New kid on the block – electricity market reforms in Georgia ahead
• 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%
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.
• 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.
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
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 unbundled 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;
- Eligible consumers:
  - All non-household – 2018;
- 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
- Defining Unbundling Regimes
- Target market model
- Ensuring power to Regulator
- Ensuring eligibility in the market
- Establishment of market entities
- Define RES support policy
- Energy security

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 deeded;
• 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
Success Georgia!

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