TRADING ON THE ELECTRICITY EXCHANGE 2025 REPORT

GEORGIAN ENERGY EXCHANGE

As of July 1, 2024, the implementation of the transitional electricity market model marked the next step in the reform of the electricity sector. The transitional market model introduced a new market segment—the electricity exchange (day-ahead and intraday markets), where market prices are determined in accordance with the rules established by the Georgian National Energy and Water Supply Regulatory Commission. The implementation of the transitional market model represented the first significant step toward the new electricity market model.

To date, no disruptions have occurred in the trading process. Market participants have had the opportunity to participate in trading in accordance with the rules of the day-ahead and intraday electricity markets.

In 2025, a total of 129,754 MWh of electricity was traded, with the annual average weighted price amounting to 131.4 GEL/MWh (13.14 tetri/kWh).

Compared to the first year, the volume of electricity traded on the exchange increased significantly in 2025. Compared to the second half of 2024, trading in the second half of 2025 doubled. Nevertheless, the volume of electricity traded on the exchange remains relatively low. The main reason for this continues to be the existence of monthly balancing within the transitional market model. Wholesale market participants are obliged to balance their positions within the month (i.e., to reconcile the amount sold with the actual amount delivered during the same period), which prevents demand for shorter-term trading products aimed at position balancing.

Apart from the specifics of the transitional market model, which apply equally to both buyers and sellers, participation by the parties is also characterized by additional features. In most cases, the demand for electricity on the exchange exceeded supply by a considerable margin. Nevertheless, the prices recorded on the exchange were always lower than the price of balancing electricity. This indicates a more cautious trading strategy by electricity buyers.

Transitional electricity market model

The transitional electricity market model, in effect since July 1, 2024, introduces the day-ahead and intraday market segments within the existing market framework. Although the balancing period in the transitional model remains monthly, hourly products are traded on the electricity exchange for each hour of physical delivery.

Under the transitional market model, the following parties are entitled to purchase electricity on the exchange:

- Direct consumers – to secure electricity for their own consumption;
- System operators – to purchase electricity for network losses;
- Universal and public service providers, as well as last-resort suppliers – to purchase electricity for supply purposes.

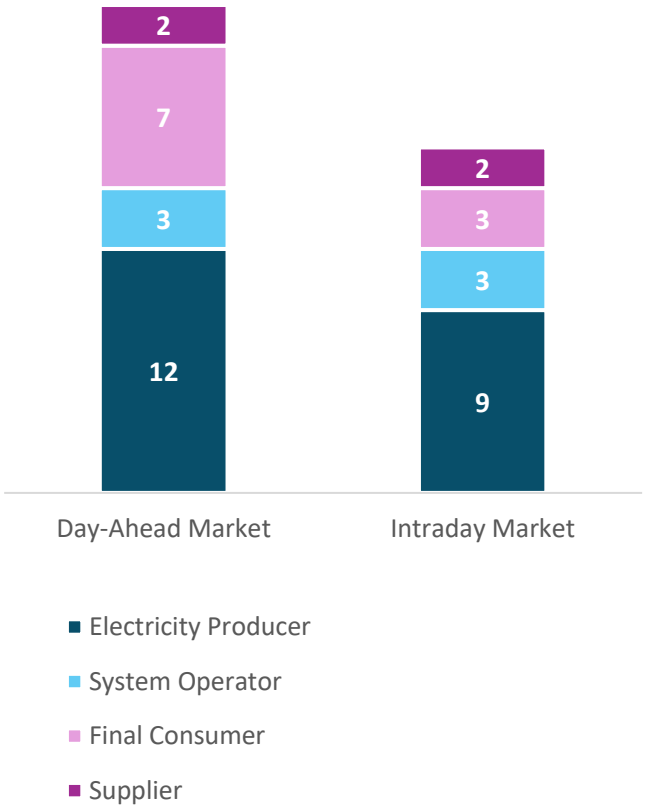
The following parties are entitled to sell electricity on the exchange:

- Producers holding a "Guaranteed Electricity Purchase Agreement" – for electricity generated outside the delivery obligations under the agreement and within the produced volume;
- Plants benefiting from a support scheme in accordance with the procedure established by the Government of Georgia – for electricity produced outside the support period;
- Other electricity producers – for electricity produced beyond the scope of public service obligations.

Accordingly, the quantity of electricity that may be offered for sale on the exchange is significantly limited by existing legislation. According to 2025 data, the volume of electricity that could theoretically have been offered on the electricity exchange accounted for approximately 18% of the country's total demand.

Market participants

Figure №1: Exchange members



As of December 31, 2025, 24 participants were registered for the day-ahead market and 17 participants for the intraday market.
The full list of electricity exchange participants can be found on the exchange operator's website - www.genex.ge.
Figure №1 shows the number of participants registered in the day-ahead and intraday markets by category, as of December 31, 2025.

Certification of trading representatives

In 2025, GENEX conducted two examinations—in July and December—to assess the qualifications of trading representatives. Following these exams, three new representatives were added to the list of certified trading representatives. Information on the certification scheme, examination procedures, and exam materials is available on the GENEX website (www.genex.ge). The dates and locations of the examinations are published at least two weeks in advance on the GENEX website, in the news section.

Exchange operator service fees

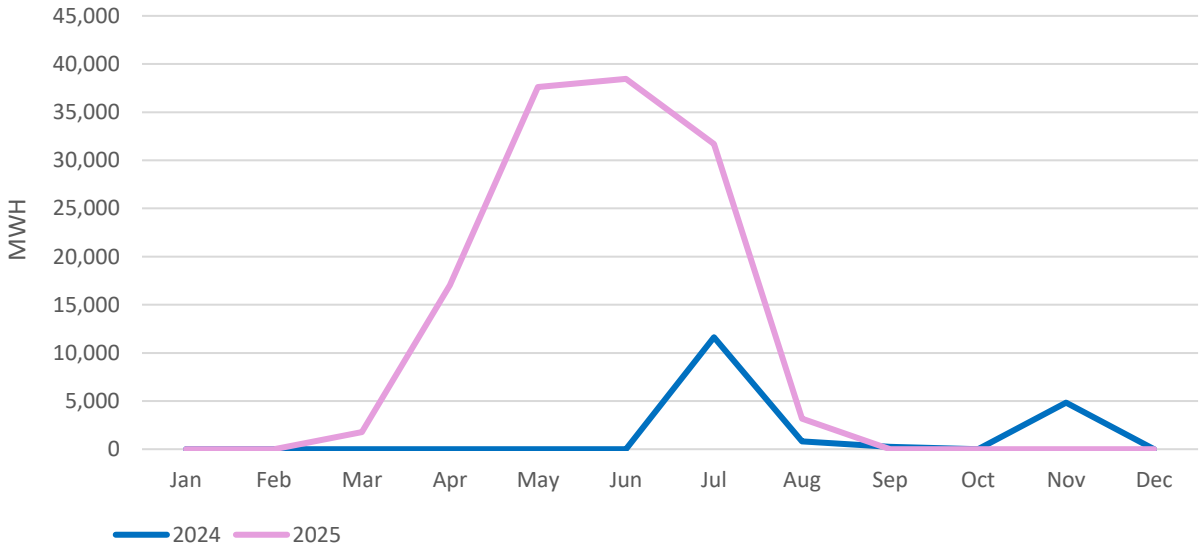
The transitional electricity market model represents a step toward the target market model. With the opening of the day-ahead and intraday electricity markets under the transitional model, participants had the opportunity to test the new segments and trade through the electronic platform. To ensure that exchange operator service fees would not create a barrier to trading on the exchange, all such fees were set to zero by the Georgian National Energy and Water Supply Regulatory Commission. According to the Commission's decision, the zero service fees will remain in effect until December 31, 2026.

Trading

Day-Ahead Market

In 2025, participants in the day-ahead market traded 129,753.8 MWh of electricity, which is almost 7.5 times higher than the volume traded in 2024 (17,493.9 MWh). The increase in participant activity can be attributed to several factors, including financial benefits. Traded volumes by month are presented in Figure №2.

Figure № 2. Results of Day-Ahead Market Trading in 2024–2025



Although trading in 2025 increased several times compared to the previous year, the volume of electricity traded on the exchange remains relatively low. The main reason for the limited trading volume continues to be the existence of monthly balancing within the transitional market model. Wholesale market participants are obliged to balance their positions within the month (i.e., to reconcile the amount sold with the actual amount delivered during the same period), which prevents demand for shorter-term trading products aimed at position balancing.

Figure № 3. Demand-Supply and Traded quantity of 2025

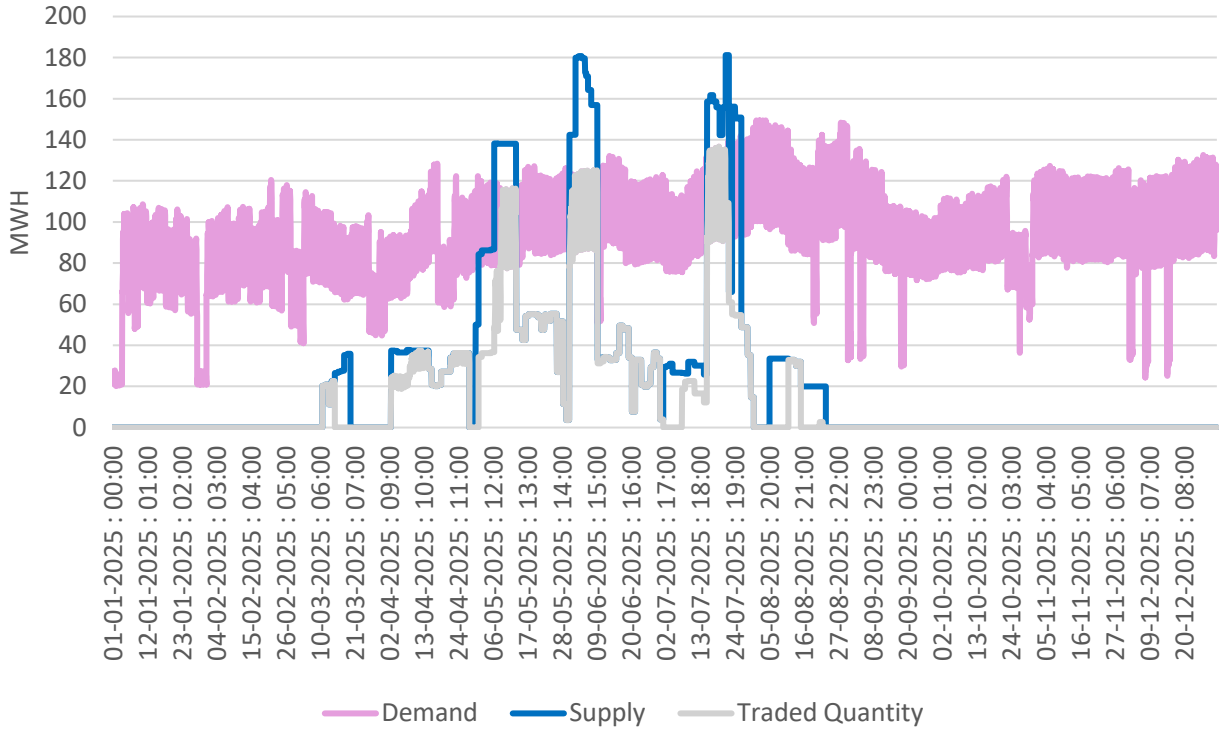
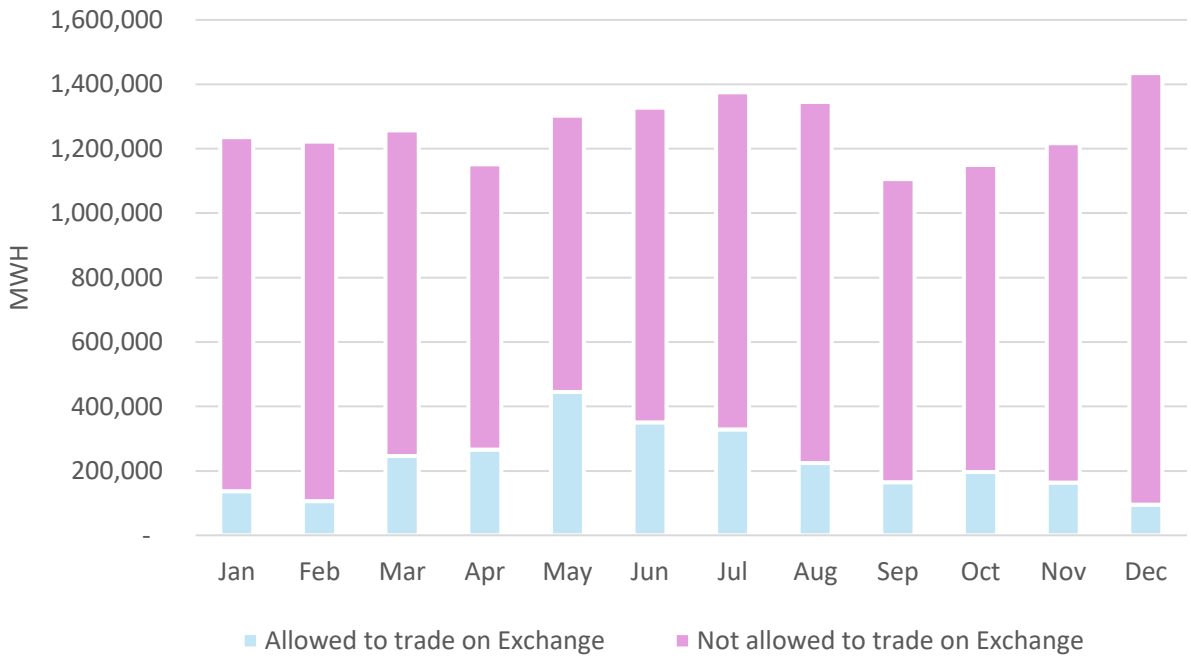


Figure № 4. The amount of electricity allowed for trading on the exchange

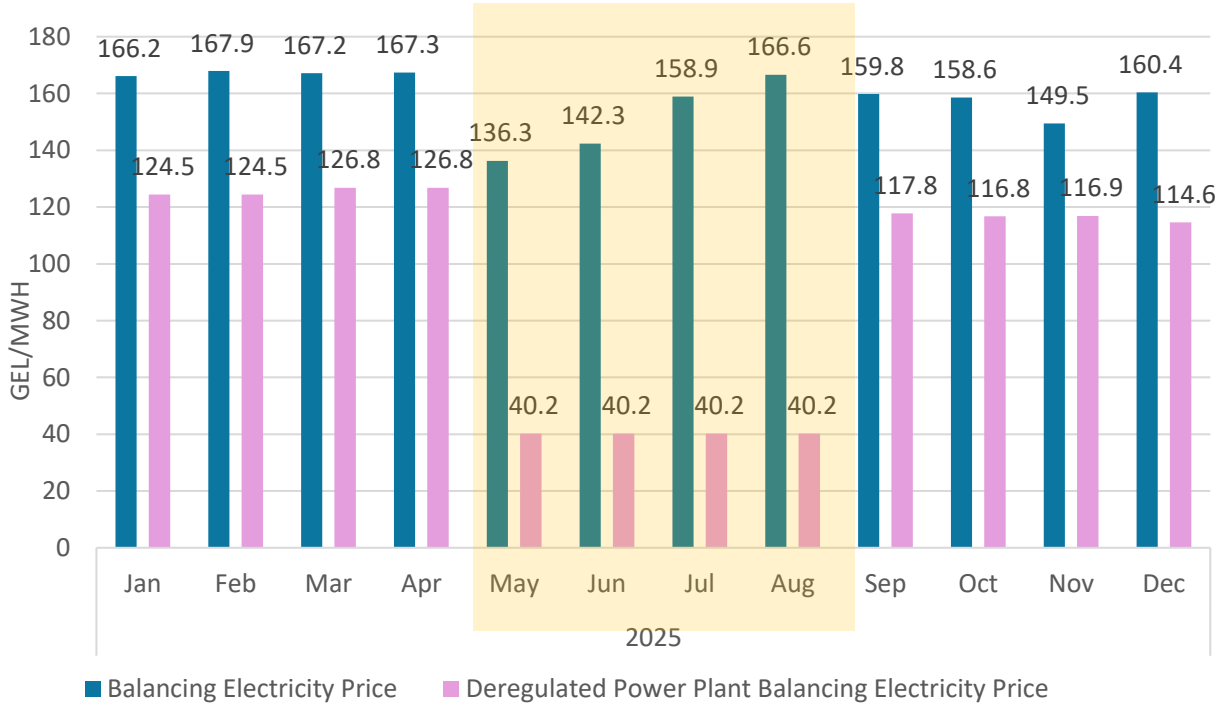


Apart from the specifics of the transitional market model, which apply equally to both buyers and sellers, participation by market participants is also characterized by additional features. Figure 3 presents the demand, supply, and traded volumes in the day-ahead market in 2025. The diagram shows that the exchange was primarily in deficit—although demand existed almost daily, supply only became active from spring onward. This was due to the number of power plants entitled to trade on the Exchange and the increase in their production. Figure 4 shows the volume of electricity eligible for trading on the exchange, indicating that participant activity corresponded to periods of increased available electricity.

In addition to the increase in supply, the price determined by legislation for deregulated power plants for unsold electricity is also likely to influence their motivation to offer electricity. Under the existing market model, a portion of produced electricity cannot be sold due to legal restrictions or market limitations through bilateral contracts or on the exchange. For example, producers holding Guaranteed Electricity Purchase Agreements sell electricity as balancing energy during the contractually defined period. For certain thermal power plants, the regulated tariff often exceeds the expected price of balancing electricity, effectively making its sale impossible even if a producer wished to do so through bilateral contracts.

As a result, at any time of the year, total market demand (including bilateral contracts and the exchange) always exceeds the electricity available for sale. This created deficit is also reflected in the proportion of supply and demand on the exchange—demand is almost always higher than supply.

Figure № 5. Prices of a deregulated power plant and balancing electricity



During the period from May to August, when power plants under Guaranteed Purchase Agreements switch to a “deregulated” regime, thermal power production is mostly reduced to zero, decreasing the total traded volume of balancing electricity. Consequently, the gap between supply and demand in other market segments widens. Finding buyers becomes more challenging, while the risk for producers that unsold electricity will have to be sold as balancing energy increases.

In addition to quantity risk, price risk rises, as electricity that could have fetched GEL 150–168/MWh in winter would only fetch around GEL 40/MWh during May–August. Figure 5 presents the price of balancing electricity and electricity purchased by ESCOs from deregulated power plants. While the average winter difference is about GEL 35/MWh, during May–August this difference reaches an average of GEL 115/MWh. Accordingly, the risk and expected cost associated with unsold electricity increase sharply in May–August. During this period, the exchange provides the opportunity for transparent electricity sales.

Figure №6 presents a comparison of traded electricity volumes and prices. During periods of active trading, the electricity price within the month shows little variation, which can be explained by the fact that traders use the expected price of balancing electricity as a reference.

Figure №6. Trading Results on the Day-Ahead Market in 2025

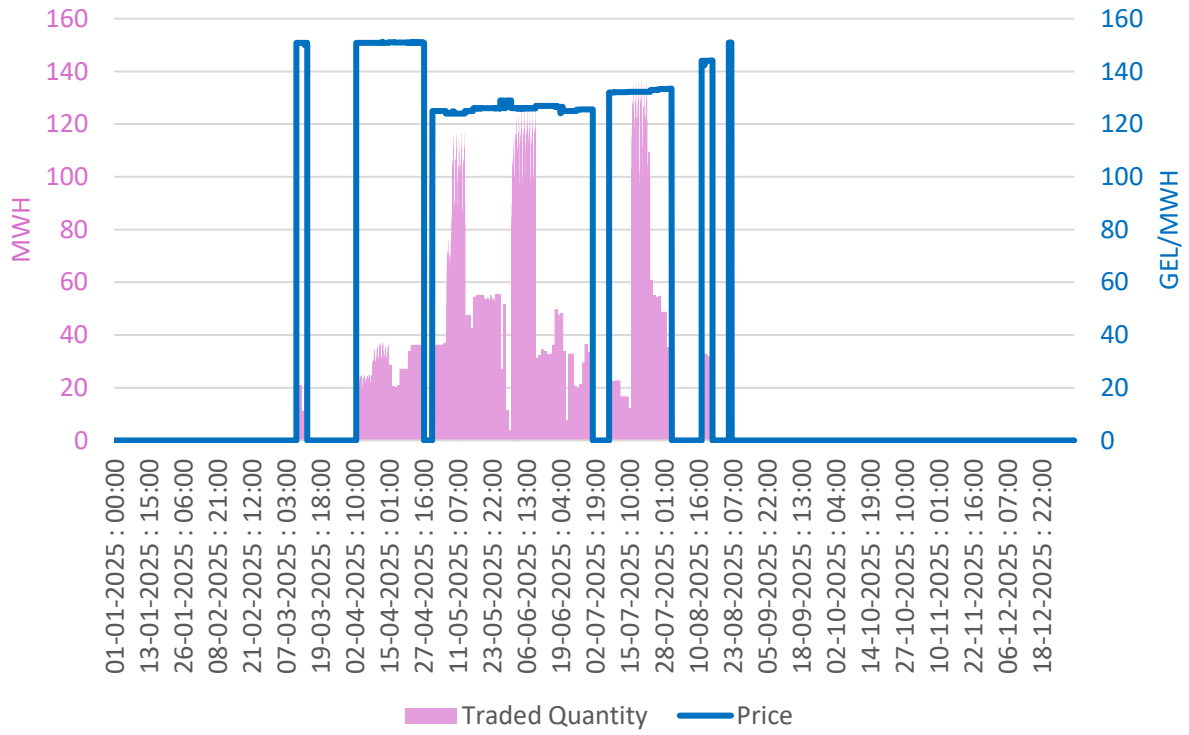


Figure №7 Average Day-Ahead Market Price and Balancing Electricity Price

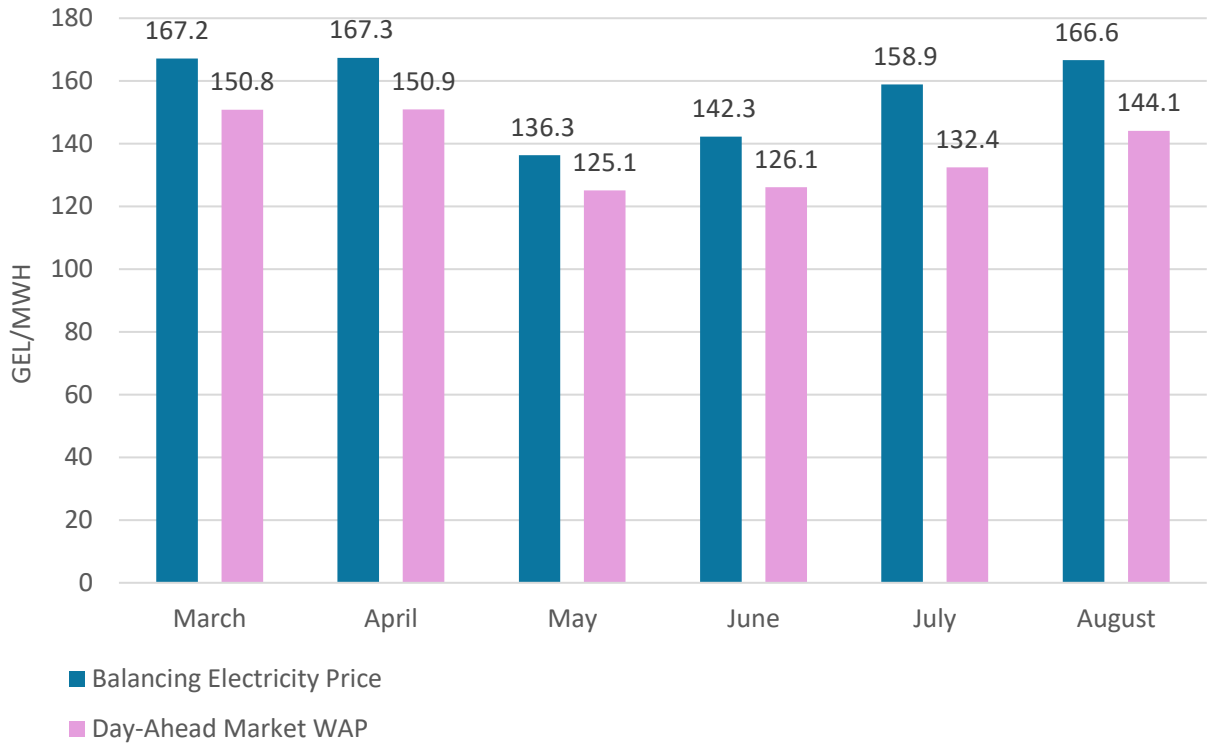


Figure №7 shows the average electricity price on the exchange and the prices of balancing electricity during the active trading periods in 2025. In each month, the price of balancing electricity exceeded the average exchange price. As a result, buyers saved nearly GEL 2,265,000 in 2025, which is approximately 5.5 times higher than the 2024 savings (GEL 400,000).

IntraDay Market

The first transaction on the intraday market took place on May 6, 2025. The traded volume amounted to 381.6 MWh, and the price was set at GEL 125/MWh.

Although the intraday market represents an important instrument, activity on it remains low. The intraday market allows participants to respond to short-term signals and potentially earn additional benefits. However, since the existing market model does not impose hourly balancing obligations and prices remain largely stable throughout the day, participants have limited motivation to trade actively on the intraday market.

Figure №8 INTRADAY MARKET RESULTS