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NATURAL GAS MARKET DEVELOPMENT ACTION PLAN

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8 June 2018

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DATA

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Practice Area: Gas Market Development

Key Words: Gas Market, Action Plan, Market Development

ACRONYMS

ADB	Asian Development Bank
ASAP	As Soon As Possible
DISCOs	Distribution Companies
DSO	Distribution System Operator
EBRD	European Bank of Reconstruction and Development
EC	Energy Community
ECS	Energy Community Secretariat
EnCT	Energy Community Treaty
EU	European Union
GGTC	Georgian Gas Transportation Company
GNERC	Georgian National Energy and Water Supply Regulatory Commission
GoG	Government of Georgia
GOGC	Georgian Oil and Gas Corporation
IFI	International Financial Institutions
ISO	Independent System Operator
ITO	Independent Transmission Owner
LNG	Liquefied Natural Gas
LNGSO	Liquefied Natural Gas System Operator
LoE	Law of Georgia on Energy
MO	Market Operator
MoESD	Ministry of Economy and Sustainable Development of Georgia
MoF	Ministry of Finance of Georgia
MoLHSA	Ministry of Labor Health and Social Affairs of Georgia
NG	Natural Gas
NGMO	Natural Gas Market Operator
PSO	Public Service Obligation
SAOG	State Agency of Oil and Gas
SCADA	Supervisory Control and Data Acquisition
SSO	Storage System Operator
TNO	Transmission Network Owner
TSO	Transmission System Operator
TYNDP	Ten-Year Network Development Plan
UGS	Underground Gas Storage
USAID	United States Agency for International Development
USoA	Uniform System of Accounts
VTP	Virtual Trading Point
WG	Working Group

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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.

BACKGROUND

The GoG signed the EnCT in October 2016. The Treaty commits the GoG to harmonize its energy related legislation to specific European Union (EU) directives and other EU regulations. USAID Energy Program supports the GoG in development of legislation that is compliant with EU legislation.

USAID Energy Program was asked by the Ministry of Economy and Sustainable Development of Georgia (MoESD) to support the development of the Natural Gas Market Concept Design. The Concept Design provides a high-level description of the final market design with specific stages of development to transition from the existing natural gas market to a fully competitive and robust natural gas market by 2026.

NATURAL GAS MARKET DEVELOPMENT ACTION PLAN

To compliment the Gas Market Concept Design, USAID Energy Program has developed the initial Natural Gas Market Development Action Plan. The Action plan provides the detailed activities to be accomplished during natural market transition in order for the market to reach full competition. The initial Action Plan will be shared with counterparts and other stakeholders, including international donor organization, to establish responsibilities of the various parties to support all the activities. The Action Plan will be updated over the life of the project and the status of the activities will be tracked and then recorded in the Action Plan as a way to monitor progress of the activities.

Annex 1 contains the initial draft Action Plan for the natural gas sector.

ANNEX 1

ACTION PLAN

#	Action	Description of Action	Institution (s) in Charge / Beneficiaries	Assistance donor support (actual/requested)	Deadlines	Comments
Natural Gas Reform Oversight						
1	Establish Natural Gas (NG) Market Development Working Group (WG)	WG Creation, including representatives of GoG, main market players and other relevant parties	MoESD	USAID Energy Program		
2	Develop and adopt the objectives and scope of work for the NG Development WG	Approved objectives and action plan for the WG.	MoESD	USAID Energy Program		
3	Develop Gas Market Transitional Plan for reforms and restructuring	Detailed and adopted Gas Market Transitional Plan for reforms and restructuring. Approval of the NG Transition Plan within this document should be finalized by the decision makers, adopted, and implemented with dedicated personnel and a Champion with decision-making powers.	MoESD			
Natural Gas Policy and Security of Supply						
4	State Energy Policy	The energy policy act providing strategies and priorities in electricity and natural gas sectors, as well as other measures and guidelines to be required by Law of Georgia on Energy (LoE), for a period of at least 10 years.	GoG		12 months from the date of entry into force of LoE.	Drafting: MoESD in cooperation with Georgian National Energy and Water Supply Regulatory Commission (GNERC) and other parties.
5	Update and approve the National Energy Strategy (Optional)	The National Energy Strategy has to be updated in line with the approved Natural Gas Market Transitional Plan	MoESD			Depends on the content of the energy policy. If Energy Policy will be sufficiently detailed there is no need to have a separate Natural Gas market development strategy
6	Modelling and analysis	Analyse impacts of various NG market reforms and to develop a recommendation towards open market transition based on the results of the simulation analysis.	MoESD, GNERC, Georgian Oil and Gas Corporation (GOGC)			
7	Natural Gas Market Concept Design	A legal act developing the general guidance for the organisation and functioning of the natural gas market in Georgia. Any proceedings related to the natural gas market shall be established by the Natural Gas Market Rules as to be developed and adopted by GNERC under the terms and conditions to be stipulated in LoE.	GoG	Energy Community Secretariat (ECS) (after indications by and consultations with MoESD and GNERC)	12 months from the date of entry into force of LoE.	Drafting: MoESD in cooperation with GNERC and other parties.

8	Regulation on Emergency Situations in Natural Gas	Rules and regulations on the criteria, status and announcement of an emergency situation in natural gas. To be prepared in line with applicable laws of Georgia. Alternatively, the Government may transfer its mandate for adoption of this act to its authorised body (e.g. MoESD)	GoG		12 months from the date of entry into force of LoE.	Drafting: MoESD in consultations with relevant parties.
9	Rules on the Security of Natural Gas Supply	These rules shall define the roles and responsibilities of different energy undertakings, market participants, system users and customers in achieving adequate minimum standards for the security of natural gas supply. These rules shall also define the concept of protected customers, supply standards, risk assessment and measures to mitigate such risks.	MoESD	ECS (after indications by and consultations with MoESD)	12 months from the date of entry into force of LoE.	Drafting: MoESD in consultations with relevant parties.
10	National Natural Gas Emergency Plan	The Emergency Plan shall define the crisis levels and the role and responsibilities of natural gas undertakings and of industrial natural gas customers including relevant electricity producers, in each of the crisis level, as well as the detailed procedures with measures for each crisis level. It shall also define the role and responsibilities of MoESD and of the other bodies to which tasks have been delegated at each of the crisis levels; it will define a crisis manager.	MoESD	ECS (after indications by and consultations with MoESD)	12 months from the date of entry into force of LoE.	Drafting: MoESD in consultations with GNERC and other parties.
11	Analysing customer protection options including vulnerable customers	Proper legislation must be developed, both primary and secondary, to protect vulnerable customer during the introduction of competition in the gas market.	MoESD/GNERC/Ministry responsible for Social affairs			
Primary Legislation						
12	Modify and adopt the necessary primary legislation	Modify and adopt the Primary Legislation for daily trading and bi-lateral contract market, establishing licenses for gas traders, to move responsibility for adopting market rules to GNERC and require GNERC to develop specific natural gas regulations and require unbundling of Distribution Companies (DISCOs) to at least legal unbundling and Transmission System Operators (TSO's) for ownership unbundling. Retail market opening requires that competition is not hampered by the incumbent retail supplier, who in turn, manages the distribution system. The primary legislation must provide for unbundling of the distribution systems	MoESD/GNERC/Parliament			
13	The Primary Legislation should be modified to allow for licensing and operation of the Storage Facility.	Modify and adopt the primary legislation	MoESD/GNERC/Parliament			

14	Comply with the provisions of the DIRECTIVE 2009/73/Energy Community (EC) of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC	Modify and adopt the primary legislation	MoESD/GNERC/Parliament			
15	Comply with the provisions of the REGULATION (EC) 715/2009 of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) 1775/2005	Modify and adopt the primary legislation	MoESD/GNERC/Parliament			
16	Comply with the provisions of the DIRECTIVE 2004/67/EC of 26 April 2004 concerning measures to safeguard security of natural gas supply	Modify and adopt the primary legislation	MoESD/GNERC/Parliament			
17	Comply with the provisions of the DIRECTIVE 2008/92/EC of 22 October 2008 concerning a Community procedure to improve the transparency of gas and electricity prices charged to industrial end-users (recast)	Modify and adopt the primary legislation	MoESD/GNERC/Parliament			
18	Adoption of new Energy Law	Drafted by ECS, initial review is completed.	GoG/Parliament			
19	Stakeholder reference group Creation	Establishing an MoESD stakeholder reference group. The reference group will thoroughly evaluate new gas market concept and changes in primary legislation and represent the voice of gas consumers, industry representatives or suppliers voice (for example, gas filling stations, Gas engineers association	MoESD			
Secondary Legislation						
20	Regulation on Imposition of Public Service Obligation(s) on Natural Gas Market Participants	Public Service Obligations (PSOs), if imposed, shall be performed in a transparent, non-discriminatory and easily verifiable manner. They shall be proportionate and shall not distort competition in energy markets beyond what is strictly necessary in order to achieve objectives of PSOs in question, and shall guarantee equality of access for energy undertakings of the Energy Community Parties to final customers in Georgia. Any imposed PSOs must be strictly limited in time and monitored by GNERC on regular basis. PSO Regulation is a possibility, an exemption from market-based activities in the energy sector, and not a mandatory legal act. PSO Regulation, if adopted, may also regulate compensations to energy undertakings imposed with	GoG	ECS (after indications by and consultations with MoESD)	Drafting: MoESD in cooperation with ECS and other parties	Drafting: MoESD in cooperation with ECS and other parties

		PSOs, standard contracts for PSO services between a service provider and a customer, etc				
21	Model and Action Plan for Unbundling of the Transmission System Operator for Natural Gas	A legal act by which the Government shall approve a particular unbundling model selected for the natural gas transmission system operator, and the action plan for its implementation. Proposed solutions shall be prepared by GNERC in consultations with ECS and TSO.	Government	ECS (after indications by and consultations with MoESD and GNERC)	As soon as possible (ASAP) after the entry into force of LoE so as to comply with unbundling deadlines.	Drafting: GNERC in cooperation with ECS, TSO and other parties.
22	Tender Procedure for Designation of the Natural Gas Supplier of Last Resort	Criteria and procedure for selection of the natural gas supplier of last resort, terms and conditions for the natural gas supply of last resort, information about the natural gas price formation and changes, contractual terms, etc.	Government	ECS (after indications by and consultations with MoESD)	12 months from the date of entry into force of LoE.	Drafting: MoESD in consultations with relevant parties.
23	Program of Treatment of Socially Vulnerable Natural Gas Customers	Such program shall establish the status of socially vulnerable customers and define the scope of their rights as well as measures aimed at protecting socially vulnerable customers in order to meet their natural gas demand. The program shall also envisage a manner of direct support by the Government to vulnerable customers from revenue sources other than tariff charges by energy undertakings to avoid cross-subsidies and price distortion.	Government		12 months from the date of entry into force of LoE.	Drafting: Ministry of Health, Labour and Social Affairs of Georgia (MoHLSA) in cooperation with MoESD and Ministry of Finance of Georgia (MoF) and in consultations with GNERC and other relevant parties
24	Technical Rules for Natural Gas Facilities and Equipment	The rules shall lay down harmonised terms and conditions for construction, technical operation and safety of natural gas facilities and equipment used for the production, transmission, distribution and storage of natural gas and Liquefied Natural Gas (LNG) operations, including required technical standards, minimum technical design and operational requirements.	MoESD		12 months from the date of entry into force of LoE.	Drafting: MoESD in consultations with relevant parties.
25	Licensing Conditions for Natural Gas Activities	Regulatory conditions for issuance of licenses for activities in the natural gas sector, namely transmission, distribution and storage of natural gas, operation of LNG facilities, and operation of the natural gas market. These conditions shall also include requirements for notifications regarding natural gas trading and supply activities.	GNERC	ECS (in progress)	12 months from the date of entry into force of LoE.	Drafting: GNERC in consultations with relevant parties.
26	Standard Forms of License Certificates Issued for Natural Gas Activities	Standard forms of license certificates to be issued by GNERC for transmission, distribution and storage of natural gas, operation of LNG facilities, and operation of the natural gas market.	GNERC	N/A	12 months from the date of entry into force of LoE.	Drafting: GNERC in consultations with relevant parties.
27	Procedure for Certification of the Transmission System Operator for Natural Gas	Procedure and requirements for a notification of a candidate TSO to be certified according to the chosen unbundling model and submission of documents, data and information requested by GNERC to accomplish a decision on certification. The rules on certification shall be based on LoE and shall also envisage the role of ECS in the certification procedure.	GNERC	ECS (in progress)	12 months from the date of entry into force of LoE.	Drafting: GNERC in consultations with relevant parties.

28	Rules on Reporting by Regulated Natural Gas Undertakings	Mandatory requirements for the preparation and submission to GNERC of activity reports by regulated natural gas undertakings, including licensed undertakings and those engaged in natural gas trading and/or supply.	GNERC	ECS (in progress)	12 months from the date of entry into force of LoE.	Drafting: GNERC in consultations with relevant parties.
29	Rules on Provision of Information by Regulated Natural Gas Undertakings	Mandatory requirements for the preparation and submission and/or public announcement of information related to relevant activities, market and/or system operations, etc., possessed by natural gas undertakings.	GNERC	ECS (after indications by and consultations with GNERC)	12 months from the date of entry into force of LoE.	Drafting: GNERC in consultations with relevant parties.
30	Rules on Public Consultations by GNERC	Scope and conditions of public consultations to be processed by GNERC, its procedures, formal requirements, public announcement of information, etc.	GNERC	ECS (after indications by and consultations with GNERC)	12 months from the date of entry into force of LoE.	Drafting: GNERC in consultations with relevant parties.
31	Rules on the Monitoring of Energy Markets	Scope, conditions and procedure of the monitoring of energy markets (including electricity and natural gas market) to be performed by GNERC in compliance with LoE, including, <i>inter alia</i> , regular monitoring of energy markets, monitoring of competition in energy markets, market survey, monitoring of imposed public service obligations, definition of and monitoring of significant influence in energy markets, and reporting on the market functioning.	GNERC	ECS (after indications by and consultations with GNERC)	12 months from the date of entry into force of LoE.	Drafting: GNERC in consultations with relevant parties.
32	Rules on Enforcement of Penalties Imposed by GNERC	The Rules shall establish the procedural terms and conditions for enforcement of penalties (financial sanctions) imposed by GNERC on energy undertakings and/or other persons in accordance with LoE and the Administrative Offences Code of Georgia.	GNERC		12 months from the date of entry into force of LoE.	Drafting: GNERC in consultations with relevant parties.
33	Rules on Settlement of Disputes by GNERC	Rules establishing the terms and conditions for handling the complaints and dispute settlement by GNERC. Specific competence of GNERC in handling the complaints of and settling disputes between market participants shall be established as to be stipulated in LoE.	GNERC	ECS (after indications by and consultations with GNERC)	12 months from the date of entry into force of LoE.	Drafting: GNERC in consultations with relevant parties.
34	Rules on Mediation by GNERC	Rules establishing the terms and conditions for the mediation procedure to be applied by GNERC in case it acts as a mediator with regard to any received complaint or processed dispute.	GNERC	ECS (after indications by and consultations with GNERC)	12 months from the date of entry into force of LoE.	Drafting: GNERC in consultations with relevant parties.
35	Methodology for Calculation and Setting of Natural Gas Transmission Tariffs	Regulated tariffs shall reflect the justified costs incurred by the TSO in operation, maintenance, replacement, construction and reconstruction of natural gas transmission networks, including a reasonable return of investment, amortisation and taxes, with consideration of environmental and customer protection. Such tariffs shall allow the necessary investments in networks and facilities to be carried out in a manner allowing these investments to ensure the viability of such networks and facilities and their uninterrupted development, taking	GNERC		12 months from the date of entry into force of LoE.	Drafting: GNERC in consultations with relevant parties.

		into account relevant transmission network development plans. Tariffs shall be set separately for each entry and exit point into/from the transmission system.				
36	Methodology for Calculation and Setting of Natural Gas Distribution Tariffs	Regulated tariffs shall reflect the justified costs incurred by the Distribution System Operator (DSO) in operation, maintenance, replacement, construction and reconstruction of natural gas distribution networks, including a reasonable return of investment, amortisation and taxes, with consideration of environmental and customer protection. Such tariffs shall allow the necessary investments in networks and facilities to be carried out in a manner allowing these investments to ensure the viability of such networks and facilities and their undisrupted development, taking into account relevant distribution network development plans.	GNERC		12 months from the date of entry into force of LoE.	Drafting: GNERC in consultations with relevant parties.
37	Methodology for Calculation and Setting of Fees for Connection to Natural Gas Transmission and Distribution Networks	Fees for connection to natural gas transmission and distribution networks shall reflect the justified costs of the operator incurred due to physical connection of natural gas facilities to the network, including necessary network developments.	GNERC	USAID Energy Program	12 months from the date of entry into force of LoE.	Drafting: GNERC in consultations with relevant parties.
38	Methodology for Calculation and Setting of Fees for Services Provided by the Natural Gas Market Operator	Fees for services provided by the natural gas market operator shall reflect the justified costs incurred by the Market Operator (MO) in providing its respective services to market participants under the terms and conditions to be stipulated in the Natural Gas Market Rules.	GNERC	USAID Energy Program	12 months from the date of entry into force of LoE.	Drafting: GNERC in consultations with relevant parties.
39	Methodology for Calculation and Setting of Prices for the Supply of Natural Gas of Last Resort	Supply of last resort shall be provided at fair, comparable and market-based prices set and applied by suppliers of last resort in a transparent and non-discriminatory manner. Prices for natural gas supplied by suppliers of last resort are cost-reflective, including necessary investments and an appropriate rate of return, the costs of imports, the costs of supply services and bad debts.	GNERC	USAID Energy Program	12 months from the date of entry into force of LoE.	Drafting: GNERC in consultations with relevant parties.
40	Methodology for Calculation and Setting of Natural Gas Storage Tariffs	To be developed on the basis of and depending on the decision regarding the selected regime for the access to natural gas storage facilities. General principles for the methodology shall apply equally to those required for natural gas transmission and distribution tariff methodologies.	GNERC	European Bank of Reconstruction and Development (EBRD) (?)	12 months from the date of entry into force of LoE.	Drafting: GNERC in consultations with relevant parties.
41	Methodology for Calculation and Setting of LNG Facility Tariffs	To be adopted upon necessity. General principles for the methodology shall apply equally to those required for natural gas transmission and distribution tariff methodologies.	GNERC	N/A	<u>Deadline:</u> 6 months before an envisaged authorisation of construction of the first LNG facility in Georgia.	Drafting: GNERC in consultations with relevant parties.

42	Natural Gas Transmission Network Code	<p>The Code shall define the rules for the operation and management of the natural gas transmission network, including, but not limited to, connection, third party access, dispatching, balancing, capacity allocation, congestion management, transparency, safety, network development, data exchange, measurements of transported natural gas, quality of services, etc.</p> <p>The Code shall be developed by TSO, in consultations with other relevant parties, and adopted by GNERC.</p>	GNERC		<p><u>Deadline:</u> 31 June 2020 (i.e. 6 months before the deadline for full compliance in the natural gas sector under the Accession Protocol – 31 December 2020).</p>	<p>Drafting: TSO in consultations with GNERC and other parties.</p>
43	Natural Gas Distribution Network Code	<p>The Code shall define rules for the operation and management of the natural gas distribution network, including, but not limited to, connection, third party access, transparency, safety, network development, data exchange, measurements of transported natural gas, quality of services, etc.</p> <p>The Code shall be developed by DSO, in consultations with other relevant parties, and adopted by GNERC.</p>	GNERC	EU4Energy	<p><u>Deadline:</u> 30 September 2020 (i.e. 3 months before the deadline for full compliance in the natural gas sector under the Accession Protocol – 31 December 2020).</p>	<p>Drafting: DSO in consultations with GNERC and other parties.</p>
44	Natural Gas Storage Code	<p>The Code shall define the procedures, terms and conditions for granting third-party access to natural gas storage facilities, including third-party access services provided by the Storage System Operator (SSO), capacity allocation mechanisms and congestion management procedures, rules for the operation and management of storage facilities, data exchange, measurements, quality of services, etc.</p> <p>The Code shall be developed by SSO, in consultations with other relevant parties, and adopted by GNERC.</p>	GNERC	Asian Development Bank (ADB) (Fichtner)	<p><u>Deadline:</u> 12 months from the date of entry into force of LoE.</p>	<p>Drafting: SSO in consultations with GNERC and other parties.</p>
45	LNG Code	<p>The Code shall consist of terms and conditions for granting third-party access to LNG facilities, including third-party access services provided by Liquified Natural Gas System Operator (LNGSO), capacity allocation mechanisms and congestion management procedures, criteria for planning the operation and, where relevant, development of LNG facilities and related natural gas infrastructure, quality of services, etc.</p> <p>The Code shall be developed by LNGSO, in consultations with other relevant parties, and adopted by GNERC.</p>	GNERC	N/A	<p><u>Deadline:</u> 6 months before an envisaged authorisation of construction of the first LNG facility in Georgia.</p>	<p>Drafting: LNGSO in consultations with GNERC and other parties.</p>
46	Criteria for Determination of the Access Regime to Natural Gas Storage Facilities and Line pack	<p>Criteria to be adopted by GNERC shall define the applicable organisation of access to natural gas storage facilities and line pack – either negotiated or regulated access shall be applied. General conditions for each of the access regimes to be established in LoE.</p>	GNERC	ECS (after indications by and consultations with GNERC)	<p><u>Deadline:</u> 12 months from the date of entry into force of LoE.</p>	<p>Drafting: GNERC in consultations with relevant parties.</p>

47	Terms and Conditions for the Access to Upstream Pipeline Networks	This act shall define requirements, measures and procedures applicable with regard to the access to upstream pipeline networks or any part thereof, including facilities supplying technical services incidental to such access. Competence regarding the regulation of upstream relations shall be considered and distributed between or assigned to GNERC and/or State Agency of Oil and Gas (SAOG). Such assignment shall be established in LoE and/or in the Law of Georgia on Oil and Gas.	GNERC	ECS (after indications by and consultations with GNERC)	<u>Deadline:</u> 12 months from the date of entry into force of LoE.	Drafting: GNERC in consultations with relevant parties.
48	Decision on Authorisation for Construction of Direct Natural Gas Pipelines	Special decision authorising the construction of direct natural gas pipelines under the terms and conditions to be stipulated in LoE.	GNERC	USAID Energy Program	<u>Deadline:</u> N/A. To be adopted upon necessity.	Drafting: GNERC in consultations with relevant parties.
49	Decision on Classification of a Closed Natural Gas Distribution System	Special decision classifying a particular network as a closed natural gas distribution system under the terms and conditions to be stipulated in LoE and establishing relevant exemptions applicable to such distribution system.	GNERC	N/A	<u>Deadline:</u> N/A. To be adopted upon necessity.	Drafting: GNERC in consultations with relevant parties.
50	Natural Gas Market Rules	The Rules shall define terms, conditions and procedures for the organisation and operation of the natural gas market in line with the applied Natural Gas Market Concept Design adopted by the Government. The Rules shall in particular define: types and templates of contracts concluded on the natural gas market; products for trading in the natural gas market; standards and procedures for keeping records of transactions conducted on the natural gas market; types of the market products; procurement of natural gas to cover losses in the natural gas transmission and distribution networks; etc.	GNERC	USAID Energy Program	12 months from the date of entry into force of LoE.	Drafting: GNERC in consultations with relevant parties.
51	General Natural Gas Supply Conditions	The Supply Conditions shall establish the terms and conditions for: the conclusion and contents of the supply contract; the rights and obligations of final customers and suppliers; the method for changing contracted terms of supply; the right of the final customer to terminate the contract; the method for the notification of a price increase before its application; the method for the notification of valid prices; standard deadlines and conditions, in particular those related to the access and use of services and other supply contractual measures; etc.	GNERC	ECS (after indications by and consultations with GNERC)	12 months from the date of entry into force of LoE.	Drafting: GNERC in consultations with relevant parties.

52	Natural Gas Supplier Switching Rules	The Rules shall define: the terms and conditions for switching the natural gas supplier; conditions that have to be fulfilled by a new supplier, particularly those related to balancing; duties of a supplier whose supply contract is undergoing a termination procedure; duties of system operator in charge to whose facilities of the eligible customer are connected; rights of the new supplier in relation to the access to and the use of transmission and distribution systems for the purpose of supplying a new eligible customer; the settlement of previous financial obligations of eligible customers, etc. May be an integral part of the General Natural Gas Supply Conditions.	GNERC	ECS (after indications by and consultations with GNERC)	12 months from the date of entry into force of LoE.	Drafting: GNERC in consultations with relevant parties.
53	Standard Contract on the Supply of Natural Gas to Household Customers and Small Enterprises	Standard contract establishing common terms and conditions for the supply of natural gas to household customers and small enterprises. Such contract shall be developed in line with LoE and General Natural Gas Supply Conditions. GNERC's adopted standard contract shall be applied by all suppliers serving household customers and small enterprises.	GNERC	ECS (after indications by and consultations with GNERC)	12 months from the date of entry into force of LoE.	Drafting: GNERC in consultations with relevant parties.
54	Operational Rules for Public Service Suppliers of Natural Gas	The Rules shall further regulate the activities of natural gas suppliers having imposed PSOs, including, inter alia, their rights and obligations, termination of their responsibilities, and other matters considered relevant by GNERC.	GNERC	ECS (after indications by and consultations with GNERC)	12 months from the date of entry into force of LoE.	Drafting: GNERC in consultations with relevant parties.
55	Operational Rules for Natural Gas Supplier of Last Resort	The Rules shall further regulate the activities of a designated natural gas supplier of last resort, including, inter alia, its rights and obligations, termination of its responsibilities, and other matters considered relevant by GNERC.	GNERC	ECS (after indications by and consultations with GNERC)	12 months from the date of entry into force of LoE.	Drafting: GNERC in consultations with relevant parties.
56	Ten-Year Natural Gas Transmission Network Development Plan (TYNDP)	TYNDP shall encompass: information on existing and forecasted demand and supply of natural gas; indications of the main natural gas transmission infrastructure that needs to be built or upgraded over the next 10 years; network investments already decided and new investments which have to be executed in the next 3 years; etc. Network developments to be included to the TYNDP shall comply with strategic developments of the natural gas sector envisaged in the State Energy Policy to be adopted by the Government.	TSO, GNERC	?	<u>Deadline:</u> On a rolling basis by 1st of October each year. First TYNDP under LoE shall be prepared by the TSO not later than by 1 October 2020.	Drafting: TSO in consultations with GNERC and other parties.

57	Natural Gas Distribution Network Development Plan	The Plan shall encompass: information on the existing natural gas distribution network state and degree of utilisation; major infrastructures which should be built during the years covered by the Plan; an estimation of the needs in capacity, including forecasted demand and supply; possible development of smart meters; investments which should be made to meet the estimated demand for natural gas, including, if necessary, construction of new network segments, etc. To be considered a 10-year or 5-year Natural Gas Distribution Network Development Plan.	DSO, GNERC		<u>Deadline:</u> On a rolling basis by 1st of July each year. First Plan under LoE shall be prepared by the TSO not later than by 1 July 2020.	Drafting: DSO in consultations with GNERC and other parties.
58	Standard Natural Gas Transmission Contract(s)	Standard contract(s) establishing common terms and conditions of the services provided by the TSO, and in particular of (i) connection to natural gas transmission networks, and (ii) natural gas transmission (transport) services. Standard contract(s) shall be prepared and, subject to the approval by GNERC, adopted by the TSO.	TSO, GNERC		<u>Deadline:</u> 31 June 2020 (i.e. 6 months before the deadline for full compliance in the natural gas sector under the Accession Protocol – 31 December 2020).	Drafting: TSO in consultations with GNERC
59	Standard Natural Gas Distribution Contract(s)	Standard contract(s) establishing common terms and conditions of the services provided by the DSO, and in particular of (i) connection to natural gas transmission networks, and (ii) natural gas transmission (transport) services. Standard contract(s) shall be prepared and, subject to the approval by GNERC, adopted by the DSO.	DSO, GNERC		<u>Deadline:</u> 30 September 2020 (i.e. 3 months before the deadline for full compliance in the natural gas sector under the Accession Protocol – 31 December 2020).	Drafting: TSO in consultations with GNERC.
60	Compliance Programme of the Natural Gas Transmission System Operator	Measures to be taken by the TSO, inter alia, to ensure that discriminatory conduct is excluded, and to ensure a method for monitoring compliance with the Programme. The Programme shall also contain specific obligations of employees of the TSO to meet the established objective. The Programme shall be prepared and, subject to the approval by GNERC, adopted by the TSO. The Programme is mandatory in case of the Independent Transmission Owner (ITO) unbundling model and is strongly recommended by ECS in case of other unbundling models.	TSO, GNERC	ECS (in progress)	<u>Deadline:</u> 31 March 2020 (i.e. 9 months before the deadline for full compliance in the natural gas sector under the Accession Protocol – 31 December 2020).	Drafting: TSO in consultations with GNERC
61	Contract between the Natural Gas Transmission System Operator for Natural Gas and the Compliance Officer	The contract establishing, inter alia, conditions governing the mandate or the employment conditions of the Compliance Officer, including the duration of its mandate or employment. Necessity as well as precise contents and regulatory scope of the contract will depend on the Compliance Programme of the TSO.	TSO, GNERC	ECS, (in progress)	<u>Deadline:</u> 31 March 2020 (i.e. 9 months before the deadline for full compliance in the natural gas sector under the Accession	Drafting: TSO in consultations with GNERC.

		The contract shall be prepared and, subject to the approval by GNERC, adopted by the TSO.			Protocol – 31 December 2020).	
62	Contract for the Possession of Natural Gas Transmission System Assets	Contract between Independent System Operator (ISO) and TNO regarding the possession of natural gas transmission system assets. Shall be concluded under the legal title allowed by Georgian laws (e.g. lease or usufruct). Shall be drafted by and agreed between ISO and TNO and, before conclusion (signing), approved by GNERC.	ISO/TNO, GNERC		Deadline: N/A. To be drafted, agreed and concluded upon necessity (ISO model). To be in place before the designation and certification of the ISO by GNERC.	Drafting: ISO and TNO in consultations with GNERC.
63	Compliance Programme of the Natural Gas Transmission System Owner	Measures to be taken by the TNO, inter alia, to ensure that discriminatory conduct is excluded, and to ensure a method for monitoring compliance with the Programme. The Programme shall in particular regulate TNO's behaviour in relations with the ISO. The Programme shall also contain specific obligations of employees of the TNO to meet the established objective. The Programme shall be prepared and adopted by the TNO. Compliance with and implementation of the Programme shall be monitored by GNERC.	TNO	ECS (after indications by and consultations with GNERC)	Deadline: N/A. To be adopted upon necessity (ISO model). To be in place before the designation and certification of the ISO by GNERC.	Drafting: TNO.
64	Compliance Programme of the Natural Gas Distribution System Operator	Measures to be taken by the DSO, inter alia, to ensure that discriminatory conduct is excluded, and to ensure a method for monitoring compliance with the Programme. The Programme shall also contain specific obligations of employees of the DSO to meet the established objective. The Programme shall be prepared and adopted by the DSO. Compliance with and implementation of the Programme shall be monitored by GNERC.	DSO	ECS (in progress)	Deadline: 31 March 2020 (i.e. 9 months before the deadline for full compliance in the natural gas sector under the Accession Protocol – 31 December 2020).	Drafting: DSO.
65	Compliance Programme of the Natural Gas Storage System Operator	Measures to be taken by the SSO, inter alia, to ensure that discriminatory conduct is excluded, and to ensure a method for monitoring compliance with the Programme. The Programme shall also contain specific obligations of employees of the SSO to meet the established objective. The Programme shall be prepared and adopted by the SSO. Compliance with and implementation of the Programme shall be monitored by GNERC.	SSO	ECS (after indications by and consultations with GNERC)	Deadline: N/A. To be in place before the designation (licensing) of the SSO by GNERC.	Drafting: SSO.

66	Standard Natural Gas Storage Facility Contracts and Procedures	Standard contracts and procedures establishing common terms and conditions of the services provided by the SSO, including connection and access services. The scope and contents of such services will depend on the determined access regime to natural gas storage facilities. Standard contracts and procedures shall be prepared and adopted by the SSO, published, and notified to GNERC.	SSO	ADB (Fichtner)	<u>Deadline:</u> N/A. To be in place before the designation (licensing) of the SSO by GNERC.	Drafting: SSO.
67	Standard LNG Facility Contracts and Procedures	Standard contracts and procedures establishing common terms and conditions of the services provided by the LNGSO, including liquefaction of natural gas and/or the importation, offloading and re-gasification of LNG as well as related ancillary services and temporary storage necessary for the re-gasification process. Standard contracts and procedures shall be prepared and adopted by the LNGSO, published, and notified to GNERC.	LNGSO	N/A	<u>Deadline:</u> N/A. To be in place before the designation (licensing) of the LNGSO by GNERC.	Drafting: LNGSO.
68	Rules on Unified System of Accounting	In order to ensure accessibility to accurate and objective data necessary for setting tariffs and monitoring energy markets, GNERC sets uniform accounting rules for all regulated undertakings.	GNERC	USAID		
69	Methodology of evaluation of investment plans for transmission and distribution networks	Self- explanatory	GNERC	N/A		
Unbundling of Networks						
70	Adopt the Uniform System of Accounts (USoA) for transmission and distribution network owners and operators (TSO and DSOs)	Transparent, fair and consistent accounting and regulatory reporting by the network owners and the corresponding operators will ensure that the basis for network tariffs are reasonable and that the network operators are funding investments in accordance with their approved network investment plans.	GNERC			
71	Decide whether DSOs under 100 000 Customers will be unbundled	There should be decision upon if small DSO in Gas sectors will be exempted from unbundling requirements (currently 24 Gas DSOs are eligible)	GNERC/MoESD			
72	Develop unbundling Concept for GOGC (Transmission Owner and Supplier of Social Gas)		GOGC/GNERC/MoESD			
Development of Transmission System Operator						
73	Establish TSO	Model of the TSO unbundling has to be chosen in line with EU energy acquis.	MoESD, GNERC, GOGC, Georgian Gas Transportation Company (GGTC)			

74	Congestion Management and Capacity Allocation Mechanisms	Develop operational procedures for Congestion Management and Capacity Allocation Mechanism	GGTC			
75	Adoption of Balancing Market Development concept	Develop Conceptual framework for natural gas balancing market development. The document shell include detail steps and actions for gradual implementation of balancing mechanisms towards implementation of commercial balancing market	GNERC/GGTC			
76	Developing SCADA (Supervisory Control And Data Acquisition) system for monitoring and reporting gas physical flows at entry and exist points	Evaluate Existing monitoring systems of GGTC and suggest necessary modification to meet requirements of the Market Rules.	GGTC			
Development of Market Operator						
77	Establish MO	Decision has to be made who will perform MO functions, taking into account capabilities, accountability and cost-efficiency. Set-up main functions roles and business process for the newly established gas Market Operator	GNERC/MoESD			
78	Once the specifics of the market are adopted in the Transitional Plan, the market can be opened as full bi-lateral contract market with specific energy requirements that are balanced each day	Initiate daily balancing market	GNERC GOGC MoESD GGTC			
79	Gas Release Program - Selling gas on organized market (Optional)	Establish Requirement to suppliers to sell X% of their gas on organized markets	MoESD GNERC Natural Gas Market Operator (NGMO)			
80	Design and Implement transparency platform for traded volume		NGMO/GNERC			
81	Identify barriers for market entry and participation (Market stakeholder forum)		MoESD/GNERC Market Stakeholder Forum			
82	Test-run of Gas day-ahead market		NGMO/GGTC			
83	Day-ahead gas market go-live		NGMO/GGTC			
Infrastructure Development						
84	Develop a plan to upgrade the market metering and communications system	The accuracy and reliability of the metering, communications and metering database management systems are extremely important for a transparent gas market. Absolutely no intervention by human hands should be allowed in any part of the flow of information. Redundant systems must be a part of the installations to ensure data is always available on almost real-time basis. These systems should be evaluated by an independent consultant and recommendations by the consultant should be followed in accordance with good international practices.	MoESD, GNERC, GGTC			

85	Develop software for clearing and settlement of balancing gas	As the gas market moves from a monthly settlement to a daily balancing market, calculations of market positions and the need for increasing margins would be unworkable using a manual process. Software will be needed to manage all the clearing for 1000's of transactions each day in the Georgian market.	MoESD, GGTC, NGMO			
86	Develop Capacity allocation and congestion management electronic platforms	Design, develop, and test capacity allocation auction software	GGTC, GNERC			
87	Underground Gas Storage (UGS) in Samgori	The feasibility Study for UGS was completed by GEOSTOCK in 2016 Design, construct and operate storage facility	GOGC/International Financial Institutions (IFIs)			
Regional Market and Transit Corridor Development						
88	Establish high level working group for Gas transit corridor and regional market development (i.e. White Stream, LNG terminal) etc.	Georgia is located in the heart of the bridge linking gas producing and consuming nations. North-South Pipeline is Connecting Russia to Armenia, while East-West pipeline connects Azerbaijan to Turkey. However, there are more possibilities to expand transit volumes-involving rich resources of Turkmenistan. High-level working group should be established for studying these opportunities.	GoG			
89	Regional Market Development Analysis	Conduct Regional Gas Market Studies, Pricing in the Region to examine trade opportunities, such as seasonal swaps, gas exchanges, regional gas exchange platforms	MoESD			
90	Studying LNG terminal opportunities on Black Sea shore in Georgia	Conduct prefeasibility study for LNG terminal construction	MoESD			
91	Review tariff methodology for Transit of North-South Gas Transit Line	The next round of the negotiations between GoG and Gazprom Export is scheduled at the end of 2018.	MoESD/GNERC/GGTC			

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