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**MODEL LICENSES FOR IMPORT AND EXPORT  
OF ELECTRICITY**

**Georgia Power Sector Reform  
Contract No. LAG-I-00-98-00005-00  
Task Order No. 4**

*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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## MODEL LICENSES FOR IMPORT AND EXPORT OF ELECTRICITY

### Introduction

The Georgian Electricity Law of 1997 created a three-member regulatory agency, the Georgian National Electricity Regulatory Commission (GNERC), with the authority comprehensively to regulate the electric sector through a program of tariffs and licenses. Under Delivery Order 14, Hagler Bailly supplied GNERC with technical assistance relating to licensing electric generation, transmission, and distribution facilities. That technical assistance included providing the Commission with model licenses for each of the three regulated functions. See Hagler Bailly, Final Report, "Model Licenses for Generation, Transmission, and Distribution" (September 1998). Partly on the basis of the USAID-sponsored technical assistance, GNERC issued interim licenses for generation, transmission and distribution to numerous electric sector enterprises in late 1997 and early 1998, and subsequently embarked on the development of permanent licenses, including the appropriate terms and conditions of licensing.

### Amendments to the Electricity Law

In May 1999, President Shevardnadze signed amendments (earlier approved by Parliament) to the Electricity Law, which created a new "Georgian Law on Electricity and Natural Gas." As we have reported elsewhere, the amendments provided the legal foundation for the establishment and operation of a new wholesale electric market.<sup>1</sup> Among many other changes to the program of regulation of electricity, the amendments created two new classes of licenses and licensees: those for import and export of electricity.

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<sup>1</sup> Hagler Bailly, Final Report, "Report on Amendments to the Georgian Law on Electricity" (May 25, 1999).

## **Technical Assistance to GNERC**

In June and July 1999, Hagler Bailly's Boris Shapiro presented model licenses for import and for export of electricity to GNERC (newly named the "Energy" Commission). During a trip to Tbilisi, Mr. Shapiro met several times with GNERC to discuss the licenses as defined by the Law and the concepts, options, and policy considerations relevant to licensing import and export. We have attached the model licenses to this report.

## **Conclusion**

The technical assistance provided by Hagler Bailly under the USAID reform program will enable GNERC efficiently and effectively to exercise its jurisdiction to regulate the import and export of electricity.

## **Attachments**

1. License for the Import of Electricity
2. License for the Export of Electricity

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**ATTACHMENT 1**

**LICENSE FOR THE IMPORT OF ELECTRICITY**

**THE REPUBLIC OF GEORGIA**  
**National Energy Regulatory Commission**

**LICENSE**  
**For**  
**IMPORT OF ELECTRICITY**

Series: \_\_\_\_\_ License Number: \_\_\_\_\_  
Effective Date: \_\_\_\_\_

License Issued To: \_\_\_\_\_  
[Name and Legal Address]  
\_\_\_\_\_

Fiscal Code: \_\_\_\_\_

Registration Certificate: \_\_\_\_\_  
(Series, Number, Place of Registration)

Under the authority granted to it by the Laws of the Republic of Georgia, the Georgian National Energy Regulatory Commission (GNERC) grants this License to perform the activity of importing electricity to the above-named Company, hereinafter "Licensee", subject to the License Conditions attached to this License and made an integral part hereof. This License is effective as of the date above written and will continue in effect for a period of 3 years or up to the moment of its termination by the GNERC in accordance with the License Conditions.

Chairman of the GNERC

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[Seal of the GNERC]

THE REPUBLIC OF GEORGIA  
National Energy Regulatory Commission

**LICENSE CONDITIONS**  
For  
**IMPORT OF ELECTRICITY**

Series \_\_\_\_\_

License No. \_\_\_\_\_

Issued To:

\_\_\_\_\_  
(Licensee)

**1. General Provisions**

- 1.1 This License, including these License Conditions, is issued pursuant to the Georgian Law on Electricity and Natural Gas, and other effective Laws and Government Decrees of the Republic of Georgia.
- 1.2 If any condition of these License Conditions becomes null and void or otherwise ceases to be effective, that condition shall be deleted from the License Conditions and the remaining License Conditions shall continue in full force and effect.
- 1.3 The License cannot be transferred to another party without the prior written approval of the GNERC.
- 1.4 Licensee shall hold only one License for Import of Electricity.
- 1.5 The following words and phrases used in the License, these License Conditions and Annexes, when capitalized, shall have the meanings set forth below:

Licensed Activity	Activities necessary for, and directly related to, providing a delivery, supply and sale of electricity inside Georgia from the sources outside of Georgia, through import, at market unregulated tariffs.
Dispatch Licensee	The entity engaged in central dispatching activity that is responsible for the process of controlling the operation of generating plant and other power industry facilities to provide system stability, security, reliability, safety and efficient operation of the power system.
Regulations and Rules	Standards, codes, regulations, orders and other prescriptions in force established by Laws or other official documents.
Wholesale Electricity Market	Legal person of private justice created for the purpose of management of wholesale electricity (capacity) trading and gradual development of competition. It is a Union or Association of the members who are electricity sector licensees and direct customers.
Export Licensee	The entity that supplies and sells electricity from inside of the Republic of Georgia to the delivery point outside of Georgia.
Distribution Licensee	The entity that supplies electricity to retail consumers at regulated prices in a specific geographic region by purchasing energy from power plants and wholesale suppliers and arranging for the delivery of electricity over high and low voltage facilities to the consumer's premises.

## 2 Carrying out the Licensed Activity

- 2.1 Licensee is authorized by this License to conduct the Licensed Activity anywhere within the boundaries of the Republic of Georgia.
- 2.2. Licensee shall not engage in any form of monopoly activity prohibited by the Laws of the Republic of Georgia, or Regulations and Rules adopted by the GNERC.
- 2.3. Licensee may offer supply to each meter of a consumer provided Licensee is the supplier of all of the electricity delivered to each such meter.
- 2.4. Any overdue bills of a consumer to any other electricity industry licensee, except another Licensee for Import of Electricity, must be settled before the Licensee may initiate service to the consumer.
- 2.5. Licensee supplies and sells imported electricity to a Distribution Licensee, and/or Export Licensee, and/or direct consumer, and/or Wholesale Electricity Market.
- 2.6. Licensee purchases electricity from a source outside of Republic of Georgia.

### 3. Obligations of Licensee

#### 3.1. Reporting

- 3.1.1. Licensee shall submit to the GNERC, upon its request and in the form and within the time set by the GNERC, information, including information provided to Government entities, that is necessary in the conduct of its authorized regulatory responsibilities.
- 3.1.2. Licensee shall notify the GNERC within 10 days of any change in:
  - a) address;
  - b) description of facilities.
- 3.1.3. Communication between Licensee and the GNERC pursuant to, or in connection with, this License shall be given in writing and executed by a duly authorized officer, or his duly designated representative, of Licensee or the GNERC, respectively.

3.2. Information provided to the GNERC by Licensee shall be considered public unless, upon specific request of Licensee, the GNERC by decision ascertains that certain information is of a proprietary nature and that the public interest served by disclosure would not justify or offset the potential commercial harm to Licensee.

3.3. Licensee shall conduct its Licensed activity in compliance with the Wholesale Electricity Market Rules and all effective Regulations and Rules of the Dispatch Licensee, including the execution of all operational orders, instructions or directions and the submission of technical information and all other documentation required.

3.4. Tariffs and contracts for the sale of electric power by Licensee to the Wholesale Electricity Market or to an entity which holds a Distribution License will become effective only after their approval by the GNERC.

3.5. Licensee shall comply with the Laws in force of the Republic of Georgia, all Government Decrees and Regulations and Rules.

3.6. Licensee shall pay regulatory fees on a regular and continuous basis during the term of this License as determined by the GNERC in accordance with effective Regulations and Rules established by the GNERC.

3.7. The tariffs for services provided by Licensee shall be determined by Licensee and are not subject to regulation or approval by the GNERC. Licensee shall be solely responsible for billing for electric services and collecting from its customers. Licensee may require financial mechanisms to secure payment in accordance with applicable law.

3.8. Licensee shall notify the Distribution Licensee that serves the geographical region in which a customer is located, no less than thirty days before Licensee discontinues service to the customer. The GNERC may suspend or terminate this License if Licensee fails to comply with this Condition.

3.9. Licensee shall promptly pay for all services, provided by licensees-members of the Wholesale Electricity Market. The GNERC may suspend or terminate this License if Licensee fails to comply with this Condition.

- 3.10 In the event of a disagreement between Licensee and a consumer or another licensee, involving a matter within the jurisdiction of the GNERC, which cannot be resolved through negotiation, the matter of disagreement shall be analyzed by the GNERC in order to make a decision within the scope of its authority.
- 3.11 A decision of the GNERC may be appealed to Court according to effective legislation.

#### **4. Control Over the Performance of Licensed Activity**

- 4.1. The GNERC shall monitor Licensee's compliance with these License Conditions and review reports received from Licensee.
- 4.2. Upon the substantiated complaint of any third party or upon its own motion, the GNERC may initiate an investigation of Licensee's compliance with its License, including examination of Licensee's business practices with respect to the Licensed Activity.
- 4.3. If after investigation, the GNERC concludes that Licensee has failed to comply with License Conditions, the GNERC may take actions within its scope of authority in order to protect the interests of electricity consumers.
- 4.4. Licensee shall inform the GNERC of any violation of these License Conditions within one week from such violation becoming known to Licensee.
- 4.5. Licensee shall obey any decision issued by the GNERC, including the payment of fines imposed by the GNERC, in accordance with the Laws in force, with respect to violations of the License Conditions.

#### **5. Amendment of the License**

- 5.1 The GNERC may amend the License Conditions in case they do not comply with:
- a) the Laws in force of the Republic of Georgia;
  - b) decision of the Court.
- 5.2 Within one year starting with the Effective Date, the GNERC may revise the License Conditions without seeking agreement of Licensee. After providing an opportunity for all interested parties to express their opinion, in accordance with effective procedures, and giving careful consideration to all arguments presented, the GNERC will adopt necessary amendments to License Conditions. Written notice of proposed amendments shall be delivered to Licensee 30 days prior to making any such amendments effective.
- 5.3 At any time either Licensee or the GNERC may propose any other amendments to License Conditions, in addition to those stipulated in Paragraphs 5.1 and 5.2, by transmitting its proposal in writing, together with supporting arguments, to the other party.

The GNERC shall make the final decision only after taking into consideration the interests of consumers and other licensees. Interested parties shall be informed in written form about the

proposed amendments. If the GNERC and Licensee come to agreement on such amendments, the License Conditions shall be so amended, otherwise the GNERC may appeal to Court.

5.4 The amendments introduced into the License Conditions shall be published in the nation-wide circulated newspaper 30 days before becoming effective.

## **6. License Suspension and Termination**

6.1 The GNERC may suspend or terminate the License on its own initiative, in accordance with its Regulations and Rules in case:

- a) Licensee requests the withdrawal of the license;
- b) Licensee violates the License Conditions;
- c) Licensee violates the present Act and the legislation in force in the performance of its activity;
- d) Licensee is declared bankrupt and is unable to perform its obligations.
- e) Licensee obtained the license fraudulently.

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**ATTACHMENT 2**

**LICENSE FOR THE EXPORT OF ELECTRICITY**

**THE REPUBLIC OF GEORGIA**  
**National Energy Regulatory Commission**

**LICENSE**  
**For**  
**EXPORT OF ELECTRICITY**

Series: \_\_\_\_\_ License Number: \_\_\_\_\_  
Effective Date: \_\_\_\_\_

License Issued To: \_\_\_\_\_  
[Name and Legal Address]  
\_\_\_\_\_

Fiscal Code: \_\_\_\_\_

Registration Certificate: \_\_\_\_\_  
(Series, Number, Place of Registration)

Under the authority granted to it by the Laws of the Republic of Georgia, the Georgian National Energy Regulatory Commission (GNERC) grants this License to perform the activity of exporting electricity to the above-named Company, hereinafter "Licensee", subject to the License Conditions attached to this License and made an integral part hereof. This License is effective as of the date above written and will continue in effect for a period of 3 years or up to the moment of its termination by the GNERC in accordance with the License Conditions.

Chairman of the GNERC \_\_\_\_\_

[Seal of the GNERC]



THE REPUBLIC OF GEORGIA  
National Energy Regulatory Commission

**LICENSE CONDITIONS**  
**For**  
**EXPORT OF ELECTRICITY**

Series \_\_\_\_\_

License No. \_\_\_\_\_

Issued To:

\_\_\_\_\_

(Licensee)

**1. General Provisions**

- 1.1 This License, including these License Conditions, is issued pursuant to the Georgian Law on Electricity and Natural Gas, and other effective Laws and Government Decrees of the Republic of Georgia.
- 1.2 If any condition of these License Conditions becomes null and void or otherwise ceases to be effective, that condition shall be deleted from the License Conditions and the remaining License Conditions shall continue in full force and effect.
- 1.3 The License cannot be transferred to another party without the prior written approval of the GNERC.
- 1.4 Licensee shall hold only one License for Export of Electricity.
- 1.5 The following words and phrases used in the License, these License Conditions and Annexes, when capitalized, shall have the meanings set forth below:

Licensed Activity	Activities necessary for, and directly related to, providing a delivery, supply and sale of electricity from inside of Georgia to the delivery point outside of Georgia, through export, at market unregulated tariffs.
Dispatch Licensee	The entity engaged in central dispatching activity that is responsible for the process of controlling the operation of generating plant and other power industry facilities to provide system stability, security, reliability, safety and efficient operation of the power system.
Regulations and Rules	Standards, codes, regulations, orders and other prescriptions in force established by Laws or other official documents.
Wholesale Electricity Market	Legal person of private justice created for the purpose of management of wholesale electricity (capacity) trading and gradual development of competition. It is a Union or Association of the members who are electricity sector licensees and direct customers.
Import Licensee	The entity that provides delivery, supply and sale of electricity inside Georgia from the sources outside of Georgia.
Generation Licensee	The entity that generates electricity and supplies it through the connection of its generating facilities to the transmission and distribution grids.
Distribution Licensee	The entity that supplies electricity to retail consumers at regulated prices in a specific geographic region by purchasing energy from power plants and wholesale suppliers and arranging for the delivery of electricity over high and low voltage facilities to the consumer's premises.

## 2 Carrying out the Licensed Activity

- 2.1 Licensee is authorized by this License to conduct the Licensed Activity anywhere within the boundaries of the Republic of Georgia.
- 2.2. Licensee shall not engage in any form of monopoly activity prohibited by the Laws of the Republic of Georgia, or Regulations and Rules adopted by the GNERC.
- 2.3. Licensee may not sell electricity outside of Georgia if these transactions result in a deficiency of power or capacity inside Georgia, or at the tariffs and terms and conditions that detrimentally affect domestic customers or reliability of the Georgian energy system.
- 2.4. Licensee purchases electricity from Generation Licensee and/or Wholesale Electricity Market and/or Import Licensee and sells (exports) electricity outside of Georgia.

### 3. Obligations of Licensee

#### 3.1. Reporting

- 3.1.1. Licensee shall submit to the GNERC, upon its request and in the form and within the time set by the GNERC, information, including information provided to Government entities, that is necessary in the conduct of its authorized regulatory responsibilities.
  - 3.1.2. Licensee shall notify the GNERC within 10 days of any change in:
    - a) address;
    - b) description of facilities.
  - 3.1.3. Communication between Licensee and the GNERC pursuant to, or in connection with, this License shall be given in writing and executed by a duly authorized officer, or his duly designated representative, of Licensee or the GNERC, respectively.
- 3.2. Information provided to the GNERC by Licensee shall be considered public unless, upon specific request of Licensee, the GNERC by decision ascertains that certain information is of a proprietary nature and that the public interest served by disclosure would not justify or offset the potential commercial harm to Licensee.
- 3.3. Licensee shall conduct its Licensed activity in compliance with the Wholesale Electricity Market Rules and all effective Regulations and Rules of the Dispatch Licensee, including the execution of all operational orders, instructions or directions and the submission of technical information and all other documentation required.
- 3.4. Tariffs and contracts for the purchase of electric power by Licensee from the Wholesale Electricity Market or from an entity which holds a Generation License or Import License will become effective only after their approval by the GNERC.
- 3.5. Licensee shall comply with the Laws in force of the Republic of Georgia, all Government Decrees and Regulations and Rules.
- 3.6. Licensee shall pay regulatory fees on a regular and continuous basis during the term of this License as determined by the GNERC in accordance with effective Regulations and Rules established by the GNERC.
- 3.7. The tariffs for services provided by Licensee shall be determined by Licensee and are not subject to regulation or approval by the GNERC. Licensee shall be solely responsible for billing for electric services and collecting from its customers. Licensee may require financial mechanisms to secure payment in accordance with applicable law.
- 3.8. Licensee shall promptly pay for all services, provided by licensees-members of the Wholesale Electricity Market. The GNERC may suspend or terminate this License if Licensee fails to comply with this Condition.
- 3.9. In the event of a disagreement between Licensee and another licensee, involving a matter within the jurisdiction of the GNERC, which cannot be resolved through negotiation, the matter of disagreement shall be analyzed by the GNERC in order to make a decision within the scope of its authority.

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4.2. Upon the substantiated complaint of any third party or upon its own motion, the GNERC may initiate an investigation of Licensee's compliance with its License, including examination of Licensee's business practices with respect to the Licensed Activity.

4.3. If after investigation, the GNERC concludes that Licensee has failed to comply with License Conditions, the GNERC may take actions within its scope of authority in order to protect the interests of electricity consumers or other licensees.

4.4. Licensee shall inform the GNERC of any violation of these License Conditions within one week from such violation becoming known to Licensee.

4.5. Licensee shall obey any decision issued by the GNERC, including the payment of fines imposed by the GNERC, in accordance with the Laws in force, with respect to violations of the License Conditions.

#### **5. Amendment of the License**

5.1 The GNERC may amend the License Conditions in case they do not comply with:

- a) the Laws in force of the Republic of Georgia;
- b) decision of the Court.

5.2 Within one year starting with the Effective Date, the GNERC may revise the License Conditions without seeking agreement of Licensee. After providing an opportunity for all interested parties to express their opinion, in accordance with effective procedures, and giving careful consideration to all arguments presented, the GNERC will adopt necessary amendments to License Conditions. Written notice of proposed amendments shall be delivered to Licensee 30 days prior to making any such amendments effective.

5.3 At any time either Licensee or the GNERC may propose any other amendments to License Conditions, in addition to those stipulated in Paragraphs 5.1 and 5.2, by transmitting its proposal in writing, together with supporting arguments, to the other party.

The GNERC shall make the final decision only after taking into consideration the interests of consumers and other licensees. Interested parties shall be informed in written form about the proposed amendments. If the GNERC and Licensee come to agreement on such amendments, the License Conditions shall be so amended, otherwise the GNERC may appeal to Court.

5.4 The amendments introduced into the License Conditions shall be published in the nation-wide circulated newspaper 30 days before becoming effective.

## 6. License Suspension and Termination

6.1 The GNERC may suspend or terminate the License on its own initiative, in accordance with its Regulations and Rules in case:

- a) Licensee requests the withdrawal of the license;
- b) Licensee violates the License Conditions;
- c) Licensee violates the present Act and the legislation in force in the performance of its activity;
- d) Licensee is declared bankrupt and is unable to perform its obligations.
- e) Licensee obtained the license fraudulently.