market work", aimed at providing solutions to these problems. The report includes EC proposals for assuring that community legislation is properly implemented in all Member States, that energy companies can operate under equal conditions throughout the EU, that consumers can benefit from the effective liberalisation of retail markets and that

instruments for safeguarding their rights – and for protecting the most vulnerable consumers – are put into place. The report also proposes measures aimed at providing new investment in interconnection infrastructure and at incorporating renewable energy generation technologies into the market.

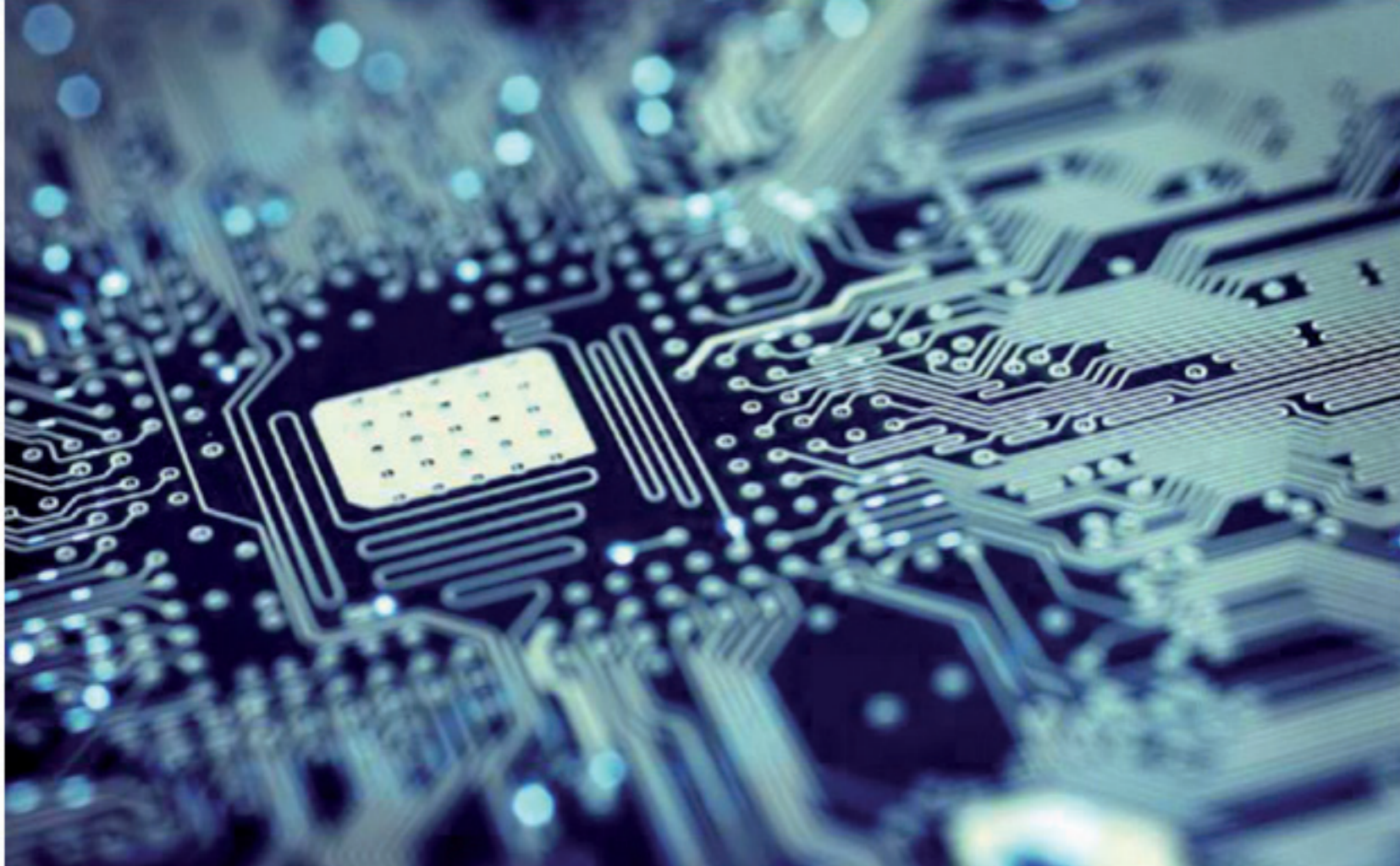
2012 was also the first year that the new EU Regulation 1227/2011 on Energy Market Integrity and Transparency (REMIT) was applied. This regulation, which establishes requirements for avoiding market manipulation and the use of insider information, came into force at the end of December 2011.

REMIT introduces an integrated framework for the monitoring of European wholesale energy markets – the group of spot as well as forward markets with physical or financial liquidation for electricity and gas – in each Member State. Currently within this scenario, steps are

being taken to strengthen cooperation mechanisms between energy and financial regulators in each country, between national regulators and the European cooperation authorities (ACER and ESMA), as well as between those institutions themselves across Europe.

We can confidently say that 2012 brought with it a new, Europe-wide institutional architecture for monitoring wholesale markets, an architecture that will affect all market operators.





- 4.1. The consolidation of the Operador del Mercado Ibérico (OMI)
- 4.2. OMIE activities
- 4.3. Main figures for the year
- 4.4. Leading the EU market integration process
- 4.5. Our corporate culture
- 4.6. At the cutting edge of technology
- 4.7. First rate human resources
- 4.8. Dialogue with stakeholders
- 4.9. Training and information activities
- 4.10. Open to society

## 4. Omie activities

#### 4. Omie activities



#### 4.1. The consolidation of the Operador del Mercado Ibérico

OMI's corporate structure consists of the Spanish company OMEL and the Portuguese company OMIP SGPS, S.A. These parent companies have 10% cross-shareholdings, while holding 50% of the shares of the electricity spot market management company OMI-Polo Español S.A. (OMIE) and of the forward market management firm OMI-Polo Português SGPR, S.A. (OMIP).

The following figure shows the above described corporate structure, as laid out in the Santiago International Agreement between the Kingdom of Spain and the Republic of Portugal, drafted in January 2008 in Braga. Operating below the two

management companies is OMIClear, which is a clearinghouse and central counterparty for the settlement system.

The shareholders of OMI companies are largely financial institutions and corporations in the European energy sector. No individual shareholder may have a holding of more than 5% of the capital of OMEL or OMIP SGPS, with the exception of the two electricity system operators in Spain and Portugal (REN and REE), for which this ceiling is raised to 10%. Furthermore, the aggregate holding of the shareholders in the sectors of electricity - excluding the two system operators - and natural gas may not exceed 40%.

2012 was a key year for the consolidation of OMI. The year saw the group successfully tackle its first complete year of operation under its new corporate structure, while taking on new strategic business challenges.

Specifically, the MIBGAS, S.A. company was incorporated in June, 2012. This firm, the shares of which are held equally by the OMIP SGPS and OMEL holding companies, was set up to operate as a natural gas wholesaler on the Iberian peninsula. The start-up of this firm should provide

us over the medium to long term with an important operator position in the southeast Europe gas market.

In an environment marked by new, ever more demanding European regulations, the companies comprising OMI must confront new challenges, the overcoming of which will place us in an ever more competitive position internationally.

2012 also saw OMIE make a great effort in coupling the spot market it manages with the European market. The coupling

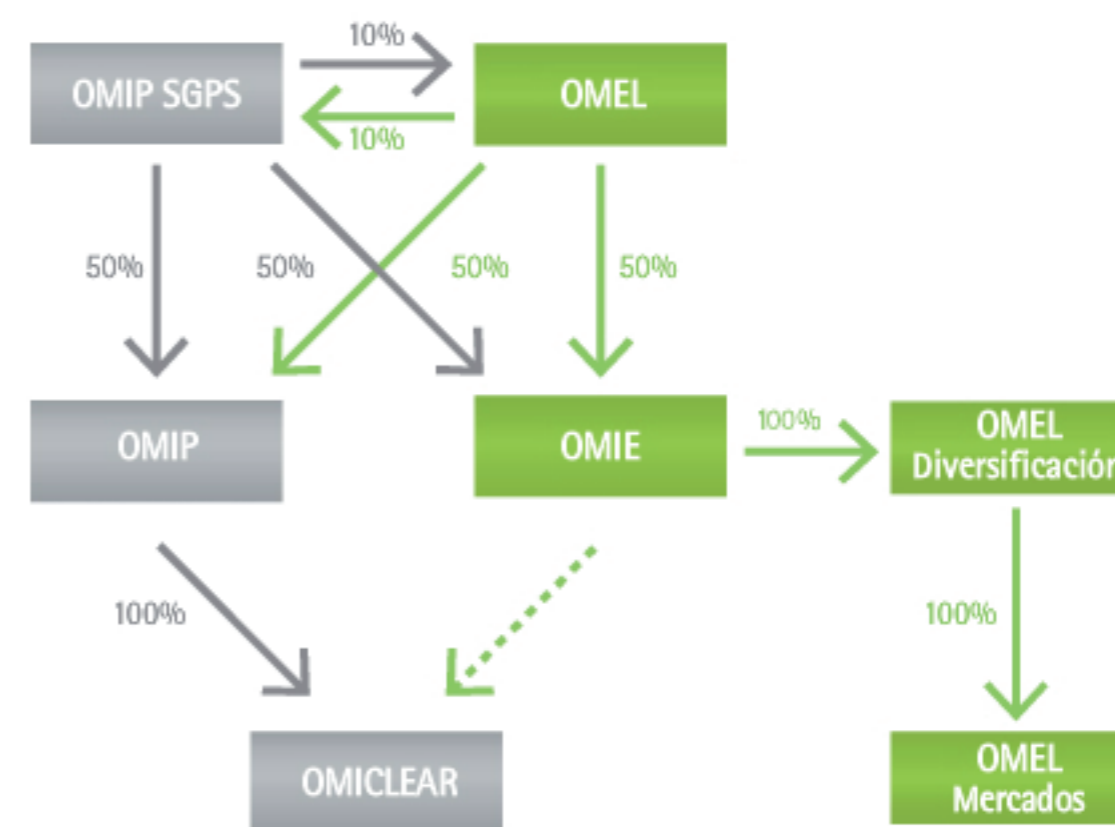


Figure 1. OMI corporate structure.

#### 4. Omie activities

of the MIBEL daily market with the other European markets surely brings with it a strategic opportunity for our company, in terms of implementing solutions that will allow us to maintain our technological leadership in the management of markets.

Within a very short time, OMIClear will have to address new financial regulations in the European environment. With this in mind, OMIClear is already taking steps to adapt itself to the new regulations, remaining itself as southeast Europe's leading clearinghouse.

special regime electric power producers, resellers, resellers who supply electricity to consumers covered by the last resort tariff, consumers wishing for such coverage, representatives of sales agents as well as representatives of purchasing agents.

Participation in the market is carried out through a simple computer system using the internet, enabling the simultaneous participation of a large number of agents. The system also makes it possible to manage a substantial amount of purchase and sale bids within a short period of time, along with the preparation of their corresponding economic settlements.

#### 4.2 OMIE activities

OMI-Polo Español S.A. (OMIE) is the company responsible for managing the daily and intraday spot electricity market in Spain and Portugal. The firm also manages the billing and settlements for the energy purchased and sold in the aforementioned electricity markets.

Over 800 agents are currently operating in the market. They can act as ordinary and

 Over 800 agents are currently operating in the market

OMIE also carries out auctions for energy products related to electricity (CESUR auctions and Spain-Portugal price difference auctions) and to natural gas (TUR auctions, storage capacity auctions, gas for operation auctions, etc.) through its subsidiaries, OMEL Diversificación and OMEL Mercados.

#### Operations in daily and intraday markets

The following graph shows the time sequences of the markets and processes undertaken in the Spanish and Portuguese electricity market, where

the forward markets are managed by OMI-Polo Portugués, SGMR (OMIP) and the daily and intraday markets by OMIE.

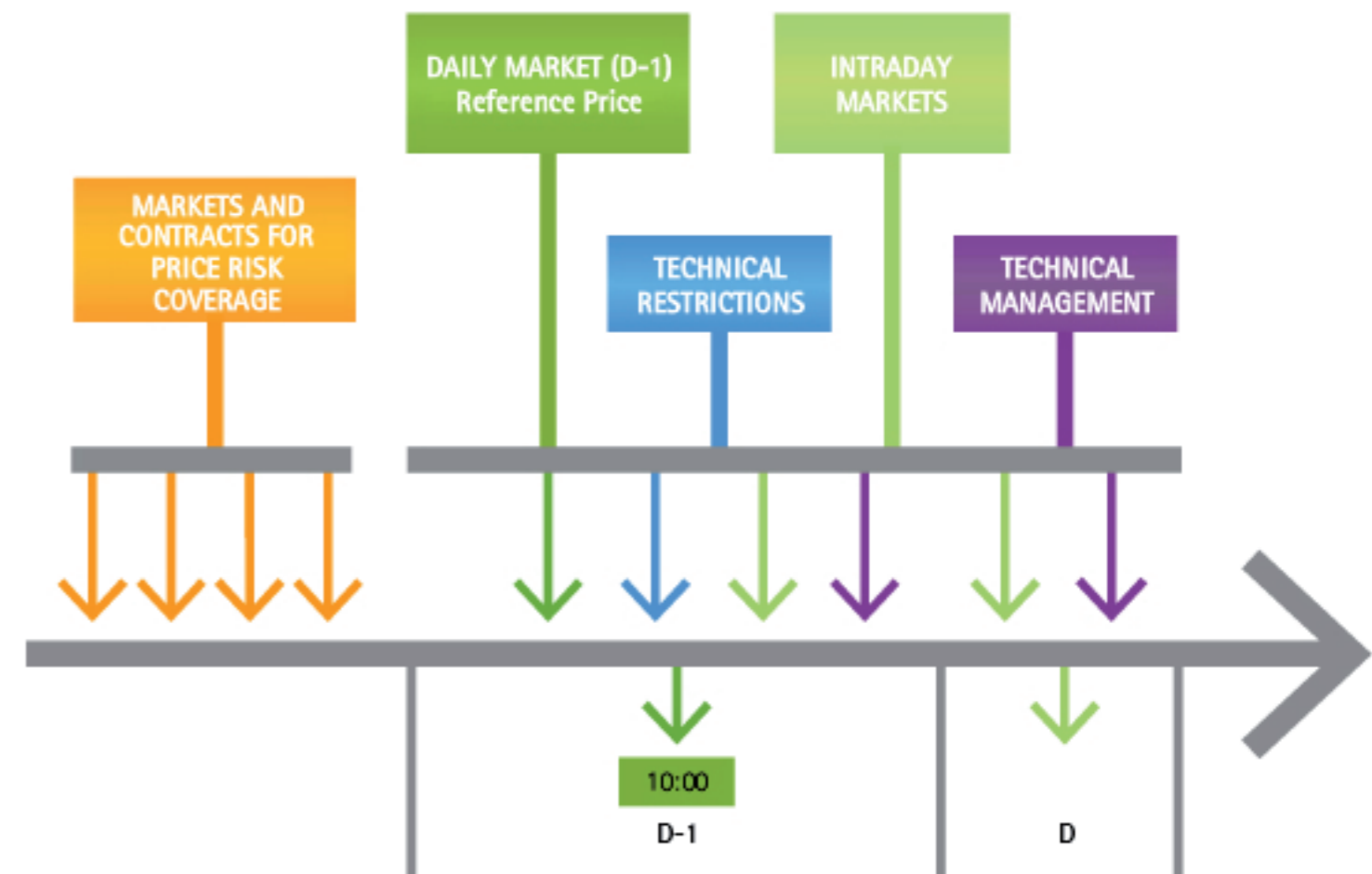


Figure 2. Time sequence of MIBEL markets and processes

#### 4. Omie activities

The daily market is the primary electricity contracting market on the Iberian Peninsula, operating 365 days a year. Each day it receives bids for the purchase and sale of electricity up until 10 a.m.<sup>6</sup>, which is the closing time for receiving tenders. These are then processed in OMIE's computer systems (SIOM), with OMIE then publically disclosing the hourly prices and energy that will be produced and purchased on the following day. The daily market in 2012 traded on average 73.12% of the energy consumed in the Iberian market.

Once the daily market has closed, and through 12:45 p.m. the next day, six balancing (or intraday) markets are held to enable purchasers and sellers to submit bids for the purchase and sale of electricity in order to adjust their generation and consumer schedules to their latest needs forecasts in real time. The intraday markets in 2012 traded on average 22.49% of the total energy managed in the daily market.

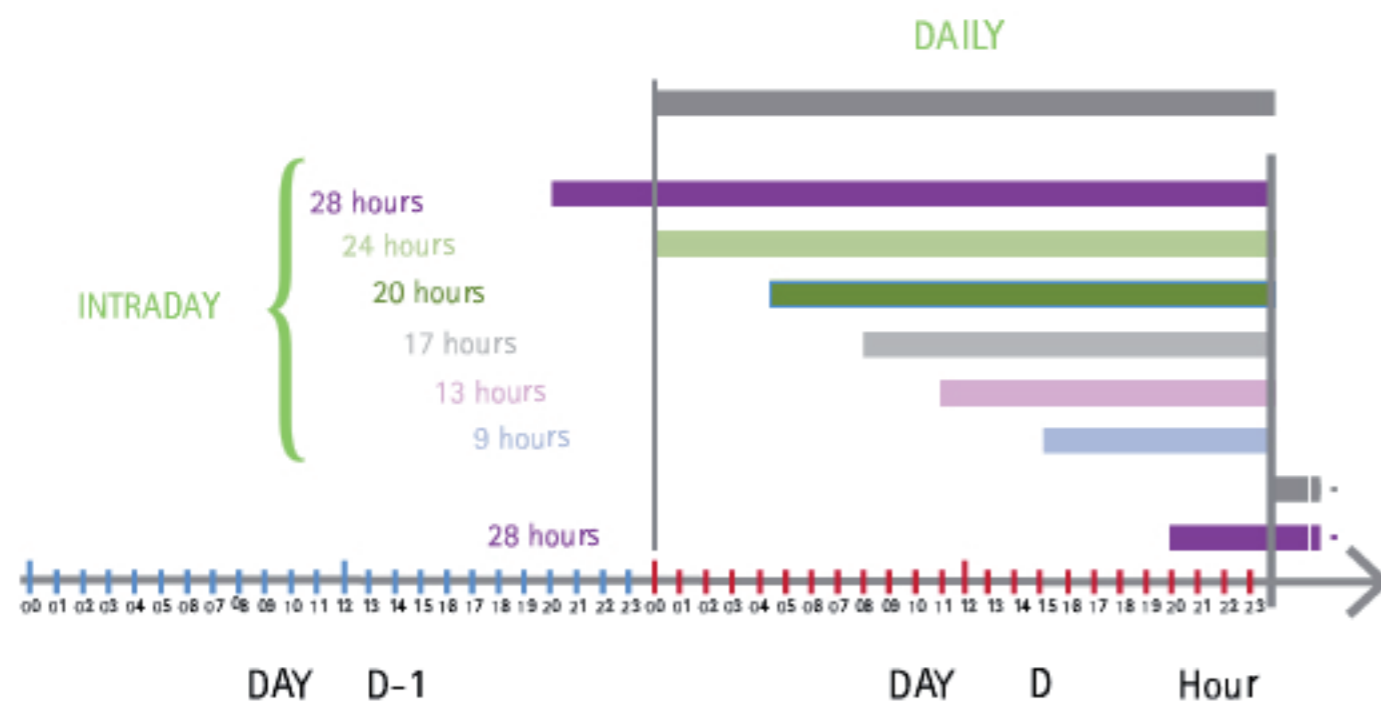


Figure 3. MIBEL intraday market. Time distribution of the six sessions.

#### 4.3. Main figures for the year

The turnover in the electricity market managed by OMIE in 2012 amounted to 13.602 billion euros and the figure for energy was 280 TWh. Over 124,000 invoices were issued.

The year saw the holding of 366 sessions in the daily market, and 2,196 in the intraday market. Close to 15 million transactions were handled over the course of the year.

At year-end 2012 there were 803 agents operating on the market, 635 of which were producers and 168 purchasers. 146 of the latter were retailers (6 of them last resort retailers) and 22 direct consumers.



<sup>6</sup> Plans are for the daily market closing time to change to 12:00 in 2013.

#### 4. Omie activities

##### 4.4. Leading the EU market integration process

OMIE's participation in European integration projects is one of the company's most important areas of activity. Throughout 2012, OMIE intensified its participation in European daily market coupling projects, as well as its activity in a project to implement a new, continual cross-border trade platform in an intraday horizon, compatible with auctions in those regions with greater liquidity.

Daily market coupling is among the main objectives of European institutions working under the 2014 commitment. Regarding this, Nord Pool Spot, APX-Endex, Belpex, EPEX Spot, GME and OMIE have launched a project known as Price Coupling of Regions (PCR). The project aims at the coupling of daily markets, through the joint matching of all bids with a single algorithm, in MIBEL, central Europe, Great Britain and the Nordic countries. The Czech market operator (OTE) has formally joined this initiative in the first quarter of 2013.

This project, which is backed by EUROPEX, currently covers a geographic area with over 80% of European electricity

consumption. The PCR is a market operators initiative, totally open to new operators, with the aim of being implemented throughout the entire EU.

OMIE was a founding member of the PCR and actively participates in its various work groups.

To complement this, work is currently being undertaken Europe-wide towards the im

**OMIE actively participates in the work group set up by EUROPEX**

plementation of a pan-European, intraday cross-border platform. At the end of 2012, European market operators agreed upon the bases for launching a call for tenders in Europe and to select a supplier for this project.

In July, 2011 ACER published the framework guidelines for capacity allocation and congestion management. The document established that "...The CACM Network Code(s) shall also envisage that, where there is sufficient liquidity, regional auctions may

complement the implicit continuous allocation mechanism...". OMIE actively participates in the work group set up by EUROPEX, offering its experience in intraday market management. As can be seen in

the following figure, intraday market liquidity is much higher than that of the other EU markets.

OMIE also actively participates in the

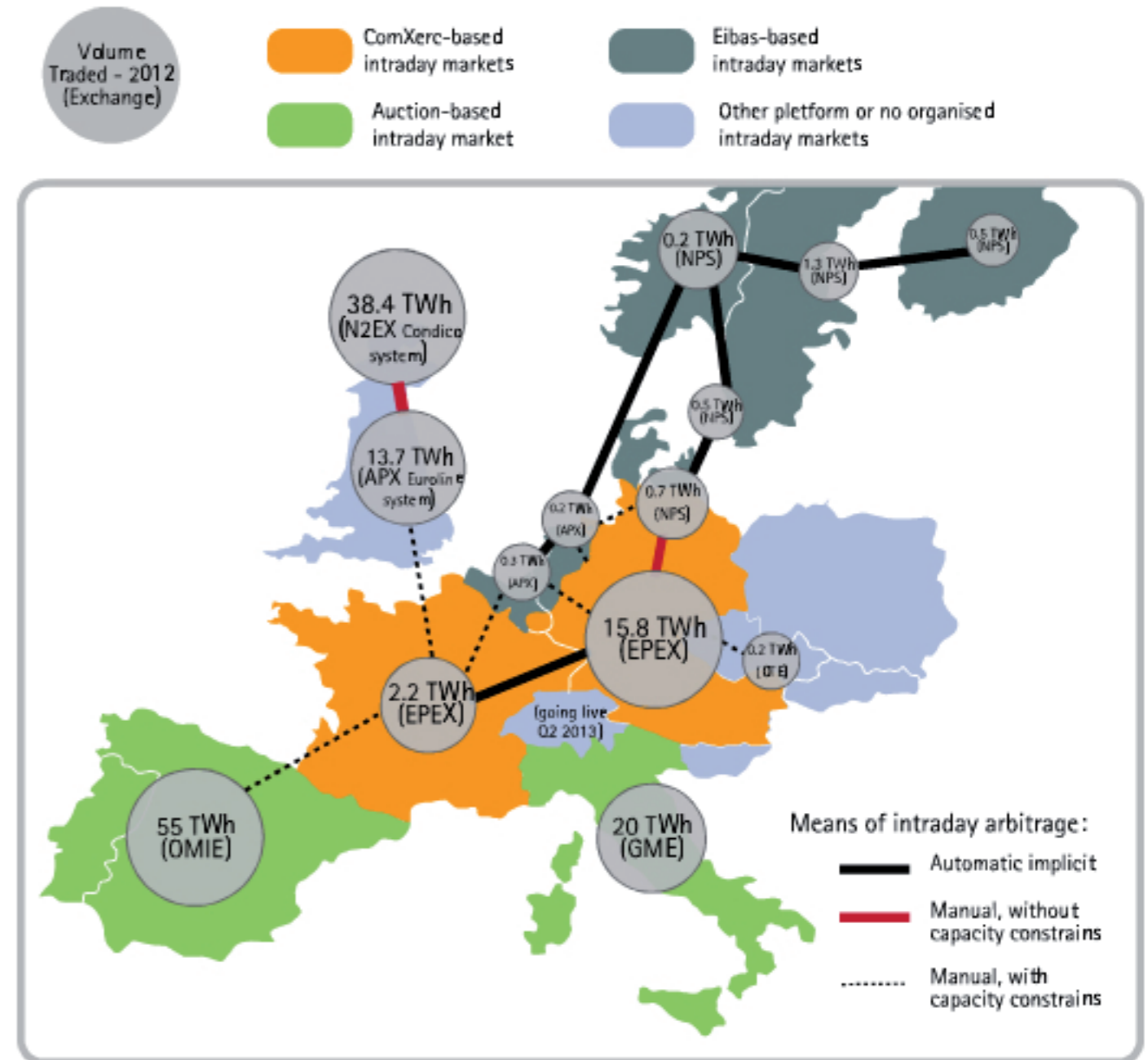


Figure 5. Intraday electricity trade in the different European markets.

## 4. Omie activities

work groups set up by ACER related to the implementation of the new EU Regulation 1227/2011 on integrity and transparency in the wholesale energy market.

On the international front, OMIE collaborates and offers its experience in the management of integration projects in the international environment, specifically in APEX

### 4.5. Our corporate culture

OMIE's corporate culture, geared towards providing society with a reliable and efficient service, is based on the principles of independence, transparency and objectivity that inform all the company's operations and are the inspiration for the Code of Conduct approved by the company's board of directors, which came into force on 15 May 1998.

The electricity market managed by OMIE is essentially somewhere for the agents involved to buy and sell under conditions of equality. They are all treated in exactly the same way, being governed by the same rules, and they all trade the energy

that has been matched on the market at the same price, regardless of their size or nationality.

In turn, the conditions of confidentiality and transparency laid down by the regulations regarding the operations of an organised market serve the purpose, on the one hand, of upholding the necessary condition of anonymous contracting for those involved and, on the other, of ensuring the full transparency of all the operations undertaken by the agents once the regulatory timeframes have elapsed. This means that for a maximum period of three months as of the end of a market session all the data corresponding to that session are public.

This way of operation allows us to present ourselves as a very open institution in terms of providing information, maintaining a transparency regime in our activity, and to widely disseminate the results of our work and activities.

Accordingly, OMIE actively collaborates with the market's supervisory authorities in Spain, the Spanish Energy Commission (CNE) and the National Competition Commission (CNC), through legally established channels. On a monthly basis, OMIE sends the CNE and the Minis-

try of Industry monitoring reports on the agents' activities, the behaviour of international prices and the technologies that set prices. In addition, weekly information is submitted to the CNE that may be of use in the regulator's supervisory duties. Furthermore, OMIE cooperates with MIBEL's Regulatory Board, providing it with all the information it requests.

OMIE's independence is assured by its shareholder structure and the source of its income. Along these lines, OMIE's stock is held in equal shares by OMEL (Spanish holding company) and OMIP SGPS (Portuguese holding company), with these two holding companies being subject to the shareholding ceiling laid down in article 4 of the MIBEL Agreement. In turn, the source of its income is statutorily regulated by the Ministry of Industry, Energy and Tourism.

### 4.6. At the cutting edge of technology

The Spanish electricity market is designed as a fully electronic market. An ever-evolving electricity industry and information

technologies require OMIE to continuously adapt its systems in order to maintain its technological leadership, catering to all our agents' needs.

The IT system designed by OMIE (SIOM), based on internet use, opens the market to agents with very different needs and requirements. The pillars of the system are operational excellence and straightforward access, with no need for users to have advanced computer skills.

The SIOM system is the basis for all the operations undertaken in the market, that



is, the matching processes, settlements, the disclosure of information, invoicing and collection and payment processes. In addition, it allows the agents themselves to be the ones managing their registration and the review of their details.

In 2012, besides the IT developments linked



#### 4. Omie activities

to the publication of the market regulations and to the tireless process of improving the functions and features provided, significant improvements were made, which included the new market agent website.

The new website meets our objectives of updating the baseline software platform, as well as improving the menus, appearance and interface use, along with adding new functions. This has all been attained through the policy of reusing existent business modules. For example, the current web services access remains practically unchanged.

The graphic design now includes control



panels which, in contrast to the earlier site, are based on menus displaying the overall scenario – making it possible to execute the most common actions in a more user-friendly way. Newly added functions include a new version detector, novel graphics and a downloading centre.

Finally, improvements have been made to the OMIE computerised auction system, used for undertaking the different energy product tenders throughout 2012.

Thanks to the continuous improvement policy applied to our computer systems, OMIE's current technology, which has been exported to various European markets (APX Holland, the Portuguese trading system and the Czech Republic electricity market), maintained an advanced level of development and performance throughout the year.

#### 4.7. First rate human resources

OMIE is committed to the professional development of its human resources by means of ongoing training activities and the proper management of their needs. The following are some of the highlights of the main areas of action in these fields:

#### Quality employment

In a difficult economic scenario, OMIE continues to press on in the task of optimising its human resources, in order to assure proper market operations.

OMIE seeks a workforce made up of highly skilled professionals who are committed to meeting company objectives and who constitute the firm's most valuable asset.

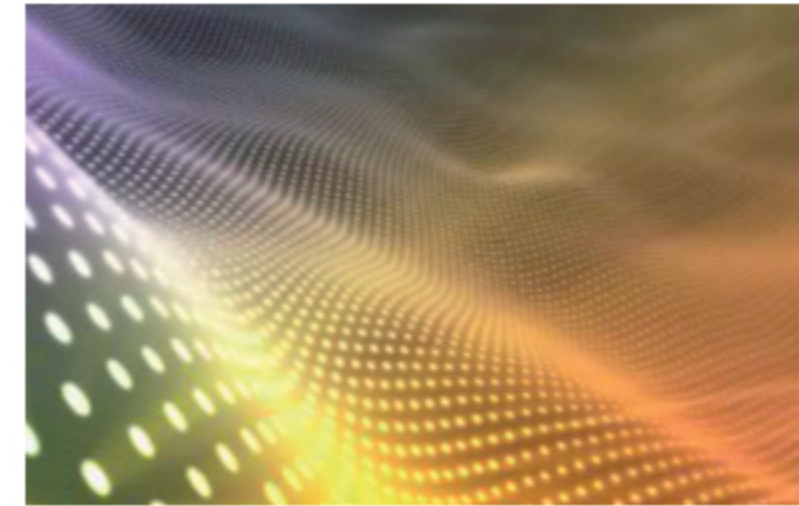
Consistent with the requirements of today's organisational structure, the workforce has around 57 permanent staff, of whom 37 are men and 20 are women. The staff has an average age of approximately 42.

Five-year degree holders account for 77% of the workforce and three-year degree holders 9%.

#### Health and safety at work

Throughout 2012, OMIE upheld its commitment to health and safety in the workplace by nurturing a culture of prevention and launching a variety of training plans for the staff.

The management system, based on health monitoring and risk prevention, is developed by a



workplace health and safety committee. Said committee, which is made up of staff delegates from the social partners, coordinates internal and external duties, especially as regards the implementation and development of evacuation plans.

#### Policy on staff training and career development

With a view to bringing the workforce up to speed with new technologies and foster each individual's professional and personal development, OMIE encourages staff to attend training courses of both a general nature and specific to each field, and especially those involving languages. OMIE promotes schemes designed to uphold and improve each employee's knowledge according to their position of employment.

### 4.8. Dialogue with stakeholders

The mainstay of OMIE's social responsibility is the maintenance of a free-flowing and transparent dialogue with stakeholders, that is, with shareholders, market agents, suppliers, employees, the media and, in general, with the social environment related to the electricity market the company manages.



OMIE's relationship with its stakeholders is orchestrated through a policy of transparency when the company reports its business and when responding to any inquiries that may be received about it and its

operations. The following are some of the procedures and channels used:

#### Public website

OMIE's website at [www.omie.es](http://www.omie.es) is the main tool used to provide all our stakeholders with information, which means that anyone with an interest in the market can access the same information on a level playing field.

Specifically, it provides:

- Information on the company, its operations and its governing bodies. This content includes OMIE's duties, its company bylaws, the legal framework applicable to OMIE and the electricity sector, the code of conduct that affects the members of the board of directors and the company's senior management and employees.
- Information on how to become a market agent and on market players, as well as detailed information on the duties, structure and composition of the Market Agents' Committee - Comité de Agentes del Mercado.

- Information on the markets managed by OMIE, and on the different products managed at the auctions organised by the company's subsidiaries.

- Information on legislation with a bearing on the market.

- Monthly reports on market activities.

- Annual report on the market and the company's annual financial report.

- All the figures for the daily and intraday markets managed by OMIE, such as prices, aggregate curves of supply and demand, contracting volumes, etc. organised according to several timescales (daily, monthly, yearly...).

#### Market Agents Committee

In order to supervise the operations of the daily and intraday markets and propose measures for the management of both of them, market agents are represented by the Market Agents' Committee, which meets on a regular basis.

The Market Agents' Committee held six ordinary sessions in 2012, along



The mainstay of OMIE's social responsibility is the maintenance of a free-flowing and transparent dialogue

with three extraordinary sessions. Among the matters discussed at the ordinary meetings, the more noteworthy were as follows:

- Analysis of the market's operation and the settlement of transactions.
- Incidents arising in the operations of the daily and intraday markets, the settlement of the purchases and sales of energy, and the collection and payment processes.
- Situation and incidents in the system's operation.
- Developments in the Price Coupling of Regions (PCR) project that OMIE is heading in conjunction with other European market operators.
- Matters addressed in the European institutions regarding the daily and intraday markets.

#### 4. Omie activities

- Information on the meetings of the Florence Forum held in May and November 2012.

The following matters were taken up at the extraordinary sessions:

- Proposal for modifying the daily and intraday Market Operating Rules for electricity production, aimed at complying with the items set out in the Second Additional Provision of Royal Decree 1623/2011, from 14 November.
- Requirements that must be met by guarantor institutions.
- Analysis and evaluation of system adjustment service prices.

#### The media

OMIE maintains ongoing contact with the media, providing them directly with pertinent information on the market.

- Daily emails sent to the media informing them of the results for the energies and prices, broken down by hours, of daily market matching for Spain and Portugal.

- Issue of press releases to the media both in Spain and abroad on the outcomes of the electricity and natural gas auctions managed by OMIE's subsidiary companies.

- Customised response to the market issues raised by media professionals.



#### Entities and institutions interested in specific issues

The liberalisation of the electricity market on the Iberian Peninsula is generating growing interest regarding the different issues involved, so since its incorporation the market operator has furnished its organisation with the mechanisms required to respond to all the questions raised through two procedures:

- A written response to queries submitted via the contact email on our website. In 2012, answers were given

to over 700 emails received.

- Specific face-to-face meetings for briefing on the operations of the institutions regarding specific aspects of the activities undertaken by OMIE.

#### 4.9. Training and information activities

OMIE collaborates on training schemes both at home and abroad, both with organisations in the energy sector and with education centres in general.

In 2012, OMIE continued to promote training and information activities through courses for electricity market operators and interested firms, taught on OMIE's premises, and through its involvement in masters degrees and special symposia for collaborating with public and private institutions and other academic bodies interested in the electricity sector.

Specifically, over 100 energy sector professionals participated in electricity market oriented courses offered in 2012. OMIE offe-

red informational briefings, as well as training sessions and dummy runs for CESUR electricity auctions, contract auctions based on the price differences on the Spain-Portugal interconnection, LRT auctions of natural gas, gas storage auctions, auctions for the purchase of natural gas to be used for operating purposes and the minimum filling level for facilities involved in transport, regasification and underground storage, as well as a cushion gas auction.

In addition, several masters classes were



organised within the framework of agreements or in collaboration with the Carlos III University, Cremades Et Calvo Sotelo, the Pontificia University of Comillas, the Spanish Energy Club (Club Español de la Energía), the



School of Industrial Organisation (EOI) and the Association of Civil Engineers.

Finally, OMIE took part in symposia related to economic-financial, legal and technological matters affecting energy markets, in cooperation with the Spanish Energy Club, The Rey Juan Carlos University, the IESE business school, the Energy Technology Institute (ITE), the Basque Institute of Competitiveness (Orkestra) and Zaragoza University.

### OMIE's "International Workshop"

The electricity sector has had to confront serious challenges for years now, in an ever more international environment. Aware of this, in 2012 OMIE introduced an International Workshop meant to ad-

dress vital affairs related to energy markets with that context in mind.

The first international seminar, entitled "Capacity Markets Design with a Growing RES Penetration", was organised in July 2012. This was followed by a second session the following November called "The future of wholesale electricity markets in Europe". The seminars brought together internationally prestigious academics, top executives from Spanish and Portuguese energy companies and European regulators.



In 2012 OMIE introduced an International Workshop

#### 4.10. Open to society

OMIE is actively present in national and international organisations and associations working in the energy sector field - in the Iberian peninsula as well as throughout Europe.

In 2012 the company - together with the CNE - organised technical symposia co-

vering the electricity sector, working with energy consumer associations, such as the ACE (Electricity Consumers Association) and the AEGA (Association of Large Energy Consumer Companies), as well as with the Murcia Chamber of Commerce. Informative meetings with representatives of consumer associations were also held.

Additionally, OMIE works with social organisations and institutions in order to meet the needs of different groups.

Our company is a trustee of the Energy Without Borders Foundation. This humanitarian organisation, which boasts 150 volunteers, has the mission of providing access to energy services and drinking water, on an uninterrupted basis, for groups that are currently without them, or have them under precarious circumstances or use rudimentary and inadequate methods.

Activities that were initiated and fully carried out with Energy Without Borders in 2012 were highlighted by projects in Cameroon (2), Guatemala, Peru and the Democratic Republic of Congo. These projects bene-

fited over 95,000 people. In the case of the Democratic Republic of Congo, the contribution of solar panels needed for supplying electrical energy was locally developed at a professional training centre.

In addition to the abovementioned projects, seven other initiatives were underway as of year-end 2012 - in Benin, Cameroon, Guatemala, Kenya and Peru. These projects were aimed at improving drinking water and electricity service for over 16,000 people.

It should be pointed out that the Energy Without Borders Foundation, which to date has undertaken 28 water and electricity projects that serve 300,000 people, is committed to assuring that these projects continue to function over time. Towards that end, the foundation encourages the creation of cooperatives that can lay the groundwork for the future sustainability of the systems.

Finally, OMIE contracts not-for-profit work with social welfare companies, designed to foster the social integration of disadvantaged people.



[www.omie.es](http://www.omie.es)