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REVIEW OF CURRENT GEORGIAN LEGISLATION ON ENERGY SECURITY ISSUES AND ENERGY COMMUNITY REQUIREMENTS

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25 May 2018

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DATA

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ACRONYMS

DSO	Distribution System Operator
EC	Energy Community
EnCT	Energy Community Treaty
EU	European Union
GNERC	Georgian National Energy and Water Supply Regulatory Commission
GoG	Government of Georgia
GOGC	Georgian Oil and Gas Corporation
GSE	Georgian State Electrosystem
HPP	Hydro Power Plant
kV	Kilovolt
MoESD	Ministry of Economy and Sustainable Development of Georgia
MW	Megawatt
OHL	Overhead Line
SBA	Cost-Benefit Analysis
TSO	Transmission System Operator
TYNDP	Ten-Year Network Development Plan
UGS	Underground Gas Storage
USAID	United States Agency for International Development

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INTRODUCTION

The objective of USAID Energy Program is to support Georgia's efforts to facilitate increased investment in power generation capacity as a means to increase national energy security, and facilitate economic growth. The Program will have a significant impact on energy market reform efforts of the Government of Georgia (GoG) to comply with the country's obligations under the Energy Community Treaty (EnCT). The investment objective will be achieved through the provision of technical assistance to a variety of stakeholders in the energy sector.

The ultimate goal of this Program is to enhance Georgia's energy security through improved legal and regulatory framework and increased investments in the energy sector. The ultimate expected outcome of this Program is an energy legal and regulatory framework that complies with European requirements and encourages competitive energy trade and private sector investments.

Even though it's often highlighted that energy security of the country has been improved during recent years, there is not specific comprehensive legislation or even definition of the "energy security" in Georgia. However, high-level national security and energy policy documents, primary and secondary legislation and network development plans provide some aspects of the energy security. The goal of this report is to provide brief review of energy sector legislation and documents related to energy security issues. Firstly, highly level policy documents are reviewed, followed by analysis of existing primary and secondary legislation, with major focus on energy security. Finally, report provides overview of upcoming changes in the energy sector in accordance to Georgia's membership to European Union (EU) Energy Community (EC) and envisaged energy security improvement requirements.

POLICY DOCUMENTS

1. National Security Concept of Georgia

GoG has developed, and the Parliament of Georgia has adopted the National Security concept by the resolution dated as of 23 December 2011. *The National Security Concept of Georgia is the basic document that explains fundamental national values and national interests, the vision of the nation's secure development, threats, risks and challenges, and establishes the main directions for national security policy.* The National Security Concept establishes foundation for the development of specific strategies.

Provisions related to Energy Security

Ensuring energy security is one of the fourteen declared National interests of the country and Energy Security Policy is one of the eighteen Main Security Policy directions of Georgia. The concept document declares that for ensuring national energy security, diversification of energy sources and transportation routes is a priority for Georgia. It highlights energy security policy, challenges and strategic regional energy projects (oil& gas pipelines). Article 10 under chapter of main security policy directions of Georgia is devoted to energy security policy. According to Article 10 "in order to ensure sustainable energy security for Georgia, it is important to create a favorable investment environment, to strengthen international cooperation, and to further develop the existing energy infrastructure. Also, great importance is attached to the diversification of energy resources and suppliers, as well as to participation in international and regional energy projects". Furthermore, the article highlights importance of existing and prospective transit projects, efficient use of hydropower and research into other clean-energy resources. Construction of new electricity transmission lines and power plants, and the rehabilitation of old hydropower stations is foreseen as a contributor to reduce Georgia's dependency on imported energy sources and, consequently, to improve energy security.

2. Main Directions of the State Policy in Energy Sector of Georgia

The parliament of Georgia adopted the Main Directions of the State Policy in Energy Sector of Georgia by the resolution dated as of 24 June 2015¹. The resolution also repealed Main Directions of the State Policy in the Energy Sector of Georgia adopted in 9 June 2006. The intent of energy policy document is to develop a long-term comprehensive state vision, which will later become the basis for the development of short, medium and long-term strategies in the energy sector. The main goal of the energy policy is to "raise country's energy security, which serves as a tool for ensuring national interests through uninterrupted supply of various energy products under acceptable quantity, quality and price".

Provisions related to Energy Security

This Energy Policy for Georgia sets out strategic directions that address the priorities and development opportunities in the energy sector of Georgia, also considers main directions towards energy security. Among nine main energy policy directions, the very first policy vision provides statements and vision towards energy security:

"a) Diversification of supply sources, optimal utilization of local resources and reserves

For improving national energy security, one of the main directions is diversification of supply sources and routes for oil, natural gas and electricity; efficient utilization of local energy potential; and if necessary, creation of strategic minimum reserves for oil and/or oil products. Despite the scarce natural gas, oil and coal reserves in Georgia, determined quantities still exist. However, vast majority of above-mentioned primary resources remains largely unexplored. Accordingly, exploration of existing reserves and rational utilization of potential natural resources need to be fully supported. Local demand on electricity shall be satisfied by own energy resources, through replacing imported energy carriers step by step."

The other energy security relevant aspects of the policy directions include utilization of renewable energy sources, energy market and trading development, strengthen Georgia's role as a transit route, improving energy efficiency, Improving service quality and protection of consumer interests.

¹ The draft policy document was prepared by Deloitte Consulting under USAID Hydropower and Energy Planning Project.

To summarize, the energy policy document provides long-term vision of the energy sector development and improving energy security, however it is very high-level document and needs supplementary normative acts with specific goals, responsible parties, action plans etc.

Energy Sector Development Strategy of Georgia

Draft energy development strategies for electricity sector (2016-2025) and for natural gas sector (2017-2025) were developed but up to date never adopted. The both documents are available for public under the old web site of the Ministry of Energy of Georgia.

PRIMARY LEGISLATION

1. Law of Georgia on Electricity and Natural gas

Adopted in 1997 and amended several times since then, the law of Georgia on Electricity and Natural Gas regulates activities and relations of individual entrepreneurs, physical and legal persons in the areas of water supply, electricity system operation, wholesale electricity (capacity) trading, electricity generation, transmission, dispatch, distribution, import, export and consumption, as well natural gas supply, import, export, transportation, distribution and consumption and maintenance of the functioning and development of the electricity and natural gas sectors in Georgia based on market economy principles. The law does not apply to exploration, production, processing and storage of natural gas, also to relations between the producer of natural gas and supplier, and to natural gas transit through the territory of Georgia. Transit of electricity through territory of Georgia is regulated only by the very provisions of the Law, which directly address and govern electricity transit and issues related to it.

Provisions related to Energy Security

The Law does not provide specific chapters or definitions related to energy security. Below is presented some of the provisions that are indirectly linked to the energy security. According to the paragraph 1 of the article 3, the Ministry of Energy shall set the main directions of the state policy in the power industry, including the electricity and natural gas sectors and secure their implementation upon approval by the Georgian Parliament. In the course of implementing this goal, the Ministry's main functions shall be: "a) Elaboration of short- medium- and long-term strategies and priorities in the power sector, as well as coordination of their implementation...i) Development of state strategies for emergencies in the energy sector; j) Determination of a strategy for safety in the energy sector, elaboration of recommendations as well as studying the emergency events and causes of technical faults..." It shall be noted that there is not publicly available and adopted documents related to above-mentioned functions of the Ministry.

The Law provides provisions regarding to the guaranteed capacity that is envisaged as a source which serves the stability, safe and reliable functioning of the Country's electricity system.

The Law defines electricity and natural gas network codes (distribution & transmission) and provides objectives and scope of Ten Year Electricity Network Development Plan (TYNDP).

2. Law of Georgia on Oil and Gas

Adopted in 1999, the law of Georgia on Oil and Gas establishes legal basis for the state management and regulation of oil and gas operations oil refining, gas processing and/or transportation, assigns the main functions to State Agency for Oil and Gas. Furthermore, the law establishes licensing conditions for oil and gas explorations, oil refining, gas processing and transportation activities, it defines the main framework for oil and gas contracts, specifics of using oil and gas-containing subsoil and assigns Rights, obligations and liabilities to investors.

The Law aims to: a) create a unified legal framework for the development of oil and gas resources and oil refining, gas processing or transportation activities and to pursue a unified national policy in the field; b) promote investments in the field of oil and gas and protect legitimate interests of the entities involved in oil and gas operations in Georgia; c) create an effective legal framework for state regulation, supervision and control of oil and gas operations, oil refining, gas processing and/or transportation activities in Georgia; d) establish basic principles of oil and gas prospecting and exploration and extraction contracts between the state and an investor; e) determine functions of the National Oil Company. f) create a state regulatory body for oil and gas operations, oil refining, gas processing, and/or transportation activities in Georgia and determine its basic functions.

Provisions related to Energy Security

There are not direct provisions related to enhancing energy security, though one of the aim of the law, which is promoting investments in exploration domestic oil and gas resources, is very in line with the Main Directions of the State Policy in Energy Sector of Georgia.

3. Law of Georgia on National Security Policy Planning and Rule of Coordination

Adopted on March 4, 2015 and amended several times to date. The Law determines the national security policy fields, the process of policy planning and coordination and authorities of relevant

coordinating entities. The National Security Policy is defined as the activities carried out to ensure the state interests of Georgia, which implies identification, assessment and prevention of threats, risks and challenges inside and outside the country.

Provisions related to Energy Security

Ecological and Energy security is identified as one of the main security policy fields, considering following directions:

- a) Identification, evaluation and forecasting of ecological and energy threats, risks and challenges;
- b) Ensure the use of natural resources in compliance with national security objectives;
- c) Development of appropriate mechanisms for the protection of population and territories from natural and man-made emergency situations;
- d) Reduction and elimination of damage caused by natural and man-made disasters;
- e) Develop capacities of emergency response forces and coordinate their activities;
- f) Ensuring the safety of hazardous waste management;
- g) Implementation of energy policy in accordance with national security objectives.

SECONDARY LEGISLATION

The main secondary legislative acts related to energy security issues in electricity and natural gas are Network Rules (grid codes). The natural gas Network Rules are under development, few chapters are drafted and by the end of September 2018 Georgian National Energy and Water Supply Regulatory Commission (GNERC) has to adopt it. Hence, we will review only Electricity Network Rules that was adopted by GNERC on 17 April 2014.

Electricity Network Rules (Grid Code)

Electricity Network Rules sets procedures, terms, principles and standards for development, management, availability and secure utilization of transmission and distribution networks by electricity system participants and applicants. One of the main objectives of the Rules is to ensure transparent, non-discriminatory and economical (least cost principle) availability and use of transmission network taking into consideration its secure, reliable and effective operation.

The Rules cover issues related to technical, economical and operational criteria of availability and use of the transmission and the distribution networks, planning its expansion and improvement, modes and standards of electricity system operation, drafting and enforcing electricity supply and demand schedules, exchange of data and information, electricity metering policy, etc.

Provisions related to Energy Security

The Rules provide definitions relevant for energy security concept for the electricity sector. According to the paragraph z²⁰ of the article 2, reliability is an “ability of electricity system to maintain sustainability during disturbances”. Furthermore, paragraph 3 of the article 30 sets and defines two criteria for assessing reliability of the transmission network:

- a. Adequacy – ability of the electricity system to uninterruptedly satisfy the consumers’ requirements on electricity, taking into account the both scheduled and unscheduled outages of system elements;
- b. Stability – ability of the electricity system to withstand sudden disturbances such as electric short circuits or unexpected outage of system elements”.

The chapter III of the Rules define the transmission network planning procedures, technical requirements, procedures for cooperation and information exchange among the participants of electricity system and applicants for coordinating the design, construction, reconstruction and further extension of transmission network. Article 35 defines criteria for transmission network planning. It sets requirements to transmission network so that electricity system shall maintain stability within allowed voltage and frequency limits of post-emergency mode caused by: the loss of one system element (N-1); the loss of one system element, plus emergency shutdown of one energy unit/aggregate (N-G-1); emergency shutdown of system element when another system element is under repair (N-1-1). Article 36 outlines emergency studies under different scenarios for avoiding the outspread of electricity system emergency and disturbance of stability. Furthermore, article 37 sets transmission network performance standards and article 38 provides additional measures on avoidance of accidents.

The chapter IV sets operational planning rules and among other issues provides guidelines and procedures for developing action plan during the emergency.

The Rules also cover distribution network planning and operational management rules. It imposes distribution licensee to develop Five-year Distribution Network Plan and in the process to take into account the activities and directions included in strategic plans (including main the Main Directions of the State Policy on the Energy Sector of Georgia, and the TYNDP).

TEN-YEAR NETWORK DEVELOPMENT PLANS

The Law of Georgia on Electricity and Natural Gas defines and sets legal framework only for Electricity TYNDP. However, within its capacity Georgian Oil and Gas Corporation (GOGC) has prepared Natural Gas Ten-Year Transmission Network Development Plan for Georgia and presented it to the GNERC, the Ministry of Economy and Sustainable Development of Georgia (MoESD) as well as other stakeholders. Below is provided the brief description of the both plans.

1. TYNDP of Georgia for 2018-2028 (Electricity)

Georgian State Electrosystem (GSE) has prepared TYNDP of Georgia for 2018-2028 based on the legal requirements prescribed under the Law of Georgia on Electricity and Natural Gas and the Electricity Network Code. The first TYNDP for electricity was prepared for 2015-2025 time period, and it was modified and updated for each subsequent year. Correspondingly, it is the fourth TYNDP for the country.

TYNDP 2018-2028 covers, inter alia, topics related to transmission network development drivers, strategy for development transmission network, forecasted electricity demand (peak load and energy) and generation adequacy, identified grid development projects for 2018-2028 and required investments. Furthermore, TYNDP provides analysis of network development indicators, power exchange capabilities (Net Transfer Capacity), integration of generation sources (including challenges associated with integration of wind and solar energy) and about consumption from the grid.

TYNDP identifies security of supply as the most critical problem for Georgian transmission network and lists the following measures to maintain the security of supply:

1. "Increase reliability of power transmission from Enguri to eastern part of Georgia, 500 kV parallel Overhead Line (OHL) of "Imereti";
2. Timely construct of cross-border infrastructure;
3. Avoid deferment of commissioning dates of perspective power plants;
4. Existing generation objects must (!) be in full technical readiness;
5. Timely building of hydro power plants with water reservoirs (such as "Khudoni", "Nenskra", "Namakhvani", "Tskhenistskali") in order to use saved hydro power in winter months during the lack of hydro resources;
6. It is recommended to construct pumped-storage Hydro Power Plants (HPPs) which will lead to improve generation adequacy, power system stability and flexibility and to make opportunity to integrate additional capacities coming from sources of variable generation (solar and wind) to the network;
7. Taking necessary measures for improving energy efficiency and demand-side management.

Furthermore, based on the results of Cost-Benefit Analysis (CBA), TYNDP identifies the highest ranked interconnection projects (implying the most needs):

1). Jvari-Tskaltubo-Akhaltzikhe integrating up to 2438 MW hydropower into the network, increasing network transfer capacity and reliability and ensuring compliance with N-1 criterion; 2). Ksani-Stepantsminda-Mozdok that will improve reliability of the parallel operation with Russian power system, stability of Georgian network and support integration of up to 194 MW hydropower.

2. Ten-Year Development Plan for Georgian Gas Transmission Network 2018-2027

The Ten-Year Development Plan for Georgian Gas Transmission Network determines the transport infrastructure rehabilitation/ reconstruction projects for the period between 2018 and 2027, provides information on the identification of the projects to be implemented in 2018 with secured financing as well as the projects to be implemented in the next two years and presents a 10-year timeline for the implementation of the investment projects and the possible sources of financing such projects. The Gas TYNDP also provides analysis of Georgian gas market, demand-supply outlook, regional gas market development trends, potential transit projects and investment plans.

The Gas TYNDP was prepared by GOGC in accordance with the requirements of Directive 2009/73/EC concerning common rules for the internal market in natural gas and Directive 2004/67/EC concerning measures to safeguard security of natural gas supply. It is based on 2016 and 2017 year editions of "10-Year Development Plan for Georgian Gas Transmission Infrastructure".

The subchapter 2.5 of the Gas TYNDP is devoted specifically to energy security. The energy security subchapter presents the main threats to gas supply security, existing challenges associated with daily

balancing and seasonal demand. Gas TYNDP provides the priority projects related to enhance the security of gas supply. The priority projects to be implemented in the short- and medium-term periods is the rehabilitation of the critical sections of East-West Gas Pipeline, and in the longer term – construction of Underground Gas Storage (UGS) and the construction of interconnectors to link different directions and branches of Georgian gas mains. Additionally, Gas TYNDP states that energy security significant improvement is also possible with increase in capacity of connectors with neighboring countries, for example using compressor station on the pipeline incoming from Azerbaijan.

ENERGY SECURITY RELATED ISSUES CONSIDERED UNDER ACCESSION PROTOCOL TO THE ENERGY COMMUNITY TREATY

In October 2016, Georgia signed accession protocol to the EnCT and thus, undertook an obligation to reform the energy sector in compliance with EU requirements and within the timeframe determined in advance. The protocol has the status of International Agreement and is ratified by the Parliament of Georgia. Some binding directives/regulations considered under agreement, also tackle energy security related issues.

Oil

Directive 2009/119/EC imposes an obligation to maintain minimum stocks of crude oil and/or petroleum products. The aim of the Directive is to provide high level of security of oil products, maintain minimum stock of crude oil and/or petroleum products and to ensure solution procedures in case of shortage. The requirement shall be implemented no later than 1st January 2023.

As for the volume of reserved oil stocks, it shall be equivalent to at least - 90 days of average daily net imports or 61 days of average daily inland consumption, whichever of the two quantities is greater.

The directive also considers existence of emergency stocks. Such reserves may be consisting by strictly defined products. The list is provided under the directive itself.

The emergency stocks may be owned by the State, economic operators, or central stockholding entities created by the states, but the main requirement is that they should not be profit-oriented. The member state shall ensure emergency procedures that provides a complete or partially immediate, efficient and transparent use of the existing stocks of the state by the authorized body during the significant delays in supply.

Gas

Since Georgia is not directly connected to the energy network of any of the binding parties or EU member states, certain conditions (derogations) were made considering country's geo political situation. Derogations are as follows:

- Georgia is exempted from the application of the Treaty in relation to legal and/or regulatory regime and/or terms and conditions of cross-border transmission (transit) of natural gas;
- The South Caucasus Pipeline and the North South Gas Pipeline, are exempted from the implementation of provisions regulating natural gas activities as well as operation and management of natural gas systems, including cross-border exchanges in natural gas.

For the purpose of compliance of the Treaty Establishing the EC, inter alia, by the 31 of December 2020 Georgia has to implement provision of the Directive 2004/67/EC, that establishes measures to safeguard an adequate level for the security of gas supply. Directive 2004/67/EC provides common framework within which Member States shall define general, transparent and non-discriminatory security of supply policies compatible with the requirements of a competitive internal gas market; clarify the general roles and responsibilities of the different market players and implement specific non-discriminatory procedures to safeguard security of gas supply.

The construction of the new gas storage facility is going to contribute to the energy security of Georgia and will help to balance the seasonal change in demand for natural gas. However, there is still no legal framework in Georgia regulating such facilities that needs to be developed.

Electricity

The directive 2005/89/EC concerning measures to safeguard security of electricity supply and infrastructure investment establishes measures aimed at safeguarding security of supply so as to ensure the proper functioning of the internal markets for electricity. It Ensures an adequate level of generation capacity; an adequate balance between supply and demand; and establishes a framework within which Georgia has to define transparent, stable and non-discriminatory policies on security of electricity supply compatible with the requirements of a competitive internal market for electricity.

According to the Directive 2005/89/EC the Government shall ensure a high level of security of electricity supply by taking the necessary measures to facilitate a stable investment climate and by

defining the roles and responsibilities of competent authorities, including regulatory authorities where relevant, and all relevant market actors and publishing information thereon. The relevant market actors include, inter alia, transmission and distribution system operators, electricity generators, suppliers and final customers. Further provisions of the Directive 2005/89/EC are discussed in the next subchapter.

THE NEW DRAFT LAW OF GEORGIA ON ENERGY

According to the draft Law of Georgia on Energy, MoESD shall be a competent authority for safeguarding the security of electricity and natural gas supply in Georgia.

The Ministry shall adopt regulations on the security of electricity supply and the security of natural gas supply which shall define the roles and responsibilities of different energy undertakings, market participants, system users and customers in achieving adequate minimum security of supply standards and levels of the security of electricity and natural gas supply. GNERC and other competent national authorities of Georgia shall contribute to the security of supply.

The MoESD, in cooperation with the GNERC and the Transmission System operators (TSO), shall ensure that all relevant risks relating to security of electricity and natural gas supply are assessed in compliance with Georgia's obligations under the Treaty establishing the EnCT.

The MoESD shall monitor, in cooperation with the Commission and, where relevant, with other competent national authorities of Georgia as well as with transmission system operators, the security of electricity and/or natural gas supply in Georgia.

In order to safeguard the security of supply on internal energy markets, Georgia shall cooperate with other EC Parties so as to promote regional and bilateral solidarity.

It shall include:

- Coordination of measures related to the security of electricity supply;
- Coordination of measures related to the security of natural gas supply;
- Identification and, where necessary, development and upgrading, of electricity and/or natural gas interconnectors, including enabling bi-directional capacities in natural gas interconnectors; and
- Conditions and practical modalities for mutual assistance.

Security of Electricity supply

The MoESD, in cooperation with the Commission and other competent national authorities of Georgia, shall ensure a high level of security of electricity supply by taking the necessary measures to facilitate a stable investment climate and by defining the roles and responsibilities of competent authorities, including regulatory authorities where relevant, and all relevant market actors and publishing information thereon. transmission and distribution system operators, electricity generators, suppliers and final customers shall take account of:

- Continuity of secure and reliable supply of electricity to final customers in Georgia;
- Transparent and stable regulatory framework for the electricity activities, taking into account clearly defined roles and responsibilities of the electricity market participants, and harmonized regulatory practices in Georgia;
- Effective functioning, development and integration of a single electricity market in Georgia, including liquidity of the internal trading in electricity, both wholesale and retail, as well as unrestricted access for cross-border exchanges in electricity;
- Regular maintenance and, where necessary, renewal of electricity transmission and/or distribution networks to maintain the performance of respective networks;
- Relevant quality standards in accordance with technical rules established pursuant to the Law of Georgia of Energy;
- Unrestricted and justified investments in electricity transmission and/or distribution networks in order to meet a foreseeable demand from the electricity market, including commercial investments in development of the cross-border interconnection capacities;
- Promotion of electricity produced from renewable energy sources and in combined generation of electricity and heat;
- Sufficient transmission and generation reserve capacities for stable operation of the electricity system;

- Maintaining a balance between the demand for electricity and the availability of generation capacities;
- Reduction of long-term effects of the growth of electricity demand;
- Promotion, of the energy efficiency and the adoption of new technologies, in particular demand management technologies, renewable energy technologies, distributed generation of electricity, as well as smart metering technologies, in order to adopt a real-time electricity demand management;
- Encouragement of the energy conservation measures;
- Removal of administrative barriers and minimized administrative burden to investments in the electricity infrastructure for the access of new electricity generation capacities; and
- Removal of barriers that prevent the use of interruptible contracts and conclusion of contracts of varying lengths for both producers and customers.

Where building of new electricity interconnectors or maintenance of existing interconnectors is considered by the transmission system operator in order to increase cross-border exchange capacities, shall be considered taking into account a specific geographic situation of Georgia and its neighboring countries concerned; maintaining a reasonable balance between the costs of building new electricity interconnectors and the benefit to final customers; and ensuring that existing electricity interconnectors are used as efficiently as possible.

The transmission system operator shall set the minimum operational rules and obligations of the security of the electricity transmission network in compliance with the Georgian Law on Energy, regulations on the security of electricity supply, Transmission Network Code, technical rules and other applicable legal acts.

Cooperation between national transmission system operators in issues relating to network security including definition of transfer capacity, information provision and network modelling is vital to the development of a well-functioning internal market and could be further improved.

Transmission and distribution system operators should be required to deliver a high level of service to final customers in terms of the frequency and duration of interruptions. TSO and Distribution System Operators (DSOs) need an appropriate and stable regulatory framework for investment, and for maintenance and renewal of the networks.

When promoting electricity from renewable energy sources, it is necessary to ensure the availability of associated back-up capacity, where technically necessary, in order to maintain the reliability and security of the network.

Security of natural gas supply

Considering the terms and conditions of draft Georgian Law on Energy, the MoESD, in cooperation with the GNERC and other competent national authorities of Georgia, while developing and implementing the security of supply regulations for natural gas, and monitoring the security of natural gas supply in accordance shall inter alia contain the following:

- Identification of protected customers;
- Instruments and measures performed by the natural gas undertakings, to endeavor to ensure the supply of natural gas to protected customers;
- Identification of various groups of major risks to security of natural gas supply (risk assessment);
- Measures to mitigate the risks identified, but in particular of disruption scenarios modelling the loss of a major infrastructure or natural gas supply route/source in case of exceptional high natural gas demand;
- Contents of the report by natural gas undertakings on the security of natural gas supply;
- Obligations imposed on natural gas undertakings and other relevant bodies, including for the safe operation of the natural gas system.

The Government shall ensure that supplies for household customers inside their territory are protected to an appropriate extent.

The MoESD, after consulting natural gas undertakings, relevant organizations representing the interests of household and industrial natural gas customers, and the Commission, shall, establish the National Natural Gas Emergency Plan containing the measures to be taken to remove or mitigate the impact of disruptions in supply of natural gas.

Any regulatory measures undertaken or adopted shall be non-discriminatory, shall not distort conditions for competition and price signals on the natural gas market to the extent higher than the minimum level necessary, and shall not place an unreasonable burden on natural gas market participants, including new entrants and undertakings with small market shares. Such measures shall be also justified on their economic and social effect to the final customers in Georgia, including their possible impact on natural gas prices.

Technical and safety provisions relevant for the security of natural gas supply and therefore mandatorily applicable to natural gas facilities and their associated equipment as well as requirements for technical inspections thereto shall be regulated by the technical rules adopted by the Government.

Considering the requirement of relevant directive, a Gas Coordination Group should be established in order to facilitate the coordination of security of supply measure (the Group). The Group shall be composed of Emergency situation in electricity and natural gas may be caused and announced in case the production, transmission, distribution, supply of energy sources and/or trade is interfered by unexpected circumstances or those beyond the reasonable control of the electricity and/or natural gas undertakings in charge, and which threatens the overall security and reliability of the national systems or supply to the final customers in order to meet their demand for electricity and/or natural gas. Safeguard measures and procedures applied in case of the emergency situation in electricity and/or natural gas shall be adopted by the Government and shall be duly consulted and closely coordinated with the Commission, the transmission system operators and distribution system operators. The emergency situation shall be announced under the decision of the Government.

Supply of electricity and /or natural gas to the final customers in Georgia may be temporarily interrupted only when such interruption is justified by necessity to secure the public interest, including the emergency situation in electricity.

USAID Energy Program

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