



Georgian National Energy and Water Supply Regulatory Commission

www.GNERC.org

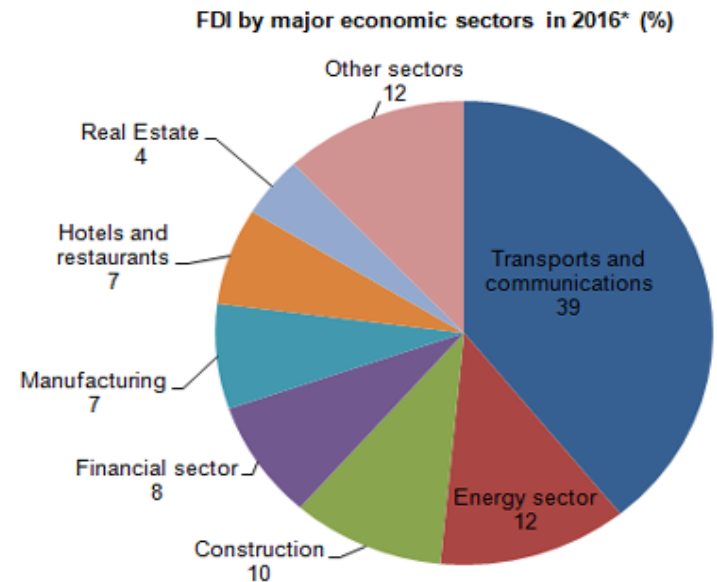
New kid on the block – electricity market reforms in Georgia ahead



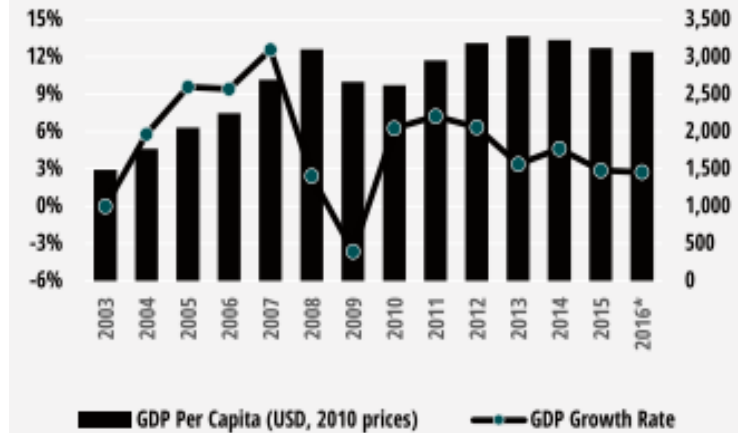
REGULATION FOR DEVELOPMENT

Country Profile

- Population – 3.72 mln
- GDP – 12,9 bln Euros
- GDP per capita – 3467 Euros
- FDI 2014-2016 – 4,468 bln Euros
- FDI in Energy – 465 mln Euros
- Annual economic growth – 3%
- Energy demand growth – 6.2%



Gross Domestic Product



Towards Competitive Energy Market Reforms

Georgia signed the following EU commitments:

- ❖ EU Association agreement (Title IV, chapter 11);
 - ❖ DCFTA;
 - ❖ Energy Community Accession Protocol;
 - ❖ Cross border Electricity trade agreement (CBETA).
- Georgian Energy Policy;

*New draft **Energy Law** proposed by ECS under discussion*



Georgian Energy Policy Goals

- Development energy markets and ETM;
- Georgia as clean energy production and regional trading hub;
- Harmonization with the EU Energy acquis;
- Utilization of transit potential:
 - Strengthen its role in participation East-West and North-South corridor project;
 - Efficient utilization of its geopolitical location will assist economic development and energy security improvement.



Electricity Market Governance

- Ministry of Energy:

- ✓ Implements energy policy objectives and sets strategy;
- ✓ Approves TYNDP;
- ✓ Approves wholesale market rules;
- ✓ Approves long-term development plans and energy balances.

- Regulator:

- ✓ Sets tariffs for grid utilities and regulated power plants;
- ✓ Dispute settlement;
- ✓ Licensing and control;
- ✓ Approves grid codes and retail market rules;
- ✓ Service quality supervision;
- Market monitoring – no mechanism implemented yet.
- Not involved in cross-border trade regulation.



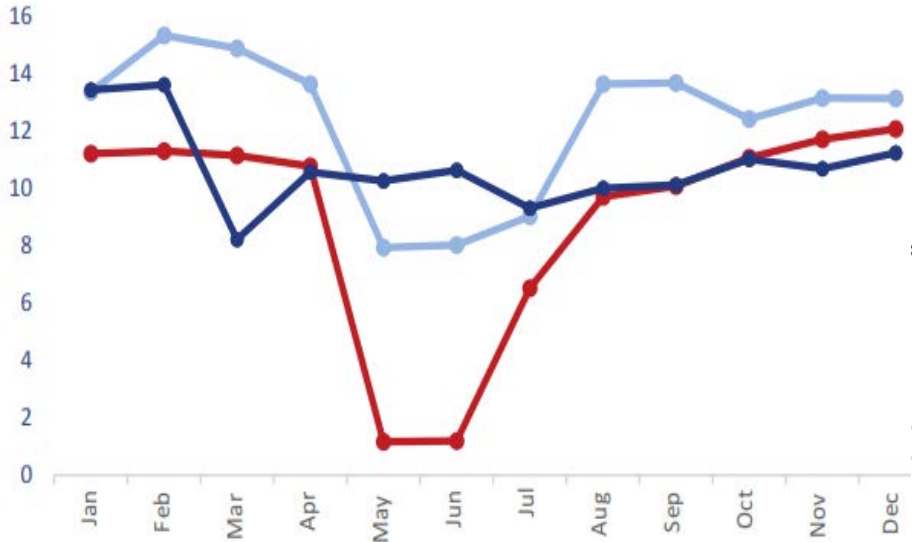
Current Power Market Model

- Bilateral contracts market accompanied with balancing (residual market) and guaranteed capacity mechanism;
- Guaranteed capacity sources approved annually by government decree – no tendering procurement by TSO;
- Import and Export activity is deregulated;
- Small power plants and all generators built after 2008 are deregulated – PPAs for new RES;
- Market Operator is directly involved in purchase and sell of balancing energy;
- No organized spot market.

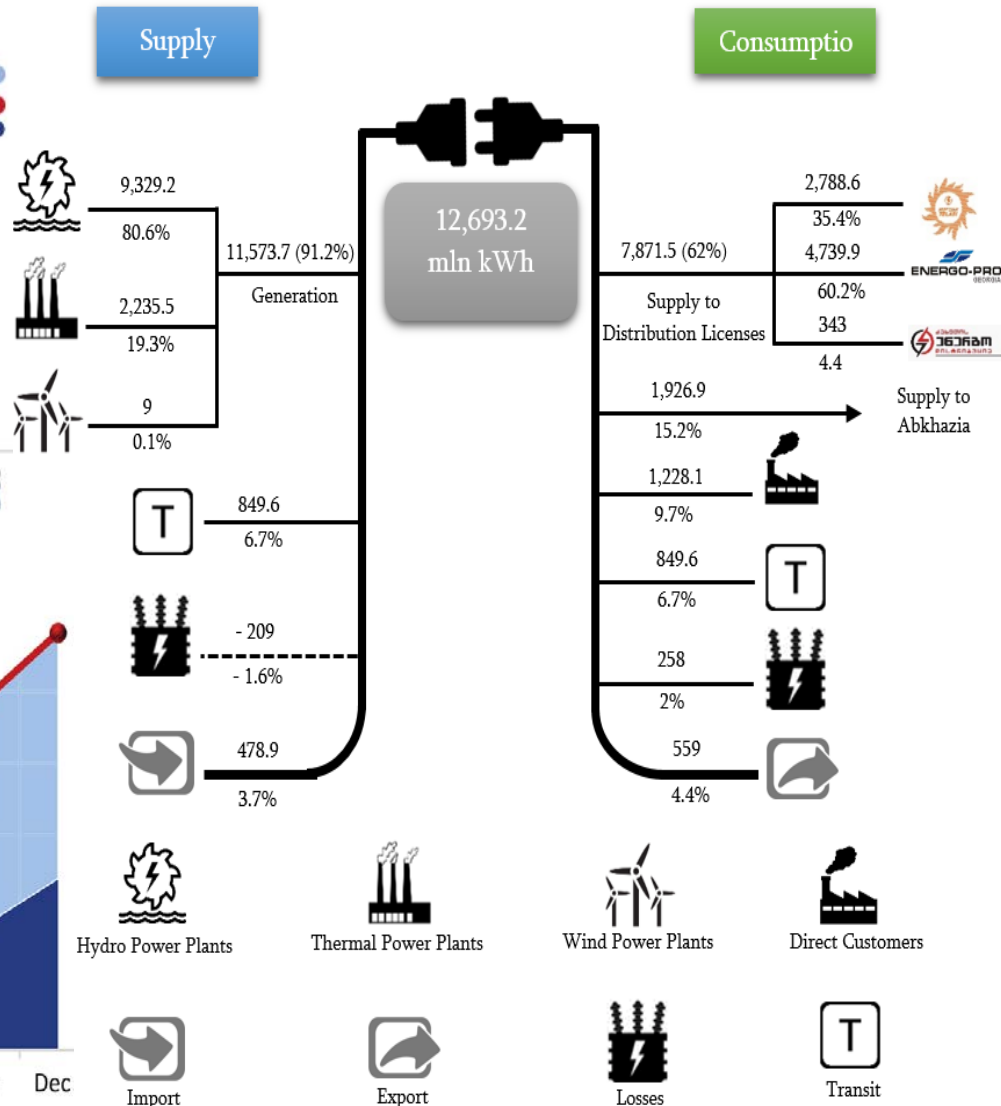


Power Market Figures

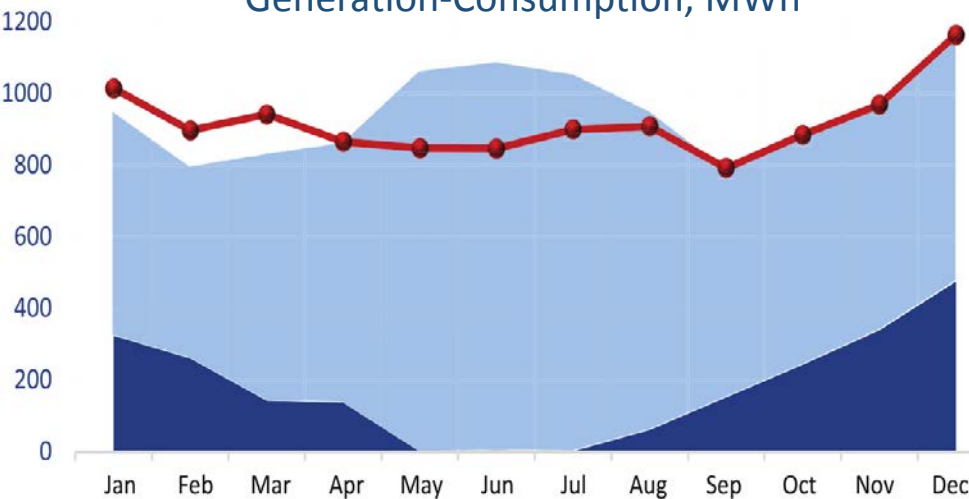
Balancing Energy Prices, Tetri/KWh



Annual Energy Balance



Generation-Consumption, MWh



Generation Sector

- Hydro potential – 15,000 MW with annual 50 TWh
- Wind potential – 1450 MW with 4,16 annual TWh
- Solar potential – 110 MW
- Existing generation capacity – 4106 MW
 - Hydro – 3160 MW
 - Wind – 20.7 MW
 - Thermal – 925 MW
- Ownership share: 55 % private, 45% public
- RES commenced since 2013 – 372 MW, 21 projects
- Ongoing RES projects – 1641 MW, 41 Projects
- New RES support schemes - Long term PPAs with government



Transmission Development Challenges



Unbundling Status-Quo

- No unbundling requirements in Georgian legislation;
- Transmission activity separated from generation and supply activity;
- TSO to be nominated, licensed and certified;
- Distribution network to be unbundle from the generation/supply activity – DSOs to be licensed;
- Distribution companies are the only suppliers – no retail market opening.



Electricity Acquis Implementation Timetable

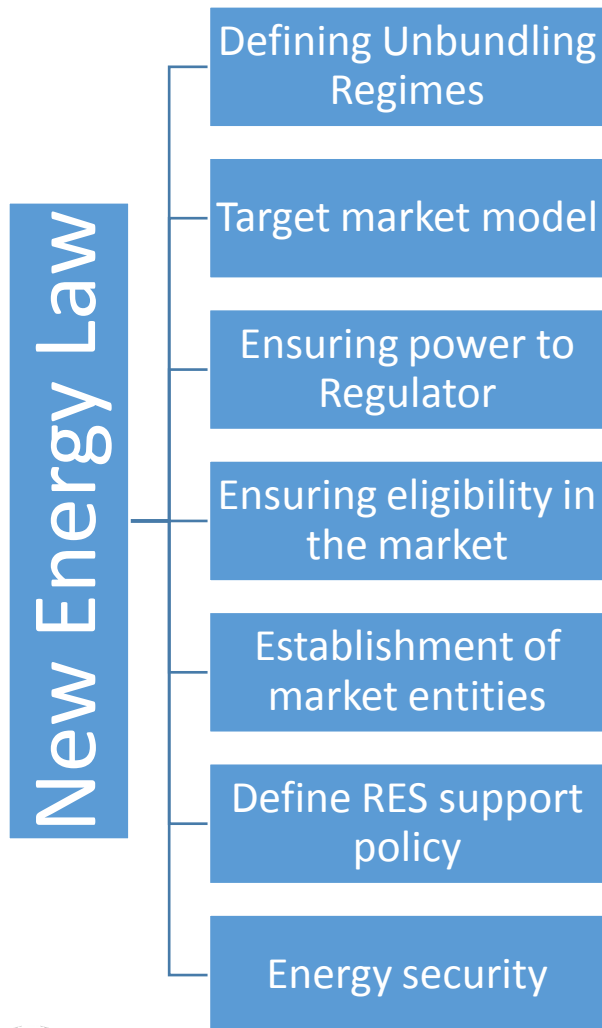
- Directive 2009/72/EC - end of 2018;
- Regulation (EC) No 714/2009 – end of 2018;
- Directive 2005/89/EC - end of 2019;
- Directive 2009/28/EC - end of 2018;
- Eligible consumers:
 - All non-household – 2018;
 - Household – 2019.
- Rules and conditions of trade which are not EU MS or EnC. CP remains a national competence;
- Application of 2020 RES targets will be established after study carried out under ECS;
- One additional year for testing and adjusting



Electricity Sector Reform Needed

Primary Legislation

Secondary Legislation (Regulator)



Wholesale market

- DA, ID and Balancing market rules
- Forward market
- Introduction of balancing products
- Balancing responsibility
- Market based procurement of AS and reserves
- Imbalance Settlement & Clearing
- Market Monitoring

Retail market

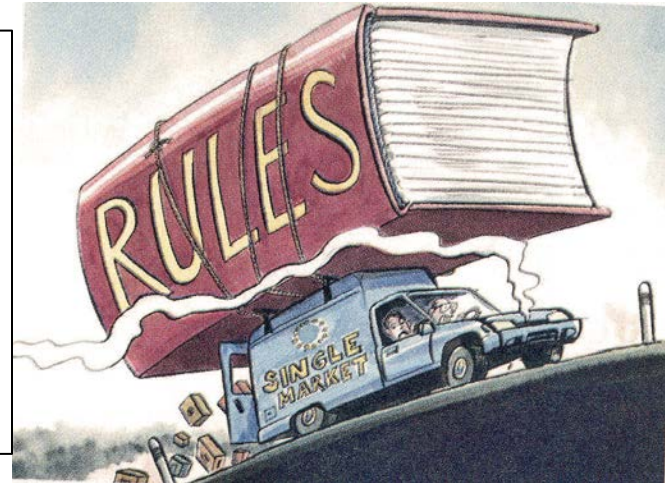
- Operation of market under PSO
- Retail market opening – independent suppliers
- Universal supply - Service to households and small non-household
- Consumer protection: Last resort, universal supplier services and vulnerability criteria



Additional Remarks

Challenges:

- No direct connection with EU/EnC markets
- Reform contradiction with existing PPAs – transitional solutions needed;
- Compliance burden and administrative/legislative efforts.



Benefits:

- EnC accession - Effective tool for integration
- Transparent and high quality legislation;
- Stable and robust environment;
- Technical assistance, cooperation mechanisms;
- Infrastructure support;
- Facilitated project implementation of regional importance
- Security of supply – improved infrastructure & better RE utilization





Georgian National Energy and Water Supply Regulatory Commission

www.GNERC.org

Success Georgia!

Zviadi Gachechiladze

z.gachechiladze@gnerc.org

