



ANNUAL REPORT 2014

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1. Composition of management bodies

1.1. Board of Directors

The Board of Directors has the following members:

- Mr Daniel Dobbeni, Chairman of the Board of Directors
- Mr Christopher Train, Vice-Chairman of the Board of Directors (up until 16 October 2014)
- Mr Mike Calviou, director and, as from 16 October 2014, Vice-Chairman of the Board of Directors
- Ms Cordelia O'Hara, director (as from 16 October 2014)
- Mr Dirk Biermann, director
- Mr Roeland Goethals, director (up until 25 April 2014)
- Mr Dominique Maillard, permanent representative of RTE Réseau de Transport d'Electricité SA, director
- Ms Brigitte Peyron, director
- Mr Carlo Sabelli, director
- Mr Pier Francesco Zanuzzi, director
- Mr Frank Vandenberghe, director (as from 25 April 2014)

Mr Roeland Goethals stepped down as a director with effect from 25 April 2014. At the Ordinary General Meeting held on 25 April 2014, Mr Frank Vandenberghe was appointed a director to replace Mr Goethals with effect from 25 April 2014.

On 16 October 2014, the Board co-opted Ms Cordelia O'Hara as a director to take over from Mr Christopher Train, who had stepped down with effect from 16 October 2014.

None of the directorships are remunerated and all will expire immediately after the 2015 Ordinary General Meeting to approve the annual accounts as at 31 December 2014

Mr Daniel Dobbeni was appointed Chairman of the Board of Directors by the latter on 20 April 2012 for a term of three years. Following the resignation of Mr Christopher Train, Mr Mike Calviou was appointed Vice-Chairman of the Board of Directors by the latter on 16 October 2014 pending the 2015 Ordinary General Meeting.

The Board met five times in 2014 and discussed technical, financial, economic and strategic issues.

1.2. Daily management responsibilities

Mr Patrick De Leener was appointed head of operations, with the title Chief Executive Officer, effective as from 1 January 2013.



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Mr Cédric Auxenfants was appointed Chief Operating Officer, effective as from 1 August 2012.

1.3. Auditors

The Ordinary General Meeting of 20 April 2012 appointed Klynveld Peat Marwick Goerdeler Réviseurs d'Entreprises SCCRL and Ernst & Young Réviseurs d'Entreprises SCCRL as the company's auditors for a term of three years, expiring at the 2015 Ordinary General Meeting to approve the annual accounts for the year ended 31 December 2014. Klynveld Peat Marwick Goerdeler is represented by Benoît Van Roost (as from 10 October 2014, previously by Alexis Palm) and Ernst & Young Réviseurs d'Entreprises is represented by Marnix Van Dooren.

The auditors' remuneration is €12,925.00 per year, to be indexed annually in line with the consumer price index.

2. Main events during the year

Coordination of Electricity System Operators (Coreso), which launched its operations in February 2009, is the first technical coordination centre in continental Europe to be shared by multiple electricity transmission system operators (TSOs). Coreso has notably enhanced the operational coordination of transmission systems in the Western Europe region in response to new challenges. The development of renewable energies, which are by nature intermittent, and the increase in cross-border exchanges within the European electricity market make electricity flows increasingly variable. In this field, Coreso has demonstrated a high level of reliability and expertise. Its added value in terms of identifying situations which pose a potential risk to the electricity system – risks which can only be detected by having an overview extending beyond the national scope of each individual transmission system – is now essential.

Specifically, Coreso provides the control centres of participating transmission systems with forecasts about the security of systems within its observation zone. To that end, Coreso conducts security analyses, and also simulates various scenarios and suggests remedial action. Coreso coordinates exchanges between the various national control centres, which remain responsible for implementing these actions within their respective systems, with a view to obtaining the agreement of each control centre for the proposed remedial action. In 2014, Coreso was able to provide D-1 (= day-ahead, i.e. one day before real time) analysis and coordination services every day for the sixth consecutive year.

Coreso's shareholders are Elia System Operator (Belgium), RTE (France), National Grid (UK), Terna (Italy) and 50Hertz (eastern Germany and Hamburg).

Calculating capacity on the Italian border (Central and Southern Europe (CSE) area)

The area around the northern border of Italy is under significant structural stress as Italy usually imports at maximum capacity. Consequently, Coreso's added perspective and proposals are especially relevant to Terna.

As a coordination centre (on behalf of RTE and Terna) and in cooperation with Swissgrid, ELES and APG, Coreso will be in charge of performing data quality checks, merging files and calculating maximum import capacities at the northern Italian border.



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Using a data improvement loop, security analyses and an innovative algorithm that automatically identifies the best set of remedial actions in situations in which there are constraints (phase-shifting transformer, specific topology in a substation and redispatching), Coreso helps its partners to implement this project, which is geared towards a technically and economically optimised two-day-ahead capacity allocation system which will eventually replace the annual capacity-calculation process.

Testing and development of the new service commenced in February 2014 in the form of the results of two optimised capacity calculations being supplied on a daily basis. The analyses conducted by Coreso enable TSOs to fine-tune the method used and to provide better quality input data. A testing phase with the relevant external market players and publication of the results will begin during Q1 of 2015 and will pave the way for these daily values to be used to determine actual capacity allocation.

The quality of the service provided by Coreso and its professional approach are acknowledged not only by its two shareholders, Terna and RTE, but also by another project partner, Slovenian TSO Eles, with which it has concluded an agreement.

Two-day-ahead activity linked to flow-based market coupling

Coreso is also playing an active role within the Central West Europe (CWE) area in implementing the flow-based market coupling mechanism for calculating D-2 capacity, which will ultimately replace the ATC market coupling mechanism.

Since March 2012, Coreso has been operating the flow-based prototype for RTE and Elia. In addition, Coreso has been chosen as one of the two hosting entities for the platform used in market coupling.

TSOs in the CWE region have appointed Coreso to coordinate validation and verification of D-2 capacity forecasts for each TSO's grid; these values are crucial for calculating regional flow-based capacity. This expertise also enables Coreso to lead CWE working groups as well as working groups within ENTSO-E looking to identify measures to improve how TSOs draw up their local forecasts.

Coreso also plays an active role in coordinating TSOs on a day-to-day basis by coordinating phase-shifting transformers and by managing remedial action (RA) in the CWE area. In this context, too, Coreso heads up a CWE working group to help improve flow-based results by coordinating remedial action effectively at a transnational level rather than having it coordinated at local level by TSOs.

Portal detailing the reliability of forecast files for local systems

Virtually all monitoring, safety-calculation and cross-border-capacity calculations on the European grid rely on the forecasts (D-2, D-1 and ahead and intraday) supplied by each TSO in respect of their particular control area being accurate. All these activities first undergo quality checks following which local forecasts by TSOs are verified to obtain the most coherent and most reliable forecast possible for the European market as a whole. Being able to detect anomalies in local forecasts and communicate them rapidly to TSOs so that they can correct them within a very short timeframe is crucial. In partnership with two other coordination centres covering the Eastern and Southern Europe regions, Coreso is spearheading development and provision of a joint European-level portal on which the results of this validation will be published for all TSOs in continental Europe. This transregional initiative, which is scheduled to come on line in early 2015, demonstrates the importance of effective operational collaboration.



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Risk of an electricity shortage

A few months before the winter, Belgium lost one third of its generation capacity due to the unscheduled and sudden shutdown of three nuclear reactors. Moreover, several gas-fired power stations in Belgium have been closed too – as has been the case in other countries – primarily due to poor profitability. Given this situation, Belgium relies heavily on neighbouring countries for its electricity supply. Maximising import capacity is crucial, especially in situations in which electricity demand rises in much of Europe due to widespread cold weather, for example. Against this exceptional backdrop, Coreso demonstrated its ability not only to react appropriately but also to deliver unique added value, playing a significant role as it did in defining, streamlining and implementing a programme of key measures to maximise Belgian import capacity through effective coordination with neighbouring TSOs. A number of studies and countless grid calculations were performed, and several non-standard coordination processes were drawn up, agreed and implemented in the CWE region between the week prior to and immediately ahead of the time in question. Coreso is responsible for supplying as much energy as possible in the event of a shortage, and thus for preventing outages for customers wherever possible; it does this by taking coordinated measures to manage interconnected grids as far as possible whilst at the same time taking care not to jeopardise grid safety and thus to avoid triggering a domino effect and a general black-out.

IT

To meet the ever growing and increasingly critical requirements in the context of its business processes, Coreso is taking steps to shore up its IT infrastructure. Putting in place a completely new, high-availability environment will ensure that the group's IT infrastructure will be able to cope with increasingly demanding requirements in terms of the continuity of its business processes, both now and in the future. This new architecture was drawn up in 2014, and implementation commenced towards the end of the year.

Coreso has put in place an action plan with software developers and IT suppliers to ensure that IT tools such as Convergence – all of which are vital to enable us to provide services to our partners and customers – will be available.

Creation of new jobs

To cope with the extension of its services and to steer the replacement of and changes to the IT infrastructure, and the associated challenges, Coreso has consolidated its IT unit by hiring an IT manager.

3. Outlook

A new level of regional coordination in Europe: a key role for RSCIs and bottom-up implementation ensuring Europe-wide coverage

In late September, ENTSO-E approved its vision for European operational coordination based on RSCIs.

This vision for pan-European coverage in terms of coordination services via RSCIs was launched at the ENTSO-E conference and the Florence Forum in late November.

To summarise, the following functions are a top priority for ENTSO-E with respect to TSO



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operational coordination (the so-called 'minimum coordination functions'):

1. Improved delivery of the Individual Grid Model (IGM)/Common Grid Model (CGM)
2. Capacity calculation
3. Security analysis (including analysis of remedial action)
4. Short-term suitability
5. Outage-planning coordination

An all-TSOs Multilateral Agreement has been tabled as the contractual instrument upon which establishment of the ENTSO-E framework for TSO coordination is to be based.

In line with the requirements of this ENTSO-E framework, TSOs will be obliged to draw up their own framework via which RSCIs will be expected to deliver the minimum coordination services.

Such a model will ensure pan-European coverage in terms of operational coordination via RSCIs.

The corresponding implementation plan will be compiled by ENTSO-E during the first half of 2015.

4. Subsidiaries

The company has no subsidiaries.

5. Events after the end of the year

No significant events occurred after the end of the financial year.



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6. Notes to the annual accounts

6.1. Introduction

Key figures

In thousand €	31 December 2014	31 December 2013
EBITDA*	1,034.41	821.71
EBIT*	370.32	290.11
Net result (before tax)	379.98	297.49
Net result (after tax)	214.033	161.83
Solvency ratio	47.50%	43.46%
Liquidity ratio	123.83%	94.12%

Solvency = equity/total assets

Liquidity = current assets/short-term liabilities

*EBIT = earnings before interest and taxes

*EBITDA = EBIT + amounts written off/depreciation

6.2. Balance sheet

Fixed assets

Fixed assets include the following:

In thousand €	2014	2013
Preliminary expenses	0	6.52
Intangible fixed assets	29.92	21.92
Property, plant and equipment	1,264.10	1,646.97
TOTAL FIXED ASSETS	1,294.02	1,675.41

The investments made in 2014 were in software and hardware and totalled €154,500.

The net book value of fixed assets was €1,294,020 and includes cumulative depreciations at year-end 2013 totalling €664,100.



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Current assets

'Trade debtors' totalled €379,180.

'Other amounts receivable' includes recoverable subsidies and VAT totalling €108,250 plus a total of €240.63 in reimbursable social security contributions.

Cash comprises liquidities worth €1,499,220, of which €500 is investment.

Deferred charges and accrued income

This item comprises operating expenses, such as rents, subsidies, insurance and so forth to be deferred to financial year 2014 (€177,310).

Equity

As at 31 December 2014, share capital totalled €1,000,000, represented by 15,210 shares and was fully paid up at the time Coreso was set up.

Following the positive results for the financial year 2014 (€214,030), a €10,700 appropriation to the legal reserve was booked. The remainder of the distributable profit (€203,330) has been carried forward.

In 2010, a subsidy of €68,780 was received from the European Union in connection with the Twenties project. This amount was booked as a subsidy and transferred to the result in proportion to the depreciation of the investments in question.

An amount of €13,760 was booked to the 2014 results. As at 31 December 2014, the remainder of the capital subsidies amounted to €12,610.

Equity amounted to €1,756,710 after appropriation of the 2014 result.

Debts

The total loan of €300,000 at year-end 2013 was repaid in 2014.

'Trade debts' at year-end 2014 totalled €1,238,350. They relate to invoices not yet due totalling €18,610 and invoices receivable totalling €1,219,750.

Social security liabilities cover a number of provisions such as holiday allowances, bonuses and personnel insurance. The total amount for this item is €507,490.

Tax debts totalled €9,540 all of which comprises tax payable.

Accrued charges and deferred income

This item (€186,530) mainly comprises income from a 2015 contract worth €150,000.



6.3. Income statement

Operating income

Operating income can be subdivided as follows:

In thousand €	2014	2013
Operational fees	6,632.74	5,539.96
Other operating income	1,192.98	688.16
Total	7,825.72	6,228.12

The operational fees relate to security analysis services for the CWE grid.

'Other operating income' encompasses income relating to D-2 country merge, flow-based market coupling, ATC hosting and the recovery of withholding tax on personal income.

The increase is due mainly to rebilling for flow-based maintenance which commenced in November 2013. It therefore pertains to 12 months in 2014, compared with just two months in 2013. Another reason is recovery of withholding tax on personal income, which is higher following corrections in the calculation for previous years.

Operating expenses

Operating expenses totalled €3,769,990 for 2014 (compared with €2,793,590 in 2013) and relate to the costs of rent, consultants, IT maintenance, representation, and so on.

The increase is mainly due to the rise in IT fees (up €524,470) and operator rebilling costs (up €207,200).

Personnel expenses

This item comprises charges associated with remuneration, i.e. salaries, social benefits and social security costs. The rise from €2,612,730 in 2013 to €3,021,240 in 2014 is due to the increase in the number of staff from 22.9 at the end of 2013 to 28.9 at the end of 2014.

Depreciation

Depreciation of property, plant and equipment totalled €664,090 and is calculated according to the valuation rules approved by the Board of Directors, as indicated in the annual accounts.

Financial income

Financial income amounted to €17,670, of which €790 was generated by cash investments made in 2014. An amount of €13,760 relating to the subsidy was entered under this item.



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Financial charges

Financial charges amounted to €8,010, of which €3,030 pertains to a subordinated loan contracted with the shareholders totalling €300,000 which was repaid in 2014.

Taxes

In 2014, the profit before tax was €379,980. After applying notional interest and taking into account disallowed costs, Coreso's tax bill in 2014 was €169,800.

Net profit

For 2014, Coreso booked a net profit after tax of €214,030.

6.4. Profit for the financial year available for appropriation

At the Ordinary General Meeting to be held on 24 April 2015, the Board of Directors will propose the following distribution of profits:

In thousand €	2014	2013
Profit for the financial year	214.03	161.83
Profit carried forward from the previous year	503.56	349.83
Appropriation to the legal reserve	10.70	8.09
Distribution of the dividend	0.00	0.00
Result to be carried forward	706.89	503.56

6.5. Financial instruments

Coreso does not use financial instruments to hedge possible future risks.



7. Description of the risks and uncertainties facing the company

Financial risks

Coreso's funding needs are met by the contributions of its shareholders. To meet its needs, Coreso draws up a budget and reviews it in good time with its shareholders, which are also its main customers. In the event of unforeseen funding needs, Coreso can appeal to its shareholders for the release of extra cash at very short notice. Since its shareholders are also exposed to inherent financial risks, there is a residual financial risk for Coreso if any of its shareholders default. However, Coreso's residual risk remains very low when its shareholders are taken into account.

Data quality risks

In its role as coordinator of Transmission System Operators (TSOs), Coreso performs analyses of cross-border electricity flows, advises TSOs on congestion management, and contributes to Security of Supply (SoS) operations. To perform these tasks as effectively as possible, Coreso relies heavily on data from all the TSOs concerned and on this data being complete, validated according to the agreed acceptance criteria, consistent, accurate and delivered on time. Initiatives are under way within ENTSO-E to put in place a structural framework for the provision of harmonised qualitative data by TSOs. Coreso is actively involved in this.

ICT risks

Coreso is also highly dependent on the continuity of its ICT infrastructure to deliver its services in good time.

The management of the ICT infrastructure, including software applications and their hosting and data storage, is outsourced to external suppliers and service providers. A single supplier acts as the first line of support for troubleshooting any ICT issues. All contracts with ICT providers include guarantees on long-term support and maintenance services for all critical ICT components.

The power supply for ICT infrastructure is also backed up by uninterruptible power supply systems in Brussels and Lomme (France).

In addition, following a comprehensive IT audit in 2013, a work plan for enhancing the company's IT maturity was implemented in 2014. IT resources were also upgraded as part of the plan.

HR risks

Coreso's strength lies in the quality of its staff, exposing the company to various risks, i.e. inadequate skill sets, the strain of work shifts inherent to Coreso's monitoring activities, and FTE turnover. Coreso relies on the pool of experts provided by its shareholders to fill any sudden gaps in human resources and has drawn up plans for joint training with the engineers employed by its TSOs.



Risks related to regulatory changes among European TSOs regarding coordination

The consolidation of international power exchanges following the liberalisation of the European electricity market, combined with the need to ensure overall security of supply in Europe, led to a need for increased cooperation and coordination among European TSOs.

Although decisions will still need to be taken by TSOs on the legal front, on roles and responsibilities, on governance and on the tools or expertise of future European coordination entities, there remains a risk that Coreso may not be sufficiently prepared for the future cooperation and coordination needs of the market and its players. Coreso can mitigate this risk by proactively identifying needs, adapting to be able to meet those needs and positioning itself as a trusted long-term partner.

Furthermore, the need for greater coordination is now widely acknowledged by the various stakeholders. Accordingly, the European Network Codes currently being drawn up explicitly establish the concept of Regional Security Coordination Initiatives (RSCIs) such as Coreso. Plans to put in place a structural framework for Europe-wide operational coordination via RSCIs has been formally approved by ENTSO-E; an implementation plan is on the agenda for 2015.

Other risks

Coreso realises that there may be other risks of which the company is unaware, or that risks currently deemed negligible may become more significant in the future.

8. Internal audit

In accordance with the service agreement concluded between Elia and Coreso, Elia performs an internal audit for Coreso every two years. At the start of 2013, Coreso underwent an internal audit for the second time. During this exercise, the quality management system (QMS) developed by Coreso to better document activities, better meet the needs of its shareholders (the TSOs) and improve the general management of the company was assessed against standard ISO 9001. Based on the recommendations made, Coreso's Management Team put in place an action plan to optimise the QMS. This is being monitored by the Coreso Governance Board.

A Business Continuity Plan (BCP) audit is scheduled for 2015.

9. Research and development

Coreso is involved in two European projects:

- iTesla: Innovative Tools for Electrical System Security within Large Areas, designed to promote the future coordinated and stable operation of the pan-European electricity transmission system. Coreso will provide its expertise to aid the development of the tools needed for effective future coordination.
- GARPUR: "Generally Accepted Reliability Principle with Uncertainty modelling and through probabilistic Risk assessment". Coreso is a member of the Reference Group and takes part in workshops aimed at TSOs, and in the session to demonstrate a



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prototype of the quantification platform designed to be used to test various reliability criteria (at the end of the project, in 2017).

24 April 2015

A handwritten signature in blue ink that reads "Dobbeni".

Daniel Dobbeni
Chairman of the Board of Directors

A handwritten signature in black ink that reads "Calviou".

Mike Calviou
Vice-Chairman of the Board of Directors

