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**REPORT ON GEORGIA
NATIONAL ELECTRIC COMMISSION'S
ANNUAL REPORT**

**NIS Institutional Based Services Under the
Energy Efficiency and Market Reform Project
Contract No CCN-Q-00-93-00152-00**

**Delivery Order No 14
Georgia Power Sector Reform**

Final Report

Prepared for

U S Agency for International Development
Bureau for Europe and NIS
Office of Environment Energy and Urban Development
Energy and Infrastructure Division

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REPORT ON GEORGIA NATIONAL ELECTRIC COMMISSION'S ANNUAL REPORT

Introduction

On June 27, 1997, President Edward Shevardnadze signed into law the Georgian Electricity Law of 1997, which among other things created the Georgian National Electricity Regulatory Commission, a three-member independent agency. The Electricity Law gave the Commission comprehensive authority to regulate the rates, terms and conditions of service of electric sector enterprises under a system of licenses and tariffs.

In August 1997, in Decree # 351,¹ the President appointed the three commissioners (Elizbar Eristavi, Demur Chomakhidze, and Paata Tsintsadze), and named Mr. Eristavi Chairman as authorized by Clause 40 of the Electricity Law. The Commission commenced doing business that month and by early October, with technical assistance from Hagler Bailly, the Commission had completed and formally adopted its Charter, internal operating rules, and general regulations.²

The Commission's First Year

The Electric Commission has had a busy year. Apart from its purely administrative functions, such as hiring staff, finding an office location, installing and undergoing training on computer and other office equipment (principally procured for the Commission by USAID), the Commission in its first year accomplished the following (with technical assistance from Hagler Bailly):

- ▶ Issued interim licenses for electric sector enterprises
- ▶ Issued interim rates for certain generation facilities
- ▶ Adopted a methodology for cost-based rates
- ▶ Helped negotiate, and subsequently adopted, market rules principles, to govern the new Georgia wholesale electric market scheduled to commence operating in 1999

¹ "On Assignment of the Initial Members of the Georgian National Electricity Regulatory Commission," August 8, 1997

² Georgian National Electric Regulatory Commission Resolution # 1, "On Approval of the Charter, the Regulation and the Internal Operational Rules," October 6, 1997

- ▶ Developed model permanent licenses for generation transmission and distribution licensees
- ▶ Participated in a regulatory study tour of the United States, visiting federal and state energy regulatory agencies, investor-owned electric utilities an American company that invests in electric enterprises and assets overseas and a major US electric power pool
- ▶ Commenced long-term, cost-based rate proceedings for generation, transmission dispatch and distribution licensees
- ▶ Adopted an interim rate increase to 6 tetri/kWh (from 4.5 tetri), pending completion of the longer-term rate proceedings

The Commission completed its first year of work some time in late summer or early fall of 1998 depending on what beginning date is selected ³

The Commission's Annual Report

Clause 21 of the Electricity Law provides for an annual report by the Commission

Each year the Commission shall develop an annual report regarding its activities and shall submit it to the President, the Parliament, and the Ministry [of Fuel and Energy] Copies of the report shall also be made available to the public

In merely specifying that the report be issued "each year," the Law gives the Commission some discretion in the timing of the report The Commission advises us that it has exercised its discretion in deciding to issue an annual report only after its first full calendar year of operation in December 1998

Hagler Bailly's Deliverable Obligation

Delivery Order 14 requires that Hagler Bailly submit to USAID, among the "other Technical Reports," a "Regulatory Commission annual report" We have provided with the Commission with the following, in connection with an annual report

- ▶ A suggested outline of an annual report for the Commission's use, tailored to describe the Commission's activities (English and Georgian-language attached)

³ The Commission's first year might arguably have commenced in August, 1997, when the President named the commissioners, or in October, 1997, when the Commission adopted its operating rules and procedures The Commission's decision as to when it will present its first annual report, however (discussed below), has effectively mooted the question

- Samples of actual annual reports from the Federal Energy Regulatory Commission the Georgia Public Service Commission the Virginia Corporation Commission and the New York State Public Service Commission

The Commission's decision to defer preparation of its first annual report until well after the due date for this deliverable essentially precludes any further technical assistance on the matter

APPENDIX A

Annual Report Draft Outline and English Translation

მიმოხილვის პროექტი

საქართველოს ელექტროენერგეტიკის მარეგულირებელი ეროვნული
კომისიის წლიური ანგარიში
1997-1998 წ.

I. შესავალი - თავმჯდომარის წერილი

- ა. მიზანი და ამოცანები
- ბ. ელექტროენერგეტიკის შესახებ კანონის მოკლე ისტორია და კომისიის წარმოშობა
- გ. ელექტროენერგეტიკის შესახებ კანონის 21-ე მუხლის ციტირება რომელიც მთითხოვს წლიური ანგარიშის მოწოდებას

II. კომისიის ორგანიზება

- ა. დაკომპლექტების სტრუქტურა
 - 1. კომისის წევრები - მოკლე ბიოგრაფიები და ფოტოები
 - 2. დაგვიდელი ორგანიზაცია შეესაბამება თანამდებობებს მითითებით
- ბ. საწარმო და დანადგარები
 - 1. საოფისე მოწყობილობა
 - 2. კომპიუტერული და საკომუნიკაციო მოწყობილობები
 - 3. სატრანსპორტო საშუალებები
- გ. კომისიის დაფინანსება (იხ. დანართი ა მიმდინარე ფინანსური მდგომარეობისათვის)
 - 1. სალიცენზიო გადასახდელის შეტანაში
 - 2. სხვა საწარმოო შემოსავლის წარმოები
 - 3. დონორული დახმარება

III. წლის კომისიის საქმიანობათა შეჯამება

- ა. სატარიფო ცვლილებები
- ბ. ლიცენზირება
- გ. სატარიფო შეთხადოლოგიის განხილვები
- დ. საბაზრო წესების დადგენა
- ე. მონაცემთა შეგროვება გრძელვადიანი ტარიფების დასადგენად
- ვ. მარეგულირებელი სასწავლო ტური
- ზ. შუამდგომლობების ტარიფების ზრდა

IV. დანართები

- ა. ფინანსური ანგარიში (1997 წ. აგვისტო - 1998 წ. ივლისი)
- ბ. კომისიის ბიუჯეტი
- გ. გაცემული ლიცენზიების ჩამონათვალი
- დ. კომისიის გადაწყვეტილებების და დადგენილებების სია
- ე. კომისიის პროცედურები

DRAFT OUTLINE
ANNUAL REPORT FOR THE YEAR 1997-1998
OF THE
GEORGIAN NATIONAL ELECTRICITY
REGULATORY COMMISSION

I Introduction - Letter from Chairman

- A Goals and Objectives
- B Brief history of Electricity Law and origins of the Commission
- C Quote Paragraph 21 of the EI Law which requires the annual report

II Organization of Commission

- A Staffing Structure
 - 1 Commissioners – Brief biographies and photos
 - 2 Planned organization indicating positions filled
- B Physical Plant and Equipment
 - 1 Office facilities
 - 2 Computer and communication equipment
 - 3 Transportation Equipment
- C Financing the Commission (See Appendix A for Report on Current Financial Situation)
 - 1 License fee mechanism
 - 2 Other operating revenue sources
 - 3 Donor support

III Summary of Commission Activities for the Year

- A Tariff Adjustments
- B Licensing
- C Development of Tariff Methodologies
- D Establishment of Market Rules
- E Data collection for long-term rates
- F Regulatory study tour
- G Interim rate increase

IV Appendices

- A Financial Report (August 1997- July 1998)
- B Commission Budget
- C List of Licenses Issued
- D List of Commission Decisions and Resolutions
- E Commission Procedures