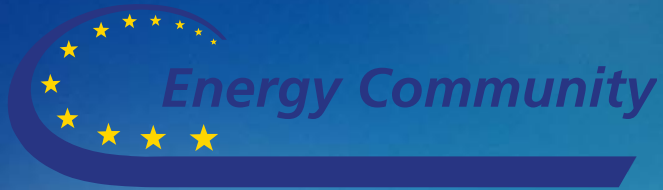




***Draft Law of Georgia on Energy:
main requirements & practical implications***

*Andrius Šimkus | Energy Community Secretariat
High-Level Policy Talks on the Electricity Market of Georgia
Tbilisi, 9 November 2017*



Treaty establishing the Energy Community

Athens, 25.10.2005



- The **Accession Protocol** signed on 14 October 2016
- **Ratification** by the Parliament on 21 April 2017
- Georgia's rights and obligations, as of a Contracting Party, are **in full force** subject to specific conditions prescribed in the Accession Protocol

ACQUIS ON ELECTRICITY	TIMETABLE FOR IMPLEMENTATION
<p><u>Directive 2009/72/EC</u> concerning common rules for the internal market in electricity</p>	<p>31 December 2018</p>
<p><u>Regulation (EC) No 714/2009</u> on conditions for access to the network for cross-border exchanges in electricity</p>	
<p><u>Directive 2005/89/EC</u> concerning measures to safeguard security of electricity supply and infrastructure investment</p>	<p>31 December 2019</p>

Draft Law of Georgia on Energy

ECS draft of 7 Feb. 2017

Shall repeal Law of Georgia on Electricity and Natural Gas of 27 Jun. 1997 (as amended)

Law on Energy

General & Regulatory

Electricity

Natural Gas

Drinking Water Supply

or

Law on Energy

General & Regulatory

Law on Electricity

Law on Natural Gas

Law on Drinking Water Supply

Full implementation by **31 December 2018**

i.e.

13 months 23 days

THE
TIME IS
now...

The graphic features the text 'THE TIME IS now...' in a stylized, 3D font. 'THE' is in a light blue-grey color, 'TIME IS' is in a darker blue, and 'now...' is in a vibrant teal. The letter 'o' in 'now' is replaced by a detailed clock face with a white border, a blue and green gradient dial, and silver hands. Three dark grey dots follow the 'w' to represent an ellipsis.

#1 Market opening





Generators

Market-based operation

Unregulated electricity trading

Open competition

Networks

Natural monopolies

Unbundling from other activities

Regulated tariffs & third party access

Suppliers*

Free access to customers

Unregulated prices

Level-playing field & open competition

Customers

Free choice of supplier

Consumer protection

Secured & reliable supplies



Eligibility = customer's right to freely choose and switch its supplier



From **31 Dec. 2018**



From **31 Dec. 2019**

#2 Authorisations





Electricity

Licensed activities (GNERC)

Generation

Market operation (MO)*

Day-ahead & intra-day market operation
Record keeping of market data & transactions

Transmission (TSO)*

Full TSO duties & responsibilities
All functions, incl. dispatching

Distribution (DSO)

Full DSO duties & responsibilities



Electricity

Non-licensed activities

Trade

Electricity wholesale trading activities
No supply to final customers

Supply

Electricity retail trading activities
Supply to final customers

*Proposed mechanism of **notification** to GNERC

#3 Unbundling





Transmission system operator (TSO)

Full unbundling from commercial energy activities

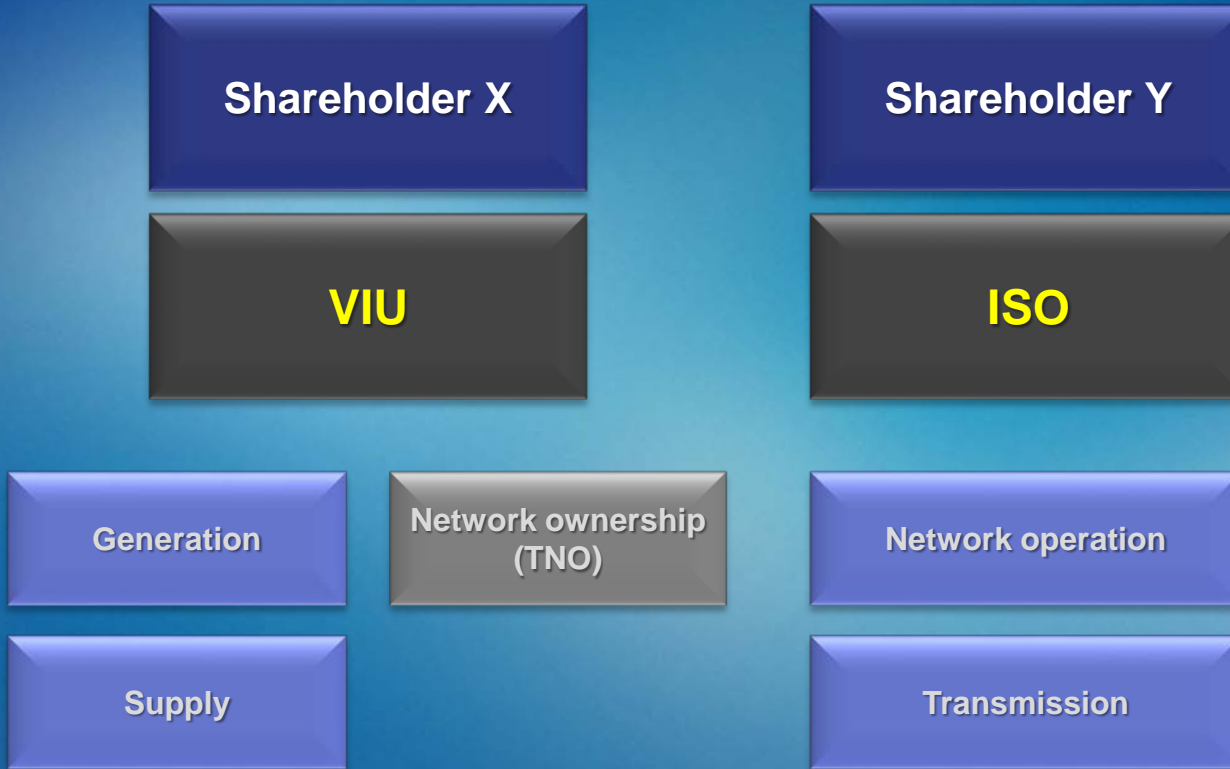
- Three optional models: OU / ISO / ITO
- Particular model to be adopted by the Government*
- Mandatory consultations with GNERC & ECS
- Any step back ('bundling') is not allowed
- New licenses only subject to certification

Ownership unbundling



- EU preferred option
- Most effective model
- Usually requires thorough structural and corporate changes

Independent system operator (ISO)



- Most unpopular model
- Complex investment mechanisms
- Legal and functional unbundling of the network owner
- Increased role of the NRA

Independent transmission operator (ITO)

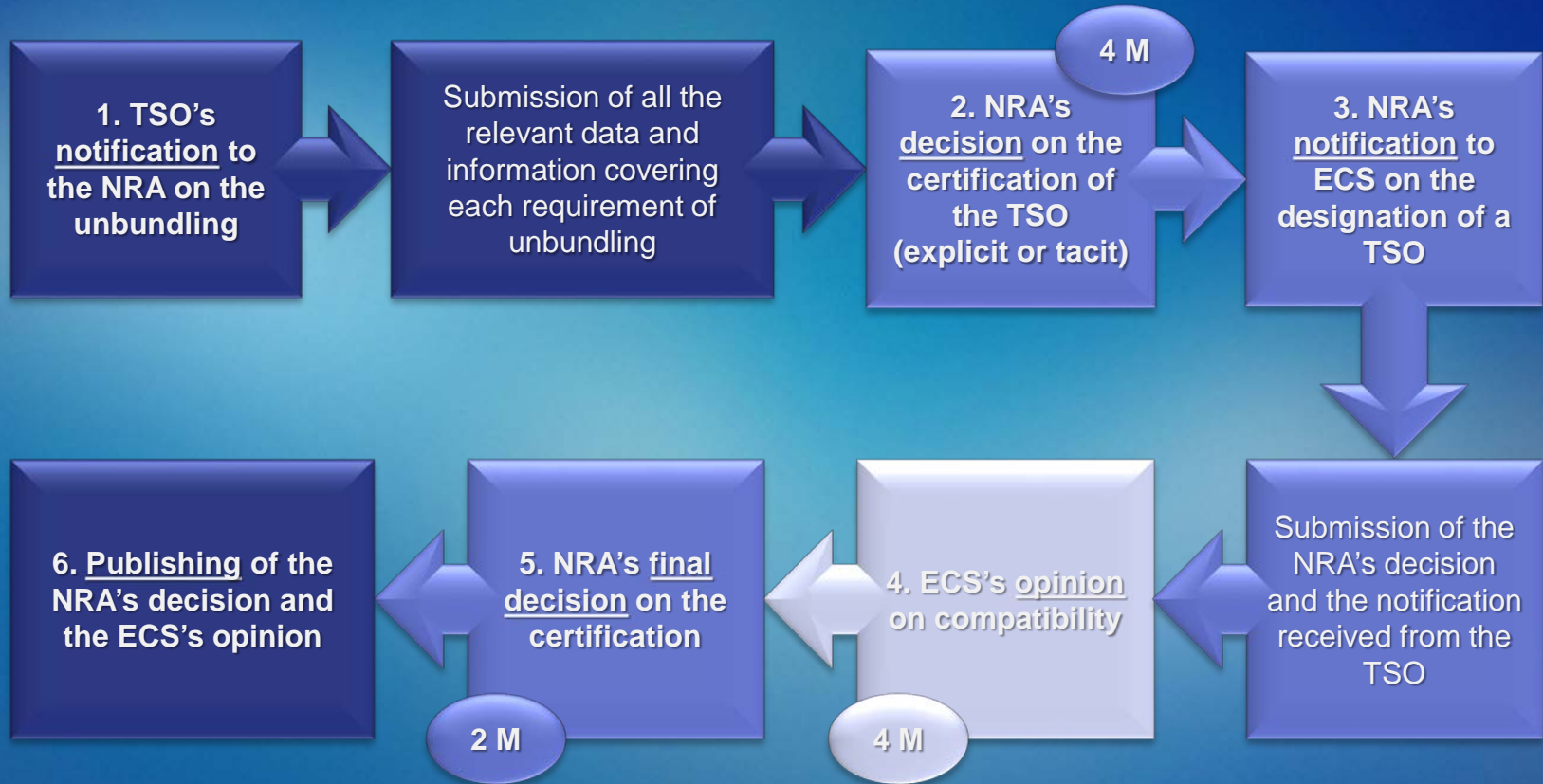


- A compromise model designed for incumbent VIUs

- Extremely high regulatory intervention

- Measures ensuring a working level independence of the ITO

Certification of the TSO (Art. 10/11 of Dir. 2009/72/EC)





100 %

INTER RAOUES

100 %

Silk Road Holdings B.V.

75,1 %



PARTNERSHIP FUND

LLC / holding company
Asset management

100 %




GSE

E transmission
E dispatching

24,5 %

100 %



TELASI

E distribution
E supply



ESCO

E market operator
E trade

100 %



ENERGOTRANS

E transmission

49 %

51 %

100 %



LLC-GARDABANI TPP

E generation



Georgian Oil & Gas Corporation

G import / trade
G TNO



R & D

100 %

100 %

Enguri HPP

E generation



MINISTRY OF ECONOMY
AND SUSTAINABLE
DEVELOPMENT
OF GEORGIA



50 %



SAKRUSENERGO
JSC UNITED ENERGY SYSTEM

E transmission

50 %

100 %



Georgian Gas
Transportation Company

G transmission





Distribution system operator (DSO)

Legal & functional unbundling from commercial energy activities

- DSO = separate legal entity
- Organisational & decision-making independence
- Possible exemption: DSOs with less than 100.000 customers
- Possibility for a combined operator (TSO unbundling prevails!)
- No certification = monitoring through GNERC's licensing

#4 Customers & public services





Right to choose



Right to choose a preferred supplier
Free & effective switching to another supplier (3 weeks)*

Consumer protection



Standard & known contractual practices
Awareness of service conditions & prices (tariffs)
Effective access to service & consumption information
Efficient complaint handling & dispute settlement

Security of supply



Accessibility & availability of electricity
Universal supply to households & small enterprises
Social protection of vulnerable customers

Universal service supply

Households & small enterprises

'Standard' **PSOs** in the electricity sector

All customers

Supply of last resort (max. 3 months)



'Tailor-made' **PSOs** in the electricity sector

- May address specific needs of general economic interest
- May be imposed by the Government*
- Only upon consultations with ECS (+ notification)
- To be justified on case-by-case basis
- Always limited in time, proportionate & truly necessary

#5 Third party access





Unrestricted TPA to transmission & distribution systems

- **Based on published terms & conditions (Network Codes)**
- **Applied objectively & without discrimination**
- **Charged on the basis of regulated & published tariffs (NRA)**
- **May be refused if the operator lacks the necessary capacity**
- **Any refusal shall be technically & economically justified**

#6 National regulatory authority





Independence of the NRA

- Legally distinct regulatory authority
- Functionally independent from any public or private entity
- Sovereign staffing & budgeting policies & procedures
- Acts independently from any market interest
- Do not seek or take direct instructions within its competence



Duties & powers of the NRA

1. **Law-making competences:** adoption of legally binding regulatory acts

2. **Regulatory competences:** authorisations for energy activities, tariff setting, reporting duties, *etc.*

3. **Monitoring powers:** activity monitoring & supervision, inspections, market monitoring, *etc.*

4. **Enforcement powers:** handling of complaints, dispute settlement, sanctions (incl. fines)

5. **Consultative role:** market reports, recommendations, information publishing, *etc.*



Georgian National Energy and Water Supply Regulatory Commission

- Already satisfactory level of independence & functioning
- Necessary reinforcement of duties & regulatory powers
- Full competence under Energy Community law to be ensured
- Standard competences + ISO/ITO + sanction provisions
- Building of internal capacities due to increasing role

#7 Enforcement



**National
enforcement**



Public enforcement: administration & courts
Private enforcement: contracts, courts & arbitration
Specific procedures: GNERC, Competition Agency, etc.

**Energy
Community
enforcement**



ECS: monitoring & dispute settlement
[preliminary references & mediation]
EC MC: decisions on breaches of the Treaty

#8 Priority steps forward



- ❑ **Primary legislation (Law on Energy + amendments)**
- ❑ **Secondary legislation (Government, Ministry & GNERC)**
- ❑ **Strengthening of GNERC → functions, powers & capacities**
- ❑ **Network management rules (incl. TPA and transparent allocation)**
- ❑ **Unbundling of incumbent market players (TSOs & DSOs)**
- ❑ **Gradual market opening (PSOs vs. market-based relations)**



***Thank you
for your attention!***

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