



Avenue de Cortenbergh 71, 1000 Bruxelles / numéro d'entreprise 0808.569.630 / [www.coreso.eu](http://www.coreso.eu)

## ANNUAL REPORT 2012

### Contents

<b>1.</b>	<b>Composition of management bodies .....</b>	<b>2</b>
1.1.	<i>Board of Directors .....</i>	2
1.2.	<i>Daily management responsibilities.....</i>	3
1.3.	<i>Auditor.....</i>	3
<b>2.</b>	<b>Main events during the year .....</b>	<b>3</b>
<b>3.</b>	<b>Outlook for 2013.....</b>	<b>5</b>
<b>4.</b>	<b>Subsidiaries .....</b>	<b>6</b>
<b>5.</b>	<b>Events after the end of the year.....</b>	<b>6</b>
<b>6.</b>	<b>Notes to the annual accounts .....</b>	<b>6</b>
6.1.	<i>Introduction.....</i>	6
6.2.	<i>Balance sheet .....</i>	7
6.3.	<i>Income statement.....</i>	8
6.4.	<i>Profit for the financial year available for appropriation.....</i>	9
<b>7.</b>	<b>Description of the risks and uncertainties facing the company .....</b>	<b>10</b>
<b>8.</b>	<b>Internal audit .....</b>	<b>11</b>
<b>9.</b>	<b>Research and development.....</b>	<b>12</b>



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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 since 20 April 2012;
- Mr Christopher Train, Vice-Chairman of the Board of Directors since 20 April 2012;
- Mr Dirk Biermann, director since 20 April 2012;
- Mr Mike Calviou, director since close of business on 19 October 2012;
- Mr Roeland Goethals, Vice-Chairman of the Board of Directors until 20 April 2012;
- Mr Dominique Maillard, permanent representative of RTE Réseau de Transport d'Electricité SA, Chairman of the Board of Directors until 20 April 2012;
- Ms Brigitte Peyron;
- Mr Carlo Sabelli;
- Mr Pier Francesco Zanuzzi, director since 20 April 2012;
  
- Mr Francesco Del Pizzo, director until 20 April 2012;
- Ms Alison Barbara Kay, director until close of business on 19 October 2012;
- Mr Karl-Wolfgang Neldner, director until 20 April 2012.

The general meeting of shareholders of 20 April 2012 appointed Ms Peyron, Ms Kay and Messrs Biermann, Dobbeni, Goethals, Maillard, Sabelli, Train and Zanuzzi as directors.

None of the directorships are remunerated and all shall expire immediately after the ordinary general meeting, on the approval of which the annual accounts as at 31 December 2014 shall be submitted.

Upon resigning, Ms Alison Kay was replaced by Mr Mike Calviou, who was appointed a director by the Board of Directors on 19 October 2012, effective as from the close of business on 19 October 2012.

Mr Daniel Dobbeni and Mr Christopher Train were appointed Chairman and Vice-Chairman of the Board of Directors respectively on 20 April 2012, for a term of three years.

The Board met six times in 2012 and discussed technical, financial, economic and strategic issues.



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## **1.2. Daily management responsibilities**

The Board of Directors' meeting of 22 June 2009 appointed Mr François Boulet as head of operations, with the title Chief Executive Officer, until 31 December 2011. The Board of Directors' meeting of 29 June 2011 extended Mr Boulet's appointment to 31 December 2012.

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

The Board of Directors' meeting of 22 June 2009 also appointed Mr Olivier Bronckart as Chief Operating Officer. Mr Olivier Bronckart was replaced as Chief Operating Officer by Mr Cédric Auxenfants, effective as from 1 August 2012.

## **1.3. Auditor**

The general meeting of 20 April 2012 appointed Klynveld Peat Marwick Goerdeler – Réviseurs d'entreprise BCVBA/SCCRL, represented by Alexis Palm and Ernst & Young Réviseurs d'Entreprises BCVBA/SCCRL, represented by Marnix Van Dooren, as the auditors of the company for a period of three years, expiring at the ordinary general meeting of 2015 deciding on the annual accounts for the year ended 31 December 2014.

The remuneration for the auditor shall be €12,925.00 for the financial year, following annual indexation in line with the consumer price index.

## **2. Main events during the year**

Coordination of Electricity System Operators (Coreso), which launched operations in February 2009, is the first technical coordination centre in continental Europe to be shared by multiple transmission system operators. 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 area, Coreso has demonstrated a high level of reliability and expertise. Its added value for identifying risky situations for the electricity system, 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 carries out security analyses, simulating various scenarios and suggesting corrective actions. Coreso coordinates exchanges between the various national control centres, which remain responsible for implementing these actions in their respective systems, with a view to obtaining the agreement of each control centre for the proposed corrective actions.

Coreso's current shareholders are Elia (Belgium), RTE (France), National Grid (UK), Terna (Italy) and 50Hertz (eastern Germany and Hamburg). Consequently, the Coreso team has grown, totalling 23 persons.



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### **Enhancing coordination**

Collaborative efforts with all TSOs in the Central West Europe zone also led to the signing of a shared procedure for the coordination of phase-shifting transformers in the zone. Coreso plays a central role here on behalf of its shareholders for all timeframes (ranging from D-2 (=2 *days before real time*) to close to real time) and is also responsible for conducting general analyses and suggesting the most appropriate control measures where any need for coordination arises. The procedure – the first of its type to be established between TSOs and coordination centres in Europe – is one of a number of measures put in place to alleviate the growing pressure on grids following the closure of eight nuclear power plants in Germany in March 2011.

In addition, together with other European TSOs, Coreso helped to improve the data exchanged on a daily basis, in particular by participating in ENTSO-E's Data Quality Task Force, which aims to establish a data conformity and quality control tool to create a patched-up European system serving as a basis for any studies.

Furthermore, collaboration started with the TSC coordination initiative in a bid to establish a common intraday congestion forecast file exchange procedure (IDCF) which will become fully operational in 2013.

### **Major incident management**

At the end of 2011, Coreso established a new service to support its shareholders in the event of a major incident.

This service was activated on 5 March 2012 to support Elia and RTE after a heavy snowfall on the French-Belgian border which caused major disruption within the system, resulting in power outages for customers.

The new tool (DADS) rolled out at the end of 2011 provided Coreso with a real-time overview of the grid and its observation area and enabled it to submit regular reports to its shareholders, thereby ensuring the immediate transmission of information regarding such incidents.

To ensure that it is prepared and trained for this kind of situation, Coreso also took part in an international crisis exercise with Elia, RTE and TenneT. The participants' operational teams and communications units were able to play a major role in this, where international redispatching and load-shedding had to be simulated.

This type of exercise enables continuous improvement with a view to maintaining the degree of skill and professionalism needed in this kind of situation.

### **Operating results**

In 2012, Coreso was able to provide D-1 (=one *day before real time*) analysis and coordination services every day for the fourth consecutive year. The stressed situations for which Coreso provides added value have been more frequent since the extension of the action area.

Indeed, the area of eastern Germany is under significant stress given the substantial generation of wind power, making coordination between German TSOs and their neighbours vital. Coreso managed to propose a number of solutions which are now regularly implemented. Coreso's added perspective also enables 50Hertz to better calibrate necessary redispatching levels.



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

In addition, Coreso is closely involved in a pentilateral project aimed at optimising such D-2 capacity.

Following the exceptional situation of two major nuclear power stations having to be closed down in Belgium until further notice, to support its shareholders Coreso embarked on a specific study to clarify the potential for imports to the region in question.

Coreso is also playing an active role in defining the flow-based market coupling mechanism for calculating D-2 capacity within the Central West Europe (CWE) zone, which will ultimately replace the ATC market coupling mechanism. Since March 2012, Coreso has been operating the flow-based prototype for RTE and Elia on an experimental basis.

Coreso is stepping up its involvement in the management of variable renewable energies. More and more, the very rapid increase in the penetration of these energy sources is demonstrating the need for a regional overview to help understand their impact on the European electricity grid. Coreso aims to establish a service with a view to helping its shareholders safely manage the grid while taking this key aspect into account. Since the autumn, Coreso has been receiving wind power forecasts for all of Europe.

### **Creation of new jobs**

In January 2012, a post of Operations Engineer was created, to be occupied on a rotating basis by 2 Security and Coordination Engineers who will be taken out of their rota for 2 months and endeavour to facilitate day-to-day operations and guarantee continuity between teams.

In April 2012, a post of Project Engineer was also created in connection with Coreso's involvement in a number of projects, mainly in Europe (see section 9).

## **3. Outlook for 2013**

### **Consolidation**

2011 saw the establishment of new procedures and extension into new territories. In 2012, these aspects were successfully consolidated.

There are many priorities for 2013:

- Establishment of the intraday procedure (IDCF) in conjunction with TSC;
- establishment of a value-added service associated with the HVDC cables running between continental Europe and the UK;
- establishment of the procedure for calculating D-2 capacity for CSE;
- establishment of a coordination procedure for the flow-based market coupling mechanism in CWE;
- establishment of a monitoring and warning system for frequency management;
- establishment of a process for monitoring renewable energies;



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- continuing the collaboration with TSC on certain aspects including data quality.

Accordingly, the creation of a project unit within Coreso was also planned for the beginning of 2013.

#### **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.

#### **6. Notes to the annual accounts**

##### **6.1. Introduction**

##### **Accounting of activities**

##### **Key figures**

<b>In thousand €</b>	<b>31 December 2012</b>	<b>31 December 2011</b>
EBITDA	654.55	584.20
EBIT	166.38	143.85
Net result (before taxes)	171.47	134.42
Net result (after taxes)	84.84	72.94
Solvency ratio	55.73%	48.05%
Liquidity ratio	98.97%	71.44%

Solvency = equity/total assets

Liquidity = current assets/short-term liabilities



## 6.2. Balance sheet

### Fixed assets

Fixed assets include the following:

<b>In thousand €</b>	<b>2012</b>	<b>2011</b>
Preliminary expenses	25.51	44.50
Intangible fixed assets	60.04	94.16
Property, plant and equipment	1,334,30	1,611.43
<b>TOTAL FIXED ASSETS</b>	<b>1,419.85</b>	<b>1,750.09</b>

The investments made in 2012 relate to property, plant and equipment totalling €157,938.

Most of these investments (€146,682) consist of IT equipment used in the development of Coreso's activities.

The net book value of fixed assets was €1,419,855 and includes cumulative depreciations at year-end 2012 totalling €1,437,005.

### Current assets

'Trade debtors' accounts for €593,591. A total of €513,809 relates to operational fees contracts between Coreso and its shareholders. The remainder of €79,782 represents other invoices issued that are not yet due.

'Other amounts receivable' includes recoverable taxes and VAT totalling €30,210 plus a total of €185,012 reimbursable social security contributions.

Cash comprises liquidities worth €172,922.

### Deferred charges and accrued income

This item comprises operating expenses, such as rents and insurance, to be deferred to financial year 2013 (€47,922) and subsidies due worth €77,387.

### Equity

As at 31 December 2012, the share capital amounted to €1,000,000, represented by 15,210 shares and fully paid up upon the establishment of Coreso.

Following the positive results for the financial year 2012 (€84,844), a €4,242 appropriation to the legal reserve was booked. The remainder of the distributable profit (€80,602) has been carried forward.



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In 2010, a subsidy of €68,775 was received from the European Union in connection with the Twenties project. This amount was booked as a subsidy and transferred to the results in proportion to the depreciation of the investments in question.

An amount of €13,755 was booked to the 2012 results. As at 31 December 2012, the remainder amounted to €40,119.

Equity amounted to €1,408,359 after the appropriation of the 2012 results.

### **Debts**

In 2012, the three initial Coreso shareholders decreased their subordinated loan by €300,000. Consequently, the total loan at year-end 2012 was €300,000. The loan was awarded at market conditions, at a Euribor interest rate plus margin.

'Trade debts' at year-end 2012 totalled €361,036. They relate mainly to invoices not yet due totalling €70,052 and invoices receivable totalling €290,984.

Social security liabilities cover a number of provisions such as holiday allowances, bonuses and personnel insurance. The total amount for this item is €411,441.

### **Accrued charges and deferred income**

This item mainly comprises subsidies receivable totalling €46,063.

## **6.3. Income statement**

### **Operating income**

Total operating income can be subdivided as follows:

<b>In thousand €</b>	<b>2012</b>	<b>2011</b>
Operational fees	4,757.74	4,282.62
Other operating income	569.43	527.97
<b>Total</b>	<b>5,327.17</b>	<b>4,810.59</b>

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

### **Operating expenses**

Operating charges total €2,395,611 for 2012 (€2,192,135 in 2011) and relate to the costs of rent, consultants, IT maintenance, representation, and so on.

The increase is mainly due to the rise in consultancy fees (up €132,625).





### **Personnel expenses**

This item comprises charges associated with remuneration, i.e. salaries, social benefits and social security costs. The rise from €2,034,167 (2011) to €2,276,919 (2012) results from the increase in the number of full-time equivalents from 17.5 to 20.7.

### **Depreciation**

Depreciation of property, plant and equipment totals €488,171 and is calculated according to the valuation rules approved by the Board of Directors, as indicated in the annual accounts.

### **Financial income**

Financial income totalled €14,600, €845 of which was generated by cash investments made in 2012. An amount of €13,755 relating to the subsidy was entered under this item.

### **Financial charges**

Financial charges amounted to €9,511 of which €7,354 thousand pertains to a subordinated loan contracted with the shareholders until 29 June 2012 and totalling €600,000. As at 30 June, the loaned amount totalled €300,000.

### **Taxes**

In 2012, the profit before tax was €171,469. After applying notional interest and taking into account disallowed costs, Coreso's tax expense in 2012 was €86,625.

### **Net profit**

For 2012, Coreso booked a net profit after tax of €84,844.

### **6.4. Profit for the financial year available for appropriation**

At the general meeting of 23 April 2013, the Board of Directors will propose the following distribution of profits:

<b>In thousand €</b>	<b>2012</b>	<b>2011</b>
Profit for the financial year	84.84	72.94
Profit carried forward from the previous year	269.22	199.93
Appropriation to the legal reserves	4.24	3.65
Distribution of the dividend	0.00	0.00
Result to be carried forward	349.83	269.22



## **7. Description of the risks and uncertainties facing the company**

### **Financial risks**

The funding needs of Coreso 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 clients. 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.

In addition to this dependency on data quality, Coreso will be exposed to a new risk when the format of data required from TSOs changes from ASCII to XML. This change could not only diminish data quality during the transition from the old format to the new format, but also prolong data collection and processing. The XML format also allows more information to be transmitted than the ASCII format. This format change will be subject to appropriate testing before going live.

To manage the overall risk of data quality, the Coreso shareholders signed a Memorandum of Understanding (MoU) with the TSOs that were members of TSO Security Cooperation (TSC), an association of 11 European TSOs aiming to boost collaboration, especially on data provision and quality.

### **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, are being outsourced to external suppliers and service providers. A unique supplier acts as the first line of support for troubleshooting any (hardware) issues. All contracts with ICT providers include guarantees on long-term support and maintenance services for all critical ICT components.

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



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### **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 necessity of ensuring 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.

### **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. In early 2011, CORESO underwent its first such internal audit, which took the form of a Business Continuity Planning study. The implementation of some recommendations made in this connection was directly monitored by Coreso's Governance Board. The exact scope of the second audit, due to be carried out in 2013, is still being discussed with Coreso.



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## **9. Research and development**

Coreso is involved in two European projects:

- TWENTIES, which stands for Transmission System Operation with Large Penetration of Wind and Other Renewable Electricity Sources in Networks by means of Innovative Tools and Integrated Energy Solutions), in which Coreso serves as a platform demonstrating new tools for the coordination of operations with a view to addressing the impact of renewable energies on the grid; and
- iTesla, which stands for 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.

23 April 2013,

Daniel Dobbeni  
Chairman of the Board of Directors

Christopher Train  
Vice-Chairman of the Board of Directors