



2015

Corporate Report



emie



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Board of Directors





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> 1.1. | Board of Directors

Pedro Mejía Gómez
Chairman

José Carvalho Netto
Vice Chairman

Board Members:

ABENGOA. S.A.
Ana Raquel Díaz Vázquez

BANCO SANTANDER S.A.
Carlos Martín de los Santos Bernardos

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

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

GAS NATURAL SDG, S.A.
Rosa Sanz García





IBERDROLA GENERACIÓN ESPAÑA S.A.U.
Gregorio Relaño Cobian

PARCAIXA, SGPS, S.A.
Paulo Henriques

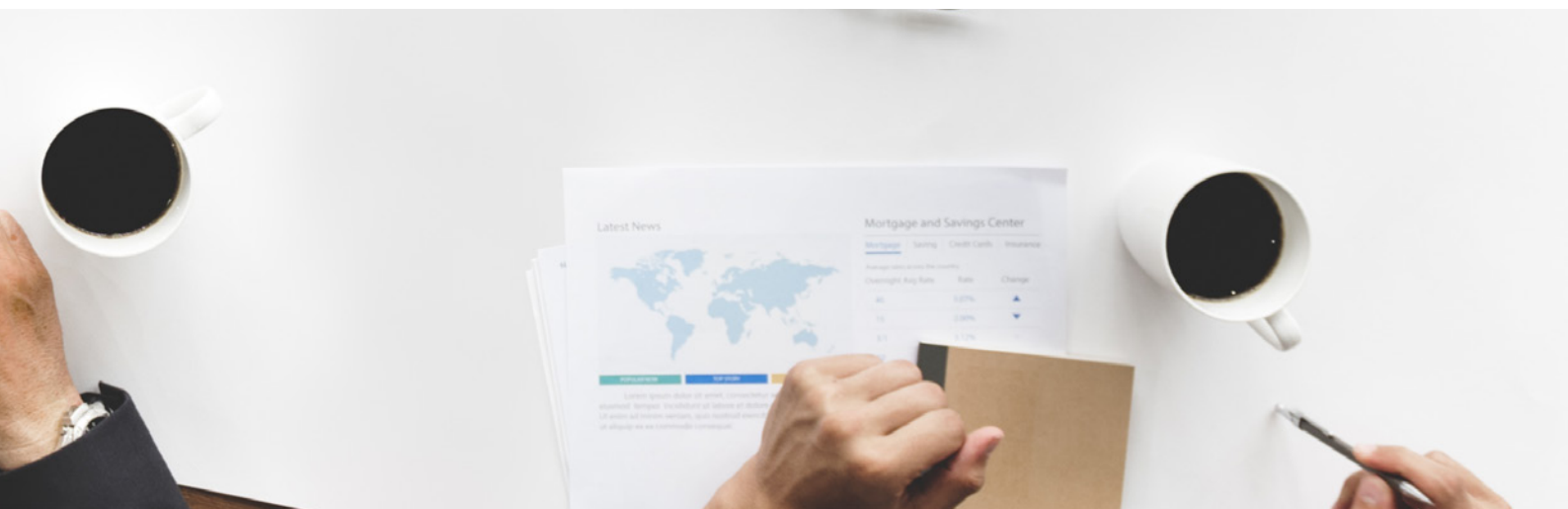
REDES ENERGÉTICAS NACIONAIS,
SGPS, S.A. (REN)
María José Clara

REN Serviços, S.A.
Pedro Henriques Gomes Cabral

VIESGO INFRAESTRUCTURAS ENERGÉTICAS, S.L.U.
Javier Anzola Pérez

Rafael Ramos Gil
Secretary (Non-Board Member)

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





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Steering Committee





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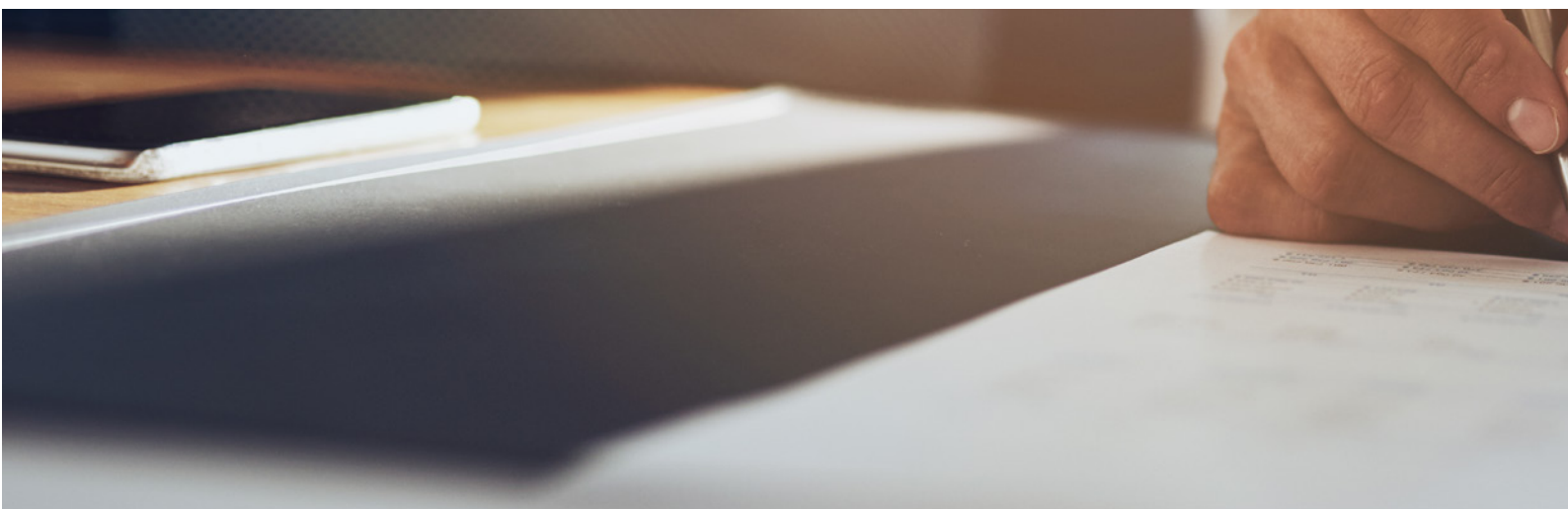




> 2.1. | Steering Committee

Pedro Mejía Gómez
Chairman

José Carvalho Netto
Vice Chairman





Directors:

Rafael Gómez-Elvira González
Office of the Chairman and CEO

Rafael Ramos Gil
Legal Affairs

Luis Miguel López Otero
Corporate Management

Carlos Francisco Gamito Calvo
Settlement and Billing

José Javier González Fdez.-Castañeda
Market Operations

Pedro Basagoiti Satrústegui
Information Systems





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The Economic, Energy and Environmental Scenario





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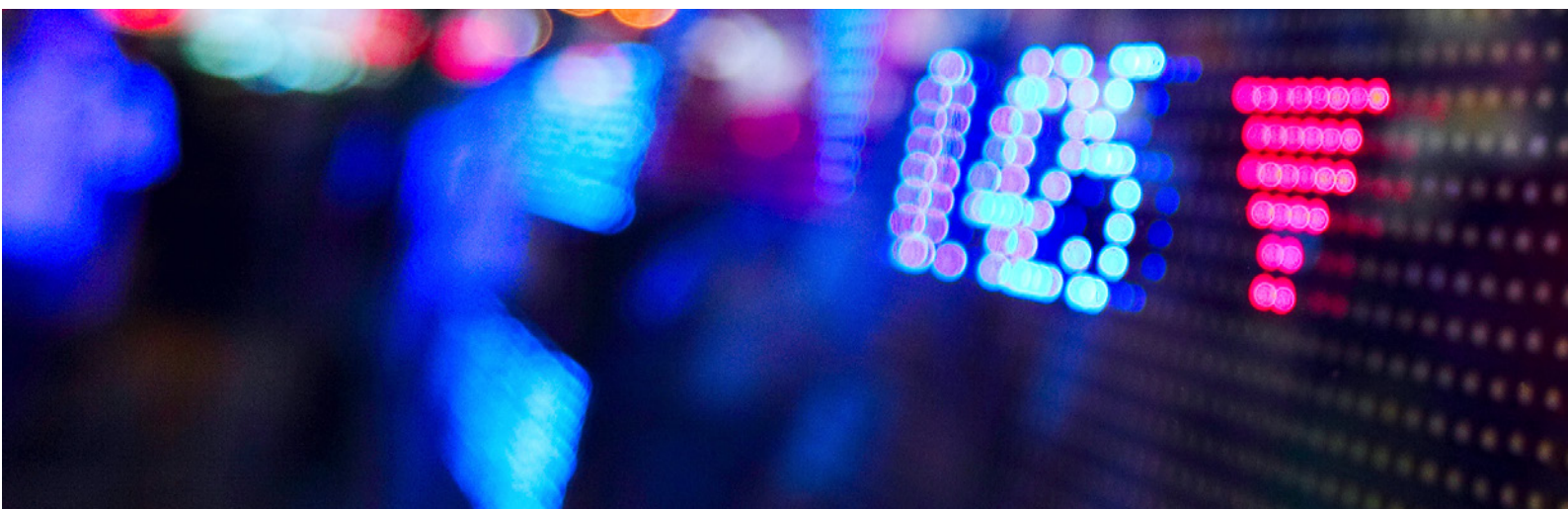


➤ 3.1. | The global economy: more moderate growth

2015 was underpinned by the fear of a further downturn in the global economy, with a growth figure (3.1%) that was clearly lower than previous years. Despite the uncertainty that still persists to this day, the International Monetary Fund (IMF) has announced a modest upward adjustment in this growth (3.2%) for 2016, and expects this trend to be maintained in 2017 (3.5%).

The risks facing the global economy include the weaker pull of the advanced economies, the cooling of emerging economies, and the fall in oil prices and other commodities, along with the toughening of monetary policies in certain regions.

As regards the moderation of growth in emerging economies, equities' markets have interpreted this as a sign of crisis and potential risk of recession. Nevertheless, the IMF considers it to be the outcome of a necessary re-adjustment in some of these economies, which were recording very high growth on the back of bubbles of different kinds. The slowdown in China is an example of this phenomenon, which means the world's second largest economy should change its current model, based largely on investment and the export of manufactured products, for a model that focuses more on domestic consumption and services.



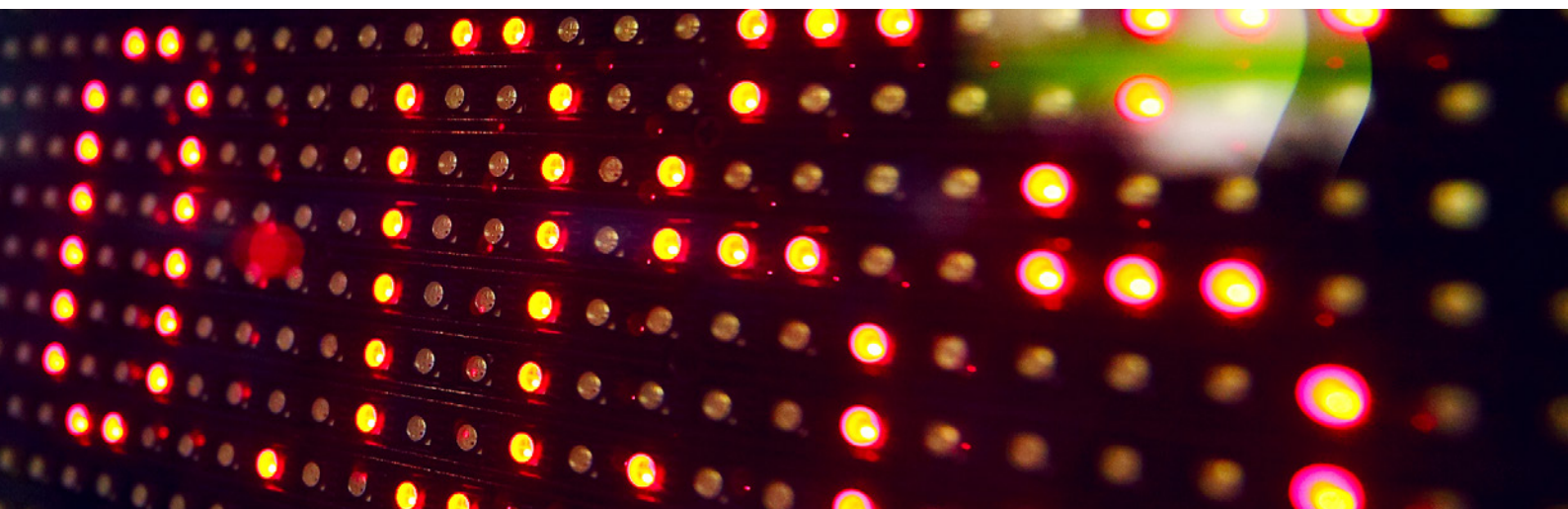


In 2015, the emerging economies accounted for 70% of global expansion, although the growth rate in these countries has fallen for the fifth year in a row to 4%. For their part, the advanced economies have continued along the path to recovery, with growth of 1.9% in 2015, although this figure has not been enough to offset the lower growth in China and the collapse caused by plummeting oil prices in economies such as Russia and Brazil.

According to these forecasts, the advanced economies will grow by exactly the same figure of 2.0% in both 2016 and 2017, while the emerging and developing economies are expected to grow over the next two years by 4.1% and 4.6%, respectively.



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*In 2015, the emerging economies
accounted for 70% of global expansion*





Europe's slow recovery

The fall in oil prices has meant good news for the advanced economies, and especially for Europe.

This circumstance has led to greater purchasing power among European consumers and, therefore, an increase in private consumption in the EU. On the other hand, Europe is enjoying a period of historically cheap credit, which according to the statements made by the European Central Bank (ECB) is to last longer than initially foreseen.

Moreover, the introduction of a more stringent monetary policy in the United States has led to a weaker euro, which is helping to boost European exports.



The economy in the eurozone grew by 1.5% in 2015, and according to the ECB this trend is expected to continue in 2016

Nevertheless, this positive news for the European economy has been undermined by the threat that an extended period of low prices would pose for certain producer countries regarding their imports of European goods and lead to a fall in foreign investment. This therefore means that a protracted scenario of low oil prices now stands as a threat to the global economy.

The figures show that the economy in the eurozone grew by 1.5% in 2015, and according to the ECB this trend is expected to continue in 2016.



Spain and Portugal consolidate their growth

In 2015, the economies of both Spain and Portugal have consolidated the growth that began in 2014. Domestic demand has been the driving force in both countries, and low oil prices have boosted growth within a scenario in which external demand has faltered.

The Spanish economy recorded a 3.2% increase in GDP in 2015, although the upheaval in the markets in recent months has slowed its rate of growth. Nevertheless, the advantage of low energy prices for the Spanish economy, the strength of domestic demand, propelled by the good figures for job creation, as well as the persistence of positive export data, all mean expected growth rates of 2.6% in 2016 and 2.3% in 2017, according to the European Commission (EC).

For its part, Portugal grew by 1.5% in 2015 thanks to stronger domestic demand. Within this context, all the forecasts suggest that this recovery will be ongoing, as it will be supported by expansive fiscal measures and by a rise in the minimum wage. The EC's forecast for the Portuguese economy in 2016 is growth of 1.4%, with and will fall in 2017 to 1.3%.

Unemployment figures have improved in 2015, and the forecasts for Spain indicate a fall of two percentage points to a rate of 19.7% in 2016, while the same figure in the Portuguese economy will fall by one percentage point to 11.6% in 2016.

As far as public finances are concerned, both these economies have benefited from the improvement in the real economy. The initial signs are that government debt in Portugal peaked in 2015, and the same will happen in Spain in 2016, with the downward path beginning in 2017.



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› 3.2. | Energy and environmental context

Energy Markets: A scenario of low energy prices

The year 2015 has witnessed a number of highly significant events in the commodities markets. Oil prices have fallen sharply, recording the lowest figures seen for over a decade, dragging down with them the prices of other highly correlated fuels.

This collapse is due largely to the maintenance of production by OPEC in order to lower the price per barrel, and so combat the increase in shale oil from North America. This factor is compounded by others of no lesser significance, such as the imminent arrival on international markets of oil from Iran, following the lifting of the sanctions imposed on that country, as well as the beginning of the change in China's growth model, which has now entered a stage of lower energy intensity.

The forecasts on oil prices made by the International Energy Agency (IEA) expect the price per barrel to rise to \$80 by 2020, although it does not rule out a scenario of relatively low prices over a longer period, which would keep the price per barrel below \$85 until 2040. The falls in prices in recent months have led many countries that traditionally subsidised its consumption to withdraw this aid, which over the medium term could hold back any increase in demand.

The IEA mentions other risks that may put pressure on prices: the fall in upstream investments, which have dropped by 15% in 2015, could reduce the supply of oil over the medium term, and the return of geopolitical tensions that could curtail the supply of fuels.





Concerning the long-term forecasts for energy demand, the IEA's annual review downgrades them with respect to its previous estimate. The 2015 forecast was for 32% growth over the 2013-2040 period (five percentage points lower than the prior year's estimate). All the net growth would be provided by non-OECD countries, while the members of that organisation would record a 3% drop.

According to the IEA, the slowdown in China conjures up a scenario of less energy consumption and lower CO2 emissions. Some studies contend that China may have already reached its ceiling in CO2 emissions, that is, almost 15 years before it was expected to do so only a few months ago.



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that is, almost 15 years before it was expected
to do so only a few months ago*





The environment. The Paris Conference (COP21)

From 30 November to 12 December 2015, Paris hosted the twenty-first session of the United Nations Framework Convention on Climate Change (COP21), as well as the eleventh session of the Meeting of the Parties to the Kyoto Protocol (MOP11).

COP21 ended with the adoption of the Paris Agreement, which lay down the overall framework for combating climate change as of 2020. This is a historic agreement in the fight against global warming that fosters the transition to an economy that is low in emissions and resilient to climate change.

The heads of government from more than 190 countries, which are responsible for 97% of global emissions, pledged to curb global warming and agreed to keep the rise in the planet's average temperature to below 2°C with regard to pre-industrial levels, and maintain the efforts to limit this rise in temperature to 1.5°C.

Other significant parts of this agreement include a commitment to ensure global emissions reach their ceiling as soon as possible, accepting that this target will take longer to achieve for developing countries; all countries are to report every five years on their emission targets and their performance, as well as on the implementation of national policies and measures for achieving these targets, and the determination to lay the foundations for the move to low-emission development models.



..... ↙
*The fulfilment of the Paris goals involves
the growing electrification of the economy*



Regarding this last commitment, there is a major financial package that will help with the implementation of the Agreement, and which for developed countries is to be formed on the basis of mobilising an annual sum of 100 billion dollars as of 2020 through different sources. This target is to be adjusted upward before 2025.

If the goals of COP21 are indeed to be fulfilled, then regulators will need to send out the right signals to investors. Only in this way will the path to the decarbonisation of the economy become a reality.

The electricity sector, of which OMIE is part, is called upon to be the centre of this new energy paradigm, according to the main energy players and agencies. Nobody now doubts that the fulfilment of the Paris goals involves the growing electrification of the economy.



.....
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➤ 3.3. | Towards an internal electricity market in the EU

On 15 July 2015, the European Commission (EC) adopted a Communication “A new deal for energy consumers”.

The EC acknowledges that the energy sector has evolved significantly in recent years, although it considers that European consumers have not sufficiently benefitted from this process. Mention is therefore made of the need to prepare citizens for the coming transformation of the energy sector that is already underway within the process of the decarbonisation of the European economy. Within this context, the Communication has launched a public consultation process on the nature of the new design of the electricity market for meeting all the aforementioned goals.

The aim of this public consultation process from the start is to engage all the stakeholders in the process of drawing up a draft model for Europe’s electricity market, which is expected to be ready by the end of 2016. Among other aspects, the European Commission wants to encourage “more market”, giving special importance to within-day balancing and operating markets, drawing as close as possible to real time.

The EC’s initial proposal makes a very positive assessment of all the progress made to date in the matter of integration, and constitutes an explicit recognition of the success of the coupling of the Daily Markets (Price Coupling of Regions), as a major milestone in this process seeking a new arrangement of the European electricity market.



It is important to note that in July 2015, the same month in which the EC launched its public consultation, the Official Journal of the European Union (OJEU) published Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management. Among other aspects, this EU regulation of mandatory compliance for all Member States gives formal expression to all the projects, now underway, for Daily Market coupling and the integration of Intraday Markets, as the model of integration to be applied throughout the EU.

Accordingly, the new arrangement of the electricity market will be based on the development of the model already in place, although it will include additional market mechanisms to facilitate, among other things, a greater share of generation using renewable energy sources and the participation of all kinds of consumers.



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OMIE's business





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> 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 settlement and invoicing 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.



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OMIE in detail

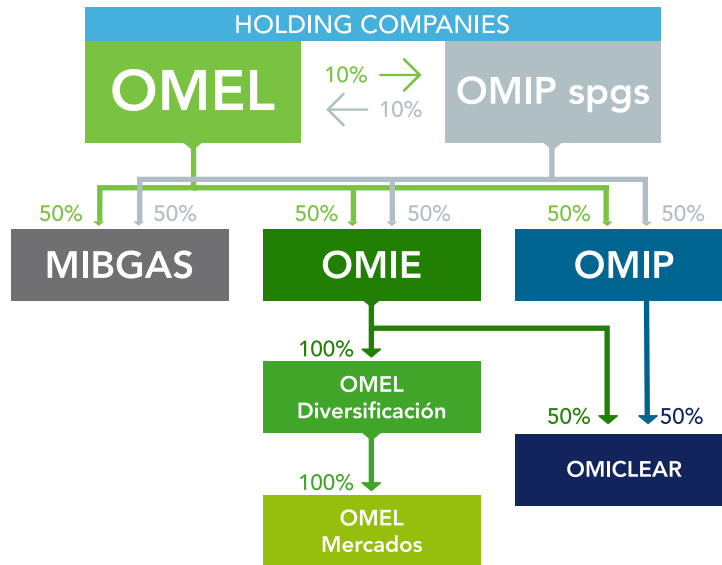
The company OMI-Polo Español S.A. (OMIE) is regulated by the Santiago International Agreement, regarding the implementation of an Iberian electricity market (MIBEL) between the Kingdom of Spain and the Republic of Portugal, and subject to Spanish legislation.

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

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.

→ Figure 1 · OMIE corporate structure



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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





MIBGAS

The company MIBGAS, S.A. was incorporated towards the middle of June 2012, with its stock shared equally between the holding companies OMIP SGPS and OMEL. Its corporate purpose is to operate as a wholesale market operator for natural gas on the Iberian Peninsula. Since it began trading, work has progressed intensively on developing this initiative, which has meant that sound progress has been made in the arrangement of a gas market for South-West Europe.

Law 8/2015, of 21 May, which amends Law 34/1998, of 7 October, on the Hydrocarbons Sector, nominated MIBGAS S.A. as the Organised Gas Market Operator.

MIBGAS is responsible for, among others, the following duties: increase competitiveness within the sector; help to harmonise and rationalise the Iberian gas market; foster liquidity and transparency through trading in conditions of equality, transparency and objectivity for all the agents involved; and help to increase the security of supply and reinforce the interconnections between the Iberian Peninsula and the rest of Europe (Juncker Plan).

In the future the shares in this market operator are held by OMEL (20%), OMIP SGPS (10%), and by the technical managers of the systems in Spain (ENAGAS) and Portugal (REN) with 20%, with the remaining 50% being held by other companies that may each hold a maximum interest of 5%.



> 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.

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.



.....

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





There are currently 930 agents operating in the market. Market agents may be the producers of electricity, including the producers of energy generated by renewables, cogeneration and wastes, retailers, those consumers who so wish, 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 has two subsidiaries for organising the auctions for energy products, OMEL Diversificación and OMEL Mercados, respectively.



The operation of the Daily and Intraday Markets

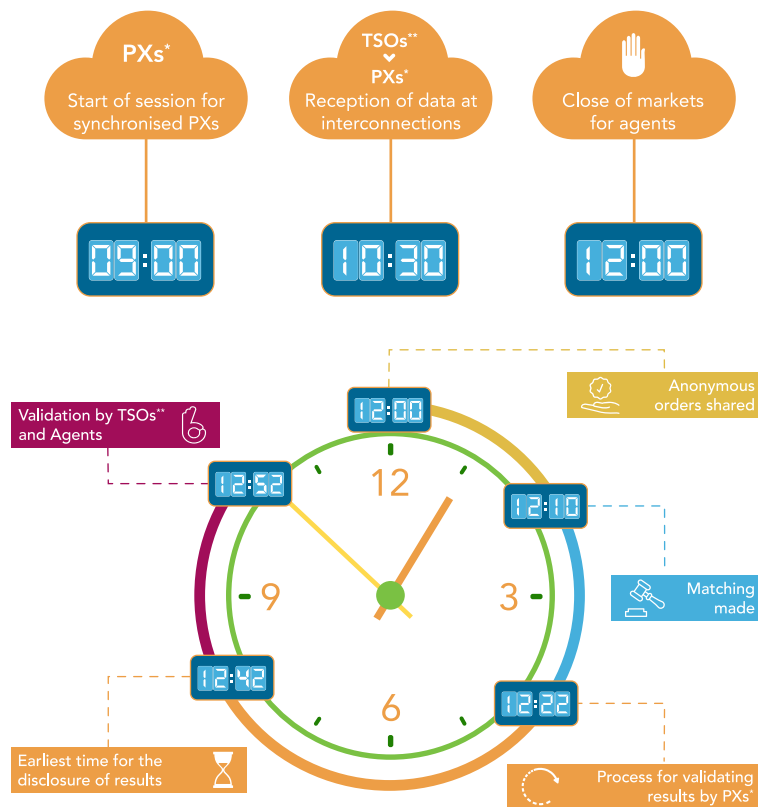
The Iberian electricity market consists of the forward markets managed by OMI-Polo Portugués, SGMR (OMIP) and the Daily Market and Intraday Markets managed by OMIE. The following graphic illustrates the time sequence for the markets and processes involved.

The Daily Market is the main electricity trading market on the Iberian Peninsula, and it operates everyday throughout the year. The bids for the purchase and sale of electricity for a specific day may be placed up to 12 noon on the preceding day, as this is the deadline for the submission of bids for all coupled countries in Europe.

These bids are then processed in OMIE's IT system (SIOM) and matched in conjunction with all the other market operators coupled using the EUPHEMIA algorithm, which has been developed jointly by the market operators in the project referred to as PCR (Price Coupling of Regions).

This algorithm calculates the price in each one of the supply areas defined in the European system that are involved in the project, and allocates the flows between areas.

Figure 2 · Matching process

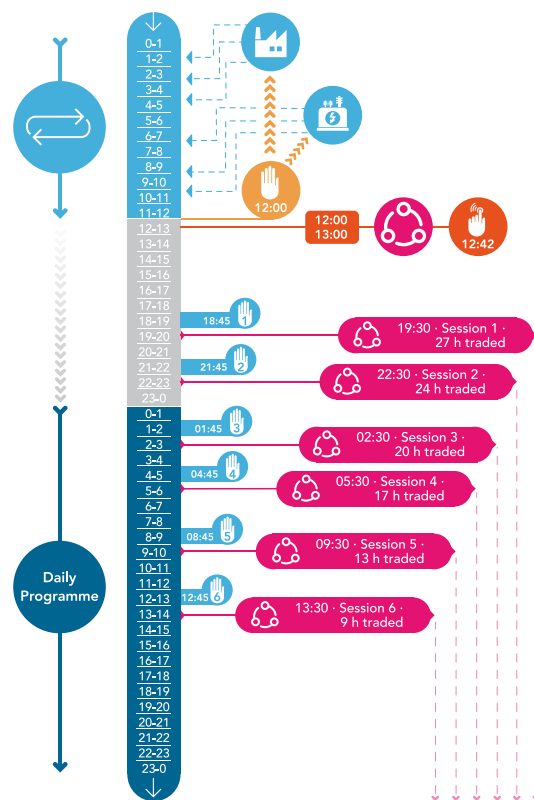


*PXs = Power Exchange Market Operators **TSOs = Transmission System Operators

OMIE then discloses the prices and the amount of energy sold and purchased for each one of the hours on the following day using the SIOM system. Trading on the Daily Market in 2015 accounted on average for 74.3% of the energy consumed on 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 2015 traded on average 14.0% of the total energy managed in the Daily Market.

Figure 3 · Time sequence for the Daily and Intraday Markets



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 2015 amounted to 13,420 million euros and the figure for energy was 259 TWh. Over 128,000 invoices were issued.



.....
The turnover in the electricity market managed by OMIE in 2015 amounted to 13,420 million euros and the figure for energy was 259 TWh



The year saw the holding of 365 sessions in the daily market, and 2,190 in the intraday market. Close to 16.5 million transactions were handled over the course of the year.

At year-end 2015 there were 930 agents operating on the market, 579 of which were producers and 351 purchasers. 269 of the latter were retailers (6 of them reference retailers) and 82 direct consumers.

Managing
the Electricity



	2015	2014
Total energy TWh		
Traded energy in Intraday Markets TWh	259	259
Agents	32	35
Economic volume M€	930	835
% MIBEL Demand	13,420	10,960
	79%	80%
Day-ahead market average price €/MWh		
Spanish zone		
	50.32	42.13
Portuguese zone		
	50.43	41.86
% hours with a price difference <1€/MWh		
Spain/Portugal		
	98.1%	95.1%
Spain/France		
	14.9%	9.1%



At year-end 2015 there were 930 agents operating on the market, 579 of which were producers and 351 purchasers



> 4.4. | Committed to Europe

Involvement in European market integration projects continues to be one of OMIE's priority lines of action.

2015 has been an important year for the internal market, with the entry into force of the new EU regulation on capacity allocation and congestion management. This directive (EU regulation no. 2015/1222) provides detailed guidelines for the cross-border trading of electricity in the European Union, and among numerous other matters it defines a new EU-wide governance structure for the coupling of day-ahead markets and the integration of intraday cross-border markets.



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In December 2015, OMIE became the “Nominated Electricity Market Operator” (NEMO) in Spain and Portugal

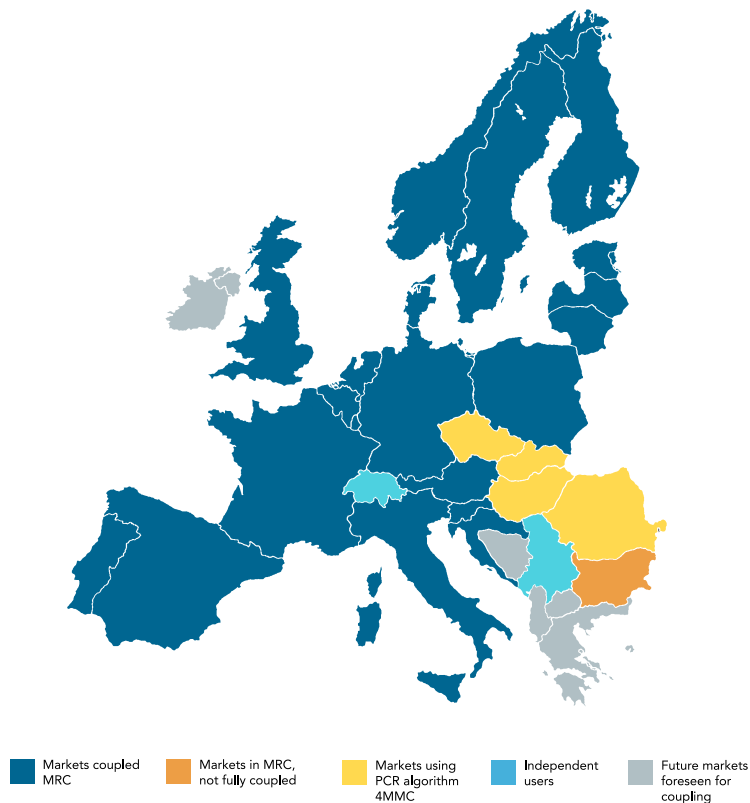
Within this context, in December 2015, OMIE became the “Nominated Electricity Market Operator” (NEMO) in Spain and Portugal, according to the new EU governance structure for the integration of wholesale electricity markets. In response to this regulation, OMIE has become the counterparty for all market transactions.

At the same time, Europe's institutions have continued to back the projects for the integration of the day-ahead and intraday electricity markets.

By early 2016, the implementation of what is referred to as Multi-Regional Coupling (MRC) already grouped together the market and system operators of 21 European countries, which used the PCR algorithm (EUPHEMIA) to simultaneously calculate the hourly prices for the day-ahead markets within each one of their supply areas, and allocate the cross-border energy flows between them.

In addition to the ones mentioned, there are other European countries using the algorithm, but which are not yet coupled to MRC countries. On the one hand, there is the so-called 4MMC project, which involves the coupling of four countries (Hungary, Romania, Czech Republic, and Slovakia); and on the other, there are a further two countries that use the same PCR algorithm for calculating the hourly prices of their day-ahead markets, albeit on an independent basis, namely, Serbia, since February 2016, and Switzerland, since February 2014.

→ Figure 4 · Countries involved in Multi-Regional Coupling and in 4MMC, and users of the PCR algorithm



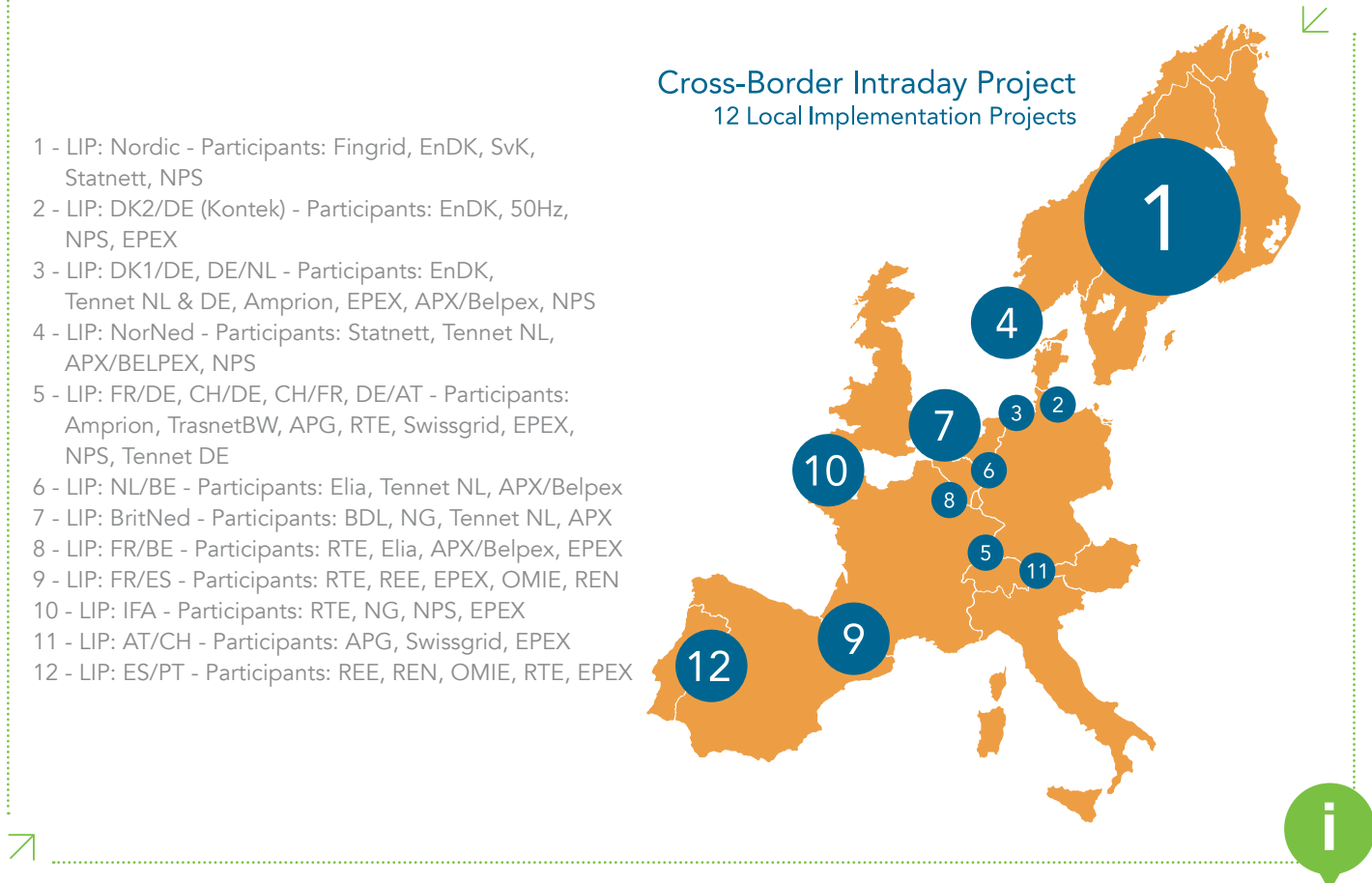
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By early 2016, the implementation of what is referred to as Multi-Regional Coupling already grouped together the market and system operators of 21 European countries

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2015 has also been a very busy year for the project implementing the cross-border trading platform on the Intraday horizon (XBID).

→ Figure 5 · **XBID Project. Source: Florence Forum, October 2015**



The purpose of the XBID project is to allow energy to be traded between different areas of Europe on a continuous basis and increase the overall efficiency of transactions in Intraday Markets throughout the whole of Europe. The XBID's final outcome will be the creation of an integrated Intraday Market compatible with the trading now being arranged on the different Intraday Markets in each country, while enhancing the liquidity of the transactions undertaken on a time horizon shorter than the daily one.

Negotiations are currently progressing at a good pace despite the complexity involved given the large number of parties; the project's members are hoping to see this market launched in 2017.



2015 has also been a very busy year for the project implementing the cross-border trading platform on the intraday horizon (XBID)

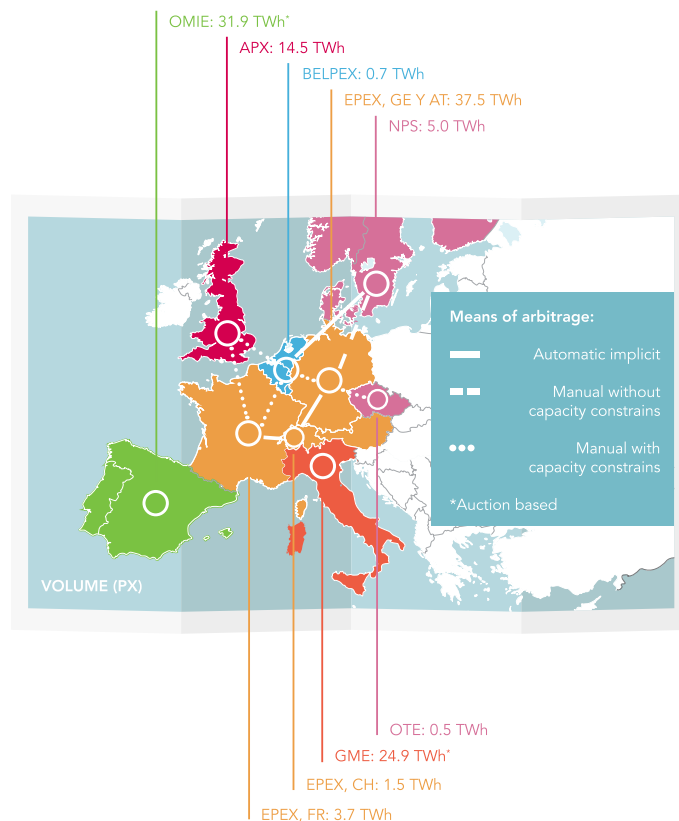


In other matters, in July 2015, OMIE was accredited by the Agency for the Cooperation of Energy Regulators (ACER) as "Registered Reporting Mechanism (RRM)".

This makes OMIE one of the first five RRM's in the EU, meeting all the requirements made by ACER for the purpose of providing agents with reporting services.

With a view to complying with Commission Implementing Regulation (EU) No 1348/2014 of 17 December 2014 on data reporting implementing Article 8(2) and Article 8(6) of Regulation (EU) No 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency, and following the due development of the associated systems and procedures, on 6 October 2015 reporting began to ACER on operations in the daily and Intraday Markets for those agents subscribing to the REMIT reporting system.

Figure 6 · Intraday electricity trading across Europe's markets



In July 2015, OMIE was accredited by the Agency for the Cooperation of Energy Regulators (ACER) as "Registered Reporting Mechanism (RRM)"



> 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.



.....
OMIE's corporate culture is based on the principles of independence, transparency and objectivity



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.





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.



Working with regulators

OMIE actively cooperates with market regulators in both Spain and Portugal, as well as with MIBEL's Regulatory Board. In particular, OMIE uses legally established channels to submit proposals for improving market regulation to Spain's Ministry of Industry, Energy and Tourism, as well as to Portugal's Entidade Reguladora dos Serviços Energéticos (ERSE) and to Spain's National Markets and Competition Commission (CNMC). In addition, OMIE submits regular information to the regulators for the purpose of monitoring the market's operations and the performance of the agents involved in it.

On a European level, and as a result of the company's ever greater involvement in the processes of European integration, in recent years OMIE has been strengthening its cooperation with both the Agency for the Cooperation of Energy Regulators (ACER) and the European Commission.



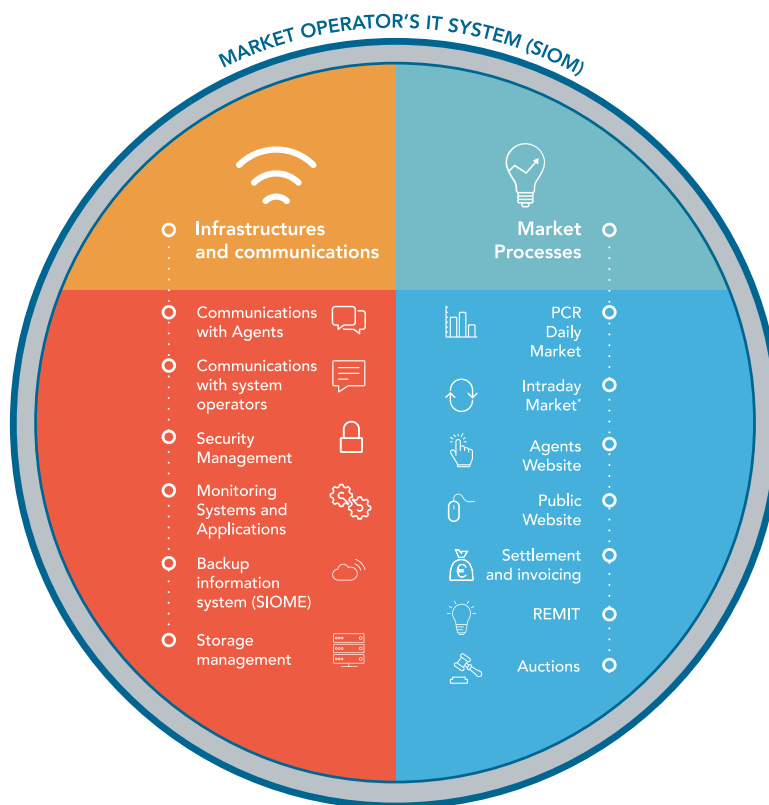
.....
OMIE actively cooperates with market regulators in both Spain and Portugal, as well as with MIBEL's Regulatory Board



> 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.

→ Figure 7 · OMIE's systems



*In the future: In addition, XBID Continuous Intraday Market



The Spanish electricity market is designed as a fully electronic market



The IT system designed by OMIE (SIOM), based on internet use, opens the market to agents with very different needs and requirements, from those that perform hundreds of transactions every day through to those that make a single order when they have one-off needs for the purchase or sale of energy. The pillars of the system are operational excellence and straightforward access, with no need for users to have advanced computer skills.



.....
*The pillars of the system are operational excellence
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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 2015, 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 modifications were introduced. These include such highlights as the improvements made to the PCR's infrastructure for the integration of MIBEL in Europe's integrated daily electricity market, the developments associated with the XBID project for the creation of an integrated European intraday market, and the applications required for reporting to ACER the information on market transactions and orders, as provided for in REMIT regulations.



Within the PCR environment, the year has seen the implementation of new versions of the PMB application and of the EUPHEMIA algorithm, which provide better features and allow catering for the requirements of the new countries that have joined the European price-setting process.

As regards the XBID project for the creation of a European integrated Intraday Market, besides the joint work and developments shared with all the other market and system operators involved in the project, work has begun on the development of the local trading system that OMIE will use to communicate with the XBID platform once the project has been completed,

Regarding the implementation of the technological solutions for the application for agents to comply with the obligations provided in report, of REMIT, the necessary mechanisms have been established this year for reporting to ACER the orders received and the transaction undertaken in the market. In addition, the necessary procedures have been established for registering the different agents that subscribe to the service and providing them with access to the daily information relayed to ACER.

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 2015.

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 has upheld a high level of development and advanced specifications throughout the whole year.



..... ↙
The year has seen the implementation of new versions of the PMB application and of the EUPHEMIA algorithm



.....

Work has begun on the development of the local trading system that OMIE will use to communicate with the XBID platform once the project has been completed





> 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 71 permanent staff, of whom 24 are women and 47 are men. The staff has an average age of approximately 42.

University graduates account for 88% of the workforce, with 92% of these holding five-year degrees.



Health & Safety at Work

In 2015, 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.



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*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*

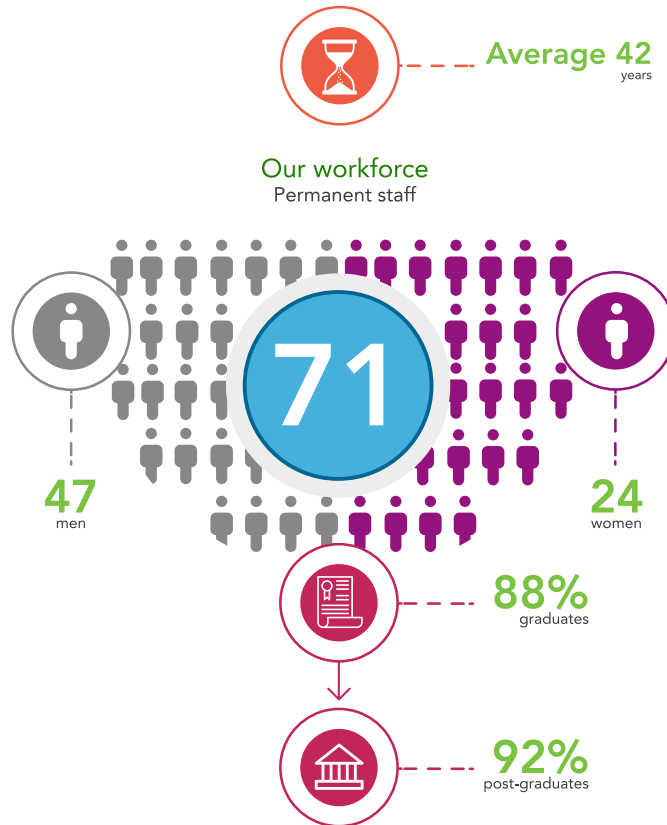




Policy on staff training and career development

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 both as students and as instructors. OMIE promotes schemes designed to uphold and improve each employee's knowledge according to their position of employment.

→ Figure 8 · OMIE's Human capital resources



> 4.8. | Dialogue with stakeholders

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

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

The following are some of the procedures and channels used:



Public website

OMIE's website at www.omie.es 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 2015, the Market Agents' Committee held six ordinary meetings and an extraordinary one.

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
- Information on the operation of Europe's coupled market
- Status of regulatory matters and European projects
- Adapting the Market Operating Rules to the operating procedures used by OMIE as counterparty
- Information on the services OMIE provides to agents in compliance with the provisions of REMIT regulations
- Operations in the daily and Intraday Markets, and the reporting of bilateral contracts





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



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



- Issue of press releases to the media both in Spain and abroad on the outcomes of the auctions managed by OMIE's subsidiary companies
- There was a step-up in 2015 of reporting actions within the context of the progress of the activities of the Cross-Border Intraday Market Project
- 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 2015, answers were given to over 700 emails received
- Specific face-to-face meetings for briefing on the operations of the institutions regarding specific aspects of the activities undertaken by OMIE



> 4.9. | Training 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 2015, 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 five courses on the electricity market held in 2015. Likewise, OMIE has held briefing and training sessions on gas auctions, as well as conducting trial runs.



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Over 100 professionals from the energy sector have attended the five courses on the electricity market held in 2015

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 Road 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 OMIE International Workshop has continued to operate in 2015. The sixth edition was held in June under the title "Competition in Wholesale Electricity Markets", and the seventh edition was held in December on the subject of "Environment and electricity markets: From Paris onwards". These seminars are attended by academics of recognised prestige worldwide, senior executives from Spanish and Portuguese energy firms, 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.

A briefing session has been held in Madrid (Spain) in 2015 on the Iberian Electricity Market, in collaboration with Spain's National Markets and Competition Commission and with ACOGEN; the company also took part in a technical symposium in Valencia on "Europe, energy challenges facing Spain after 30 years in the European Union".

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 (EsF). This voluntary organisation, staffed by more than 200 volunteers, has the mission to provide access to energy and clean water services, on an uninterrupted basis, to rural communities that either still do not have them or which receive them in very basic conditions or by rudimentary or unsuitable means.

The programmes developed and completed by EsF in 2015 include such highlights as the projects undertaken in the Democratic Republic of the Congo (water supply for 15,000 people on the island of Idjwi), Kenya (household lighting for the Nyumbani Village complex, which is home to 1,180 HIV/AIDS affected orphans and their grandmothers), Peru (1), and Spain (1), with a total of more than 19,000 beneficiaries.

In 2015, EsF has continued to pursue its technical consultancy work for water and energy projects in DR Congo, Togo, Benin, Kenya, Ruanda, Peru, Brazil, and Nicaragua.

At the beginning of 2016 there are projects under way in Cameroon (1), Mexico (1), Mali (1), Cuba and Haiti (1) and Guatemala (2). These last two are projects in Sustainability, which the aim being to keep them operational throughout their design life. In 2015, OMIE took part in the Foundation's events held in Spain.



.....
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Operating the Iberian
Electricity Market

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