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corporate  
report



1. Board of directors



2. Steering committee



3. The economic, energy and environmental scenario



4. OMIE'S business



## 1. Boards of directors



**President** - José Carvalho Netto

**Vice President** - Pedro Mejía Gómez

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### **Board Members**

ABENGOA, S.A. - Ana Raquel Díaz Vázquez

EDP-ENERGÍAS DE PORTUGAL, S.A. - Carlos Alves Pereira Mata

ENDESA GENERACIÓN PORTUGAL, S.A. - Adolfo de Rueda Villén

E.ON España, S.L.U. - Javier Anzola Pérez

GAS NATURAL SDG, S.A. - Rosa Sanz García

IBERDROLA GENERACIÓN, S.A.U. - Rodolfo Martínez Campillo

PARCAIXA, SGPS, S.A. - Paulo Henriques

REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. (REN) - María José Clara

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**Secretary (Non-Board Member)** - Rafael Ramos Gil

**Vice-secretary (Non-Board Member)** - Pedro Raio Félix

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## 2. Steering committee



**President** - José Carvalho Netto

**Vice President** - Pedro Mejía Gómez

### **Directors**

- **Office of the Chairman and CEO** - Rafael Gómez-Elvira González
- **Legal Affairs** - Rafael Ramos Gil
- **Corporate Management** - Luis Miguel López Otero
- **Settlement and Billing** - Carlos Francisco Gamito Calvo
- **Market Operations** - José Javier González Fdez.-Castañeda
- **Information Systems** - Pedro Basagoiti Satrústegui

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



3.1 The global economy / Something is beginning to change in Europe / Green shoots in Spain and Portugal

3.2 Energy and environmental context / Environment

3.3 Towards an internal electricity market in the EU



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



#### 3.1 The global economy



The world's markets are recovering at a very slow pace, while the risks of a further downturn still remain. According to the forecasts made by the International Monetary Fund (IMF), the figure for worldwide growth in 2014 will be 3.7%, as opposed to the 3% recorded in 2013. The growth of the economies in emerging countries has slowed, although it continues to far outpace that of the industrialised nations.

Some of the weaknesses previously shown by the global economy have not been fully overcome: the high level of government spending in the industrialised nations, with no clear plans for its reduction over the medium term in the cases of the USA and Japan; the state of the European banking sector, which is far from sound according to most analysts; or the still tenuous economic union affecting the eurozone.

These threats have been compounded by fresh ones, such as the reforms implemented by the Chinese government to stabilise the country's growth. The measures designed to increase private spending and reduce China's dependence on exports are proving to be more complex than at first thought, and constant support needs to be provided for driving domestic consumption. The deceleration of the world's second-largest economy will affect those economies based on the export of commodities, especially emerging countries. The expected growth for

emerging countries is 5.1% in 2014 according to the IMF's own forecasts, which is an improvement on the 4.7% growth recorded in 2013.

Concerning the industrialised nations, new uncertainties have appeared; the US economy has benefited from an upturn in private demand in the last quarters of 2013, although it has been negatively impacted by the contraction of the public sector. The outlook for 2014 predicts the stabilisation of government spending, and at the same time higher growth for the US economy overall. The expected change in US monetary policy in the short term will mean a long-term hike in interest rates in that country and in many other economies, which will foreseeably weaken growth across the board. Thanks to its expansive fiscal policy, Japan is recording moderate growth, although this expansion is expected to slow in step with the gradual adjustment of its level of public spending.

 Worldwide growth in 2014  
will be 3.7%

In turn, the eurozone is coming out of the recession, although economic activity continues to be very weak. The current state of the world's advanced economies does not herald high growth, and inflation remains under control, thereby allowing expansive monetary policies to be maintained. Overall growth in the industrialised nations is expected to be 2.2% in 2014, which is an improvement on the 1.3% recorded in 2013.

### Something is beginning to change in Europe

The growth forecasts for Europe (1.4% in 2014) are the lowest among the groups of industrialised nations, and even lower for those economies in the eurozone that continue to be heavily weighed down by the countries on its periphery (1%). Nevertheless, both outlooks do improve upon the estimated growth recorded in 2013: 0.3% for Europe and -0.5% for the eurozone.

In spite of the advances made, which have dispelled the fears of the break-up of the euro and a return to the former national currencies, there are still tasks that remain pending. There is a need for greater banking union in Europe to overcome the current fragmentation, as well as for the strengthening of the European financial system as a whole.

The legislative resolution adopted on October 2013 by the European Parliament and Council that will regulate the bank Single Supervisory Mechanism, and which should become operational in November 2014, as well as the advances made in deposit guarantee arrangements, is a significant step forward that needs to be consolidated.

Doubts remain over the sufficiency of banking recapitalisation, as well as over the need to continue reducing the levels of private debt, especially in the business sector, which continue to record very high percentages of GDP. These imbalances will need to be redressed if the credit needed for a return to investment is to grow again.

Furthermore, there is a need to undertake structural reforms to increase competitiveness, overhaul and build new infrastructures, and implement reforms to bolster the labour market, which continues to post very high unemployment rates of around 12% in the eurozone as a whole.

Given the current situation, with high levels of public debt and very moderate growth rates across the board, an expansive monetary policy needs to be maintained.



Nevertheless, and despite the extension of the timeframes for complying with targets in terms of government spending, there is still a need to persist with the plan to adjust the public deficit over the medium term.

### Green shoots in Spain and Portugal

The economies on the Iberian Peninsula seem to have left the worst moments of the crisis behind, as both Spain and Portugal have seen slight improvements in their economic outlooks, although the situation remains very delicate, with minimal growth over the past quarters in Spain's case and with very moderate contractions in Portugal. Taking the year 2013s a whole, the Spanish economy shrank by -1.2%, with the corresponding figure for Portugal being -1.4%.

The economic conditions in both cases are showing signs of stabilisation after a few years of sharp falls and following the flexible approach adopted to the deficit targets set by the European Commission. The two countries, nonetheless, are continuing to make budgetary adjustments that are shrinking their economies, but the structural reforms they have introduced have meant they have gained in competitiveness, and their exports, especially to non-EU countries, have performed strongly.

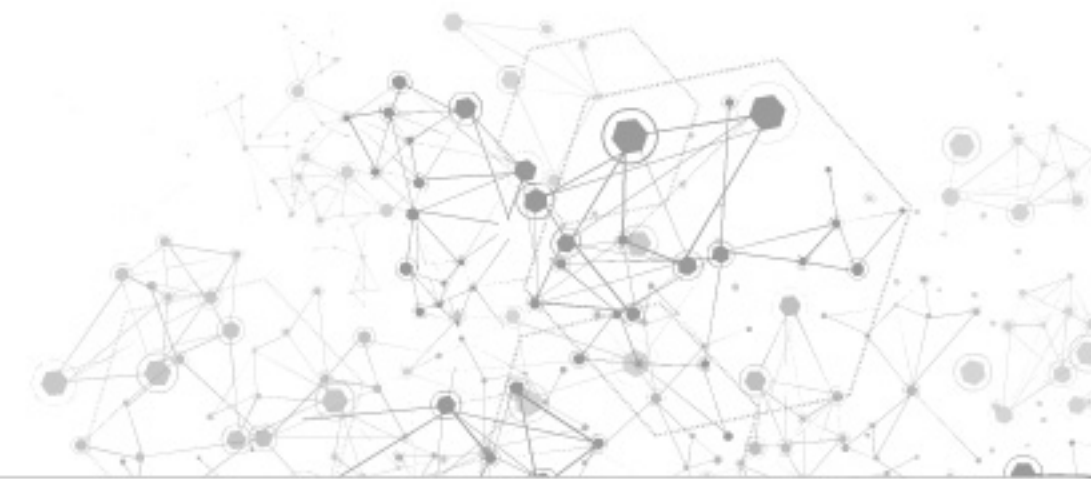
## Spain and Portugal have gained in competitiveness, and their exports have performed strongly

After more than two years in recession, Spain grew slightly over the second half of the year. The reasons for this growth are to be found in the improvement in activity, the rise in private spending and the increase in exports. Nevertheless, the outlook is for very restricted growth, with the need to reduce the public deficit (-6.7% in 2013), which is still very high, and with no significant reduction in the unemployment rate (26% in 2013), the Spanish economy still faces a number of years of below-par growth. The forecasts for 2014 are for an estimated growth of 1.2% in the GDP, with an unemployment rate of 25.1% and with the public deficit standing at 6%.

Portugal for its part continues along the path of tough budgetary adjustment, which has enabled it to record a public deficit figure of around 5% of its GDP in 2013, thereby meeting the targets set by the European Commission. Structural reforms have also meant that Portugal has become more competitive, which has led to an increase in exports. However, the political and social situation has deteriorated significantly over the past year. Unemployment, for example, has risen to 16.3 %, and the outlook for 2014 is that it will increase, recording a figure of 17.7%. As in Spain's case, the Portuguese economy contracted by 1.4% over the year, albeit with expected growth of 1.2% in 2014.



Both countries have improved their macroeconomic outlooks, put their banking sectors in order, begun to facilitate access to credit for businesses and households alike, and are addressing reforms that will improve their growth rates over the medium term.





### 3.2 Energy and environmental context



In its annual report, the International Energy Agency (IEA) stresses that the energy industry's traditional dogmas, which have continued to be upheld over recent years, are changing. Traditional importer countries are now becoming exporters, and those countries that hitherto exported their production are now becoming major centres of energy demand.

One of the more significant developments involves the change affecting Brazil, which has gone from being a net importer of gas and oil to a net exporter, as well as the change in the USA, which has reversed its trade balance in gas and reduced its outside dependence on oil by almost 20%.



Within the current scenario of as-yet weak recovery, growth in the global GDP is expected to be around 3.6% per year through to 2035, of which emerging countries in Asia will account for 50%. China is now close to becoming the largest oil importer, while India will be the largest coal importer by 2020. By then, India will have overtaken China as the world's driving force for growth in energy consumption in the main scenario contemplated by the IEA.

Competitiveness is one of the IEA's concerns, as it notes that with the sole exception of oil, which does have a single price reference, the horizon under study will continue to record significant differences in the global prices of gas and electricity. Gas prices in the USA in 2035 will be one-third cheaper than in the EU and one-fifth lower when compared to prices in Japan. These variations will have a bearing on the export of goods from these three areas. Improvements are expected in the trade balances for the USA, but a worsening in the case of Japan and the EU.

 China is now close to becoming the largest oil importer

The success obtained with non-conventional gas resources in the USA may be repeated in other parts of the world, although there are still regulatory, environmental and financial issues that need to be resolved.

The IEA's outlook also highlights the importance of regulatory policies and technological developments, which may alter the dynamics of economic growth, energy demand and CO2 emissions; or they may at least reduce the correlation that has traditionally existed between these latter two. Pre-empting competitors

and implementing the right energy policy will, according to the IEA, constitute a competitive advantage for those countries that manage to find the right path for investments, which they will need to follow in a future that is still uncertain and ever-changing.

One of the highlights among the IEA's recommendations involves the quest for efficiency in consumption (with the withdrawal of subsidies for fossil fuels, estimated to amount to 544 billion dollars in 2012), the stimulus for competitiveness through the introduction of energy markets (especially gas markets), and the improvement of interconnections.

Elsewhere, the IEA is aware of the need to subsidise renewable energies in order to help reach emission reduction targets. These subsidies, which amounted to more than 100 billion dollars in 2012, are expected to reach 220 billion dollars in 2035. Nevertheless, they should be designed bearing in mind that these energies will cost less in the medium term, thereby enabling them to compete with all the other technologies without the need for financial underwriting, while also taking into account the need for back-up from guaranteed generating sources at certain times.

The new installed capacity of renewable energy up to 2035 will account for almost half the overall amount of new capacity installed, which means a 45% increase in overall installed energy capacity compared to current levels. In absolute terms, China will install more new renewable capacity than the USA, EU and Japan combined.

This increase in the generation mix of renewable energies is a challenge for the management of systems, as renewables will account for more than 30% of the global mix by 2035.



Coal will nonetheless continue to be the main power-generating source according to IEA forecasts. Furthermore, it is estimated that the price of electricity on Europe's wholesale markets in 2035 will be 75% higher than in the USA, with the reason for this huge difference being the abundance of shale gas in North America and the financial support provided for renewable energy in Europe, along with the higher operating and maintenance costs incurred by European systems. In Japan's case, prices in the wholesale electricity market are expected to be 90% higher than in the USA, due mainly to the nuclear shutdown.

### Environment

Regarding the policies for mitigating the effects of climate change, the UN Climate Change Conference, or Conference of the Parties (COP 19), was held in Warsaw in November 2013. It was agreed that the Paris Summit in 2015 should reach a new

global agreement on climate change as of 2020. This summit, which was not without its difficulties, laid the foundations for a new global climate agreement, introduced an international mechanism for dealing with the losses and damages associated with climate change, focusing especially on the more vulnerable nations, and took a step forward in matters of mitigation in the forestry sector in developing countries.

## The IEA is contemplating a scenario involving a 20% increase in emissions by 2035

As the energy sector is the one responsible for two-thirds of the world's CO2 emissions, its performance will determine whether or not the reduction targets set will be met. Within this context, it should be noted that the economic crisis has meant that this issue has been pushed into the background in certain countries; nevertheless, some initiatives, such as the one rolled out by President Obama in his "Climate Action Plan"; the Chinese plan for capping the percentage of coal in its energy mix, the European energy debate on climate and energy goals for 2030, with the new target of a 27% energy share for renewable energies by that year in the EU as a whole, and the discussions in Japan over its new energy plan, keep hopes alive of a significant reduction in emission levels.

Nevertheless, based on these forecasts and the plans already approved by governments, the IEA is contemplating a scenario involving a 20% increase in emissions by 2035, which according to the experts would lead to an average

long-term global temperature rise of 3.6 °C, which far outstrips the internationally agreed target of 2 °C.

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

In February 2011, the Heads of State and Government agreed that "The internal market should be completed by 2014 so as to allow gas and electricity to flow freely". Within this context, 2013 was a year that witnessed intense cooperation between market operators as regards the following:

- The coupling of Europe's daily markets with the same algorithm for the matching of purchase-sale bids throughout the whole of the EU; known as the "Price Coupling of Regions" (PCR) and,
- The launch of a pan-European platform that provides for the establishment of a continuous market (with implicit allocation of cross-border capacity) on the intraday horizon, compatible with holding intraday auctions at sub-regional level, as in the case of MIBEL, where these markets have much higher liquidity than throughout the rest of Europe.

These two projects involving the interregional integration of wholesale markets have the backing of European associations and institutions as an effective way of bringing the internal electricity market closer in 2014.

The daily market on the Iberian Electricity Market (MIBEL) has been the first outside North-West Europe (NWE) to integrate with the new European mechanism. MIBEL already operates in a synchronised manner with NWE, and uses the new European algorithm (EUPHEMIA) for the matching of supply and demand. EUPHEMIA seeks to maximise social welfare as the sum of the surplus of producers and consumers in all price-coupled areas. The new mechanism guarantees the best possible use of the capacity available at the interconnection with France (as of May 2014) through an implicit allocation of this capacity in the same way as is currently being performed at the interconnection with Portugal and between other European countries.

These projects are being rolled out in parallel with the formal process of drawing up the Network Code on Capacity Allocation and Congestion Management. In November 2013, the European Commission submitted the draft network code to committee procedure for its approval by the Member States.

Although the coupling of daily markets in Europe has made significant progress in 2013, the project involving the integration of cross-border intraday markets will take longer, and it is most likely to materialise once the aforementioned network code has been approved. As regards the latter, it is to be noted that the network code will permit the complementarity of a continuous intraday market in the interconnections with little liquidity over this time horizon, with implicit auction markets for interconnections between pricing areas with greater liquidity.

Throughout 2013, the European Commission worked on a new communication that would permit the EU to continue along the path leading to the decarbonisation of its energy industry, without forgoing its competitiveness. Accordingly, in January 2014,

the European Commission published a press release called "2030 climate and energy goals for a competitive, secure and low-carbon EU economy". The goals listed in this communication included a reduction in greenhouse gas (GHG) emissions by 40% by 2030, and an EU-wide binding target for renewable energy of at least 27% by that same date.



MIBEL already operates in a synchronised manner with NWE, and uses the new European algorithm (EUPHEMIA)

Finally, work has proceeded in 2013 on the European-wide implementation of EU Regulation 1227/2011 on wholesale energy market integrity and transparency (REMIT). This regulation came into force at the end of December 2011, and stipulates the requirements for avoiding market manipulation and insider trading.

In September 2013, OMIE subscribed a cooperation agreement with the Agency for the Cooperation of Energy Regulators (ACER) with a view to taking part in a Pilot Project for the implementation of a European-wide reporting and monitoring system by the Agency. This pilot scheme will serve as a testing ground for the drafting of the delegated acts that the European Commission is developing for the implementation of REMIT.

## 4. OMIE'S business



### 4.1. About our company

### 4.2. Operating the Iberian electricity market / The operation of the daily and intraday markets

### 4.3. Our business in figures

### 4.4. Committed to Europe

### 4.5. Our corporate culture

### 4.6. At the cutting edge of technology

### 4.7. First- rate human resources / Stable, quality employment / Health & Safety at Work / Policy on staff training and career development

### 4.8. Dialogue with stakeholders / Public website / Market Agents Committee / The media / Entities and institutions interested in specific issues.

### 4.9. Training activities

### 4.10. Open to society



## 4. OMIE'S business



### 4.1 About our company



Electricity is a vital utility in the everyday life of households, and essential for business operations. At OMIE, we manage the wholesale electricity market, where market agents trade the amounts they need (MWh) at publicly stated and transparent prices.

OMIE manages the entirety of the markets (daily and intraday) for the whole of the Iberian Peninsula, and its operating model is the same as the one applied by many other European markets.

Taking part in the market involves an electronic platform that is easy to access via the internet, which permits the simultaneous participation of a large number of agents and the management of a high number of bids for the purchase and sale of electricity over a short period of time. OMIE also carries out the invoicing and settlement of the energy traded on these markets.

Our company strives daily to provide our customers with an ever better service and our shareholders with increasingly higher value.

### OMIE in detail

The company OMI-Polo Español S.A. (OMIE) is regulated by the Santiago International Agreement, regarding the implementation of an Iberian electricity market (MIBEL) between the Kingdom of Spain and the Republic of Portugal, and subject to Spanish legislation.

OMIE belongs to the Operador del Mercado Ibérico (Iberian Market Operator) business group, whose corporate structure is shown in the following graphic.

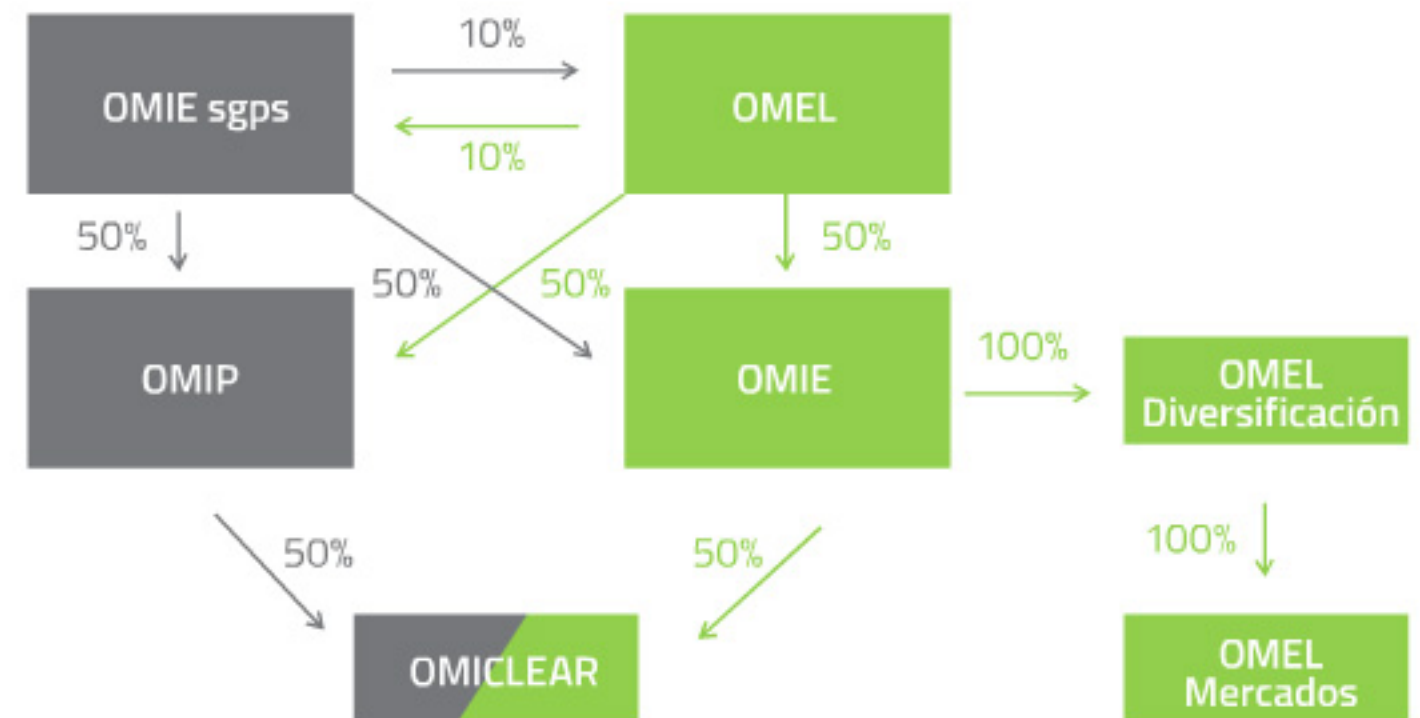


Figure 1. OMI corporate structure

Half of OMIE's stock is owned by the Spanish company OMEL, with the other half held by the Portuguese company OMIP SGPS, S.A.

As the electricity market operator, OMIE is regulated by Spain's Law 24/2013, on the Electricity Sector and by, among others, Decree 2019/1997, of 26 December, which organises and regulates the electricity generation market.

#### 4.2 Operating the Iberian electricity market



The price of electricity is very important for society at large. In particular, the creation of the EU's Internal Electricity Market began towards the middle of the 1990s, with the aim being to pass on the benefits of the liberalisation of the energy sector, involving better prices and services, to households and businesses alike.

 OMIE is the company responsible for managing the daily and intraday spot electricity market in Spain and Portugal

This was the scenario that gave rise to the steady introduction of organised markets throughout the length and breadth of Europe.

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.



There are currently more than 690 agents operating in the market. Market agents may be the producers of ordinary regime electricity, including the producers of energy generated by renewables, cogeneration and wastes, retailers, the representatives of selling agents and the 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.

In addition, OMIE holds auctions for energy products related to electricity and natural gas through its subsidiaries, OMEL Diversificación and OMEL Mercados, respectively.

## The operation of the daily and intraday markets

The Iberian electricity market consists of the forward markets managed by OMI-Polo Portugués, SGMR (OMIP) and the daily market and intraday markets managed by OMIE. The following graphic illustrates the time sequence for the markets and processes involved.

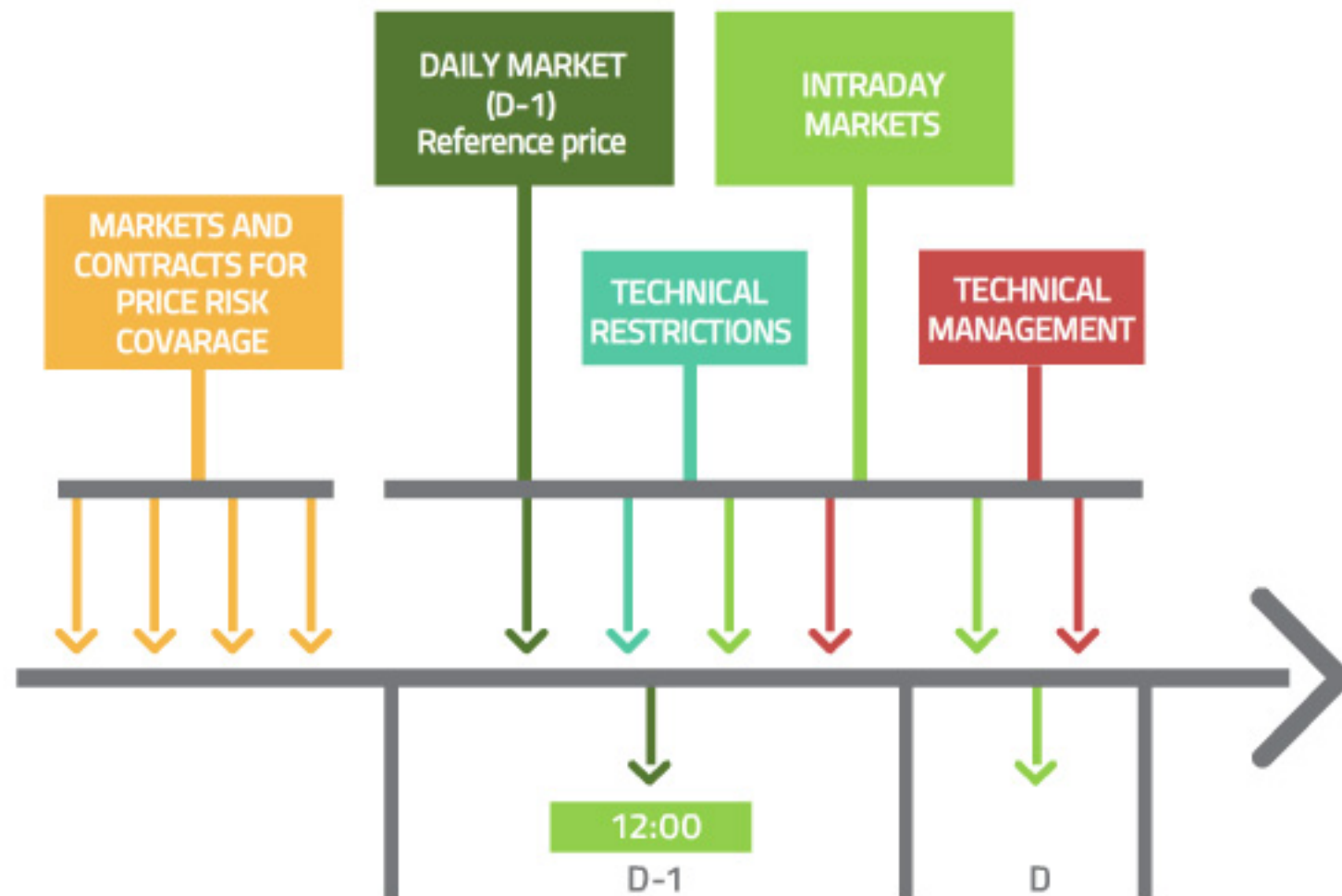


Figure 2. Time sequence of MIBEL markets and processes

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 12:00 a.m., which is the closing time for receiving tenders. These are then processed in OMIE's computer systems (SIOM)<sup>1</sup>, with OMIE then publically disclosing the hourly prices and energy that will be produced and purchased on the following day. The daily market in 2013 traded on average 76.5% 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 2013 traded on average 16.4% of the total energy managed in the daily market.

1. Since 4 February 2014, OMIE trading bids are being processed jointly with those of APX, Nord Pool and EPEX Spot, using an algorithm called EUPHEMIA. The sum of the markets coupled with EUPHEMIA accounts for 75% of Europe's electricity demand.



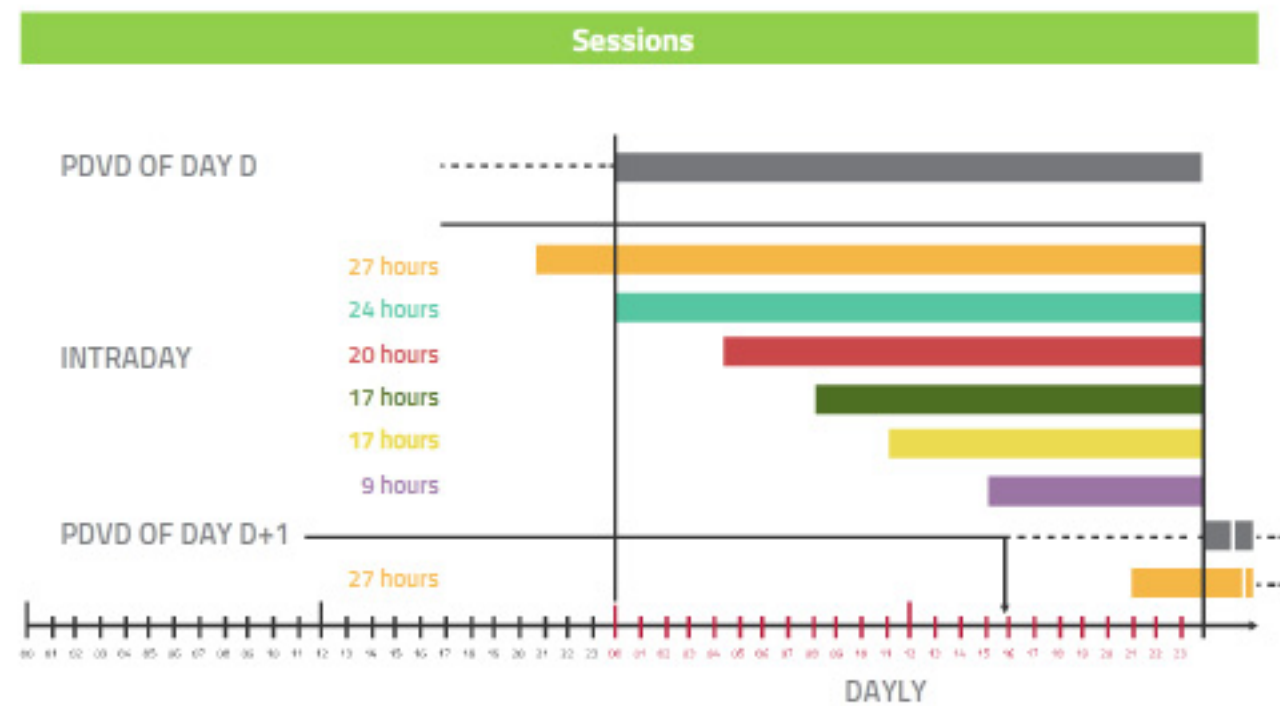


Figure 3. The MIBEL intraday market. Time horizon of the six sessions

The next step involves settling with the agents of the energy traded in the different markets. This settlement and the corresponding invoice are made available to the agents on a daily basis. The use of a digital certificate guarantees confidentiality and enables each agent to access their settlements and invoicing.

Each calendar week's collections and payments are made on Wednesday and Thursday of the following week.



### 4.3. Our business in figures



The turnover in the electricity market managed by OMIE in 2013 amounted to 12.18 billion euros and the figure for energy was 273 TWh. Over 96,000 invoices were issued.

The year saw the holding of 365 sessions in the daily market, and 2,190 in the intraday market. Close to 11 million transactions were handled over the course of the year.

At year-end 2013 there were 690 agents operating on the market, 475 of which were producers and 215 purchasers. 169 of the latter were retailers (6 of them last resort retailers) and 46 direct consumers.

### 4.4 Committed to Europe



OMIE's participation in European integration projects is one of the company's most important areas of activity. Throughout 2013, 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.

The coupling of the daily markets is one of the main goals of Europe's institutions as part of their 2014 commitment. A great deal of work has been carried out in 2013 for coupling the spot market managed by OMIE with all the other European markets. In April, OMIE became the first European market operator to couple its daily market with Europe, with the first stage effectively taking place on 4 February 2014, and with full completion of the process scheduled for the first half of 2014.

 In April, OMIE became the first European market operator to couple its daily market with Europe



At European level, work continues on the implementation of a pan-European platform for intraday cross-border trade. At the beginning of 2014, APX, Belpex, EPEX SPOT, Nord Pool Spot and OMIE subscribed a cooperation agreement to move forward with the search for a solution to the cross-border intraday market.

As for the market on the Iberian Peninsula, the liquidity of the intraday market in MIBEL is very important for the system's proper operation, and the volume it trades is higher than that of all the other EU markets.

Furthermore, OMIE is a permanent member of REMIT's Work Group on Market Integrity and Transparency, and is a member of ACER's Group of Experts on Wholesale Energy Markets.

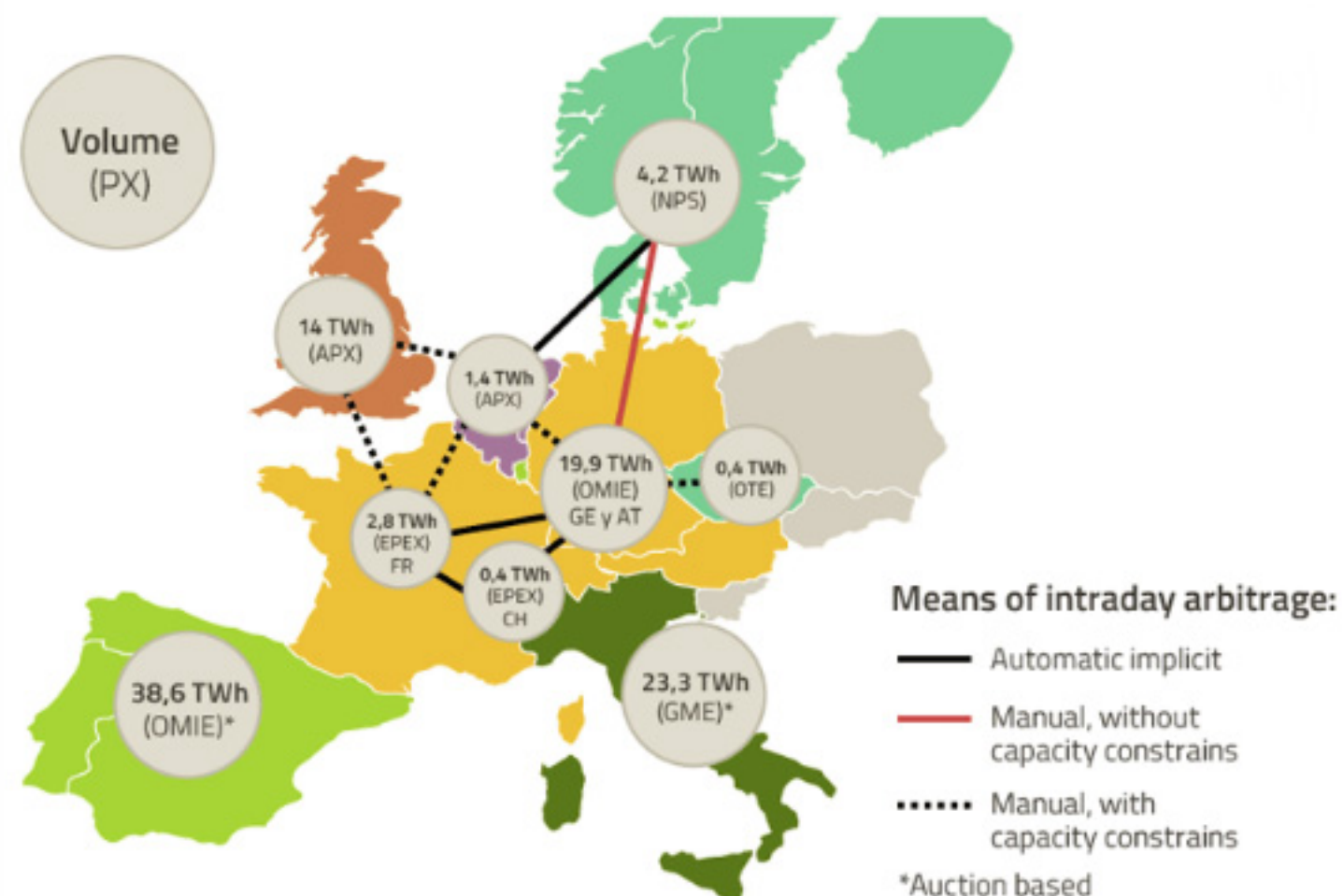


Figure 5. Intraday electricity trade in the different European Markets

#### 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 cooperates with market regulators in Spain through legally established channels. On a monthly basis, OMIE sends the CNMC and the Ministry 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 CNMC 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 actively cooperates with market regulators in Spain

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.

Throughout 2013, and besides the IT developments associated with the publication of the new market regulations and the process of continuous improvement affecting the functions and features provided by the different applications, major improvements were made, with such highlights as those developments linked to the commissioning of the PCR infrastructure for including MIBEL within Europe's integrated electricity market.

 OMIE's current technology has been exported to several markets in Europe

As part of this work, and based on PMB applications and the EUPHEMIA algorithm, a series of internal and external testing systems have been installed, being developed within the PCR environment with the intensive collaboration of OMIE. These systems have been used throughout the whole year on a joint basis with all the other European market operators involved in the scheme. At the same time, the necessary adjustments have been made to our applications to provide them with the new functions required, and facilitate their integration into those new European platforms.

As a result of these internal and external testing processes and developments, Europe's integrated electricity market began operating on 4 February 2014, with MIBEL being one of the regions included from the very start.

Besides this work, the year has seen improvements made to OMIE's computer-controlled auction system for arranging the different tenders of energy products throughout 2013.

Finally, further highlights in 2013 include the efforts made to map out the workings of a potential gas market on the Iberian Peninsula, as well as the preparation of several applications that will be used to manage it.

As a result of this commitment to the continuous improvement of its IT systems, OMIE's current technology, which has been exported to several markets in Europe (APX the Netherlands, the trading system in Portugal and the electricity market in the Czech Republic), has upheld a high level of development and advanced specifications throughout the whole 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:

##### Stable, 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 58 permanent staff, of whom 37 are men and 21 are women. The staff has an average age of approximately 43.

Five-year degree holders account for 79% of the workforce and three-year degree holders 9%.

OMIE seeks a workforce made up of highly skilled professionals who constitute the firm's most valuable asset

#### Health & Safety at Work

In 2013, OMIE upheld its commitment to health and safety at work, fostering a culture of prevention through annual medical check-ups and improving the system's management in order to eliminate any health risks, as well as remove occupational hazards, with the corresponding staff training schemes.

The management system, based on health monitoring and risk prevention, is undertaken through an occupational health and safety committee, which is made up of staff delegates in the workplace who coordinate both internal and external functions, especially the review 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 website at [www.omie.es](http://www.omie.es) is the main tool used to provide all our stakeholders with information

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.

In 2013, the Market Agents' Committee held six meetings, all of an ordinary nature.

The following were some of the topics on the agenda:

- 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.
- 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.
- Adjusting to the rules on Market Operating.
- Briefing on regulatory matters.
- Information on the meetings of the Florence Forum.

## 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.
- Daily email newsletter sent to the media on the results of the forward-market prices and energies managed by OMIP.
- 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.
- There was a step-up in 2013 of reporting actions within the context of the launch of the Price Coupling of Regions, initially foreseen for November 2013, and which finally took place on 4 February 2014.
- 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 2013, answers were given to over 650 emails received.
- Specific face-to-face meetings for briefing on the operations of the institutions regarding specific aspects of the activities undertaken by OMIE.

 Over 100 professionals from the energy sector have attended the courses on the electricity market held in 2013

### 4.9 Training 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 2013, 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 master's degrees and special symposia for collaborating with public and private institutions and other academic bodies interested in the electricity sector.

Specifically, over 100 professionals from the energy sector have attended the courses on the electricity market held in 2013. OMIE has organised briefing and training sessions, as well as tests on auctions and electricity and gas.

In addition, several Master's Degree courses were held within the framework of agreements or in cooperation with the Carlos III, University Cremades & Calvo Sotelo, Pontificia University of Comillas, the Spanish Energy Club - Club Español de la Energía, the School of Industrial Organisation - Escuela de Organización Industrial (EOI), the Association of Civil Engineers - Colegio de Ingenieros de Caminos and the Energy Technology Institute - Instituto Tecnológico de Energía (ITE).

OMIE also took part in briefing sessions on topics related to economics and finance, legislation and technology with a bearing on energy markets, in partnership with the Spanish Energy Club - Club Español de la Energía, the Rey Juan Carlos University, the IESE business school, IIR, the Basque Institute of Competitiveness - Instituto Vasco de Competitividad (Orkestra) and Zaragoza University.

### The OMIE International Workshop

The electricity sector has been facing major challenges for some years now within an increasingly international environment. In May 2013, the third edition of the

OMIE International Workshop was held on "The impact of RES on wholesale electricity markets: Special reference to the German case". This seminar was attended by internationally renowned academics, senior executives from Iberian energy utilities and European regulators.

#### 4.10 Open to society



OMIE is actively present in organisations and associations both at home in Spain and abroad that are involved in the energy sector at both Iberian and European level.



Technical symposia on the electricity market have been held in 2013 in cooperation with the Spanish Energy Commission (now part of National Commission of Markets and Competence - CNMC), and with the Association of major energy consumers in the services sector (Gran CEES), hosted by the Girona Chamber of Commerce. A briefing session on the market was held in cooperation with the Portuguese-Spanish Chamber of Commerce (Lisbon, September 2013). OMIE also took part in the First National Energy Symposium organised by the Association of Industrial Engineers of Burgos and Palencia.

OMIE also collaborates with social institutions and associations with a view to meeting the needs of different groups within the community.

Our company is a trustee of the Energy without Borders Foundation. This voluntary organisation, staffed by more than 150 volunteers, has the mission to provide access to energy and clean water services, on an uninterrupted basis, for those collectives that still do not have them, or which do have them, albeit in a precarious state or through rudimentary and inadequate means.

Some of the highlights of the programmes undertaken and completed by Energy without Borders in 2013 involve projects in Cameroon, Guatemala, Peru and the Democratic Republic of the Congo. These projects have benefited over 6,000 people.

Besides the aforementioned projects, by the end of 2013 a further eight projects were under development in Benin, Cameroon, Guatemala, Kenya and Peru, which will improve the electricity and clean water supplies for over 15,000 people.

 OMIE is a trustee of the Energy without Borders Foundation

It should be noted that the Energy without Borders Foundation, which to date has undertaken 35 water and electricity projects that benefit around 300,000 people, also has the remit to ensure that the projects developed remain operational over time, so it drives the creation of cooperatives to ensure the systems' future sustainability.

Furthermore, OMIE contracts work with public-benefit non-profit corporations dedicated to fostering the social integration of disadvantaged persons.



Operating the Iberian  
Electricity Market

*Committed to Europe*

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