



USAID | **GEORGIA**
FROM THE AMERICAN PEOPLE

USAID ENERGY PROGRAM

ELECTRICITY SECTOR REFORM ACTION PLAN

USAID ENERGY PROGRAM

31 May 2018

This publication was produced for review by the United States Agency for International Development. It was prepared by Deloitte Consulting LLP. The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

ELECTRICITY SECTOR REFORM ACTION PLAN

USAID ENERGY PROGRAM

CONTRACT NUMBER: AID-OAA-I-13-00018

DELOITTE CONSULTING LLP

USAID | GEORGIA

USAID CONTRACTING OFFICER'S

REPRESENTATIVE: NICHOLAS OKRESHIDZE

AUTHOR(S): JAKE DELPHIA, JOHN SWINSCOE

LANGUAGE: ENGLISH

31 MAY 2018

DISCLAIMER:

This publication was produced for review by the United States Agency for International Development. It was prepared by Deloitte Consulting LLP. The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

DATA

Reviewed by: Jake Delphia

Practice Area: Electricity Market Development

Key Words: Electricity Market, Action Plan, Market Development

ACRONYMS

CDS	Closed Distribution System
DAM	Day-Ahead Market
DSO	Distribution System Operator
EC	Energy Community
ECS	Energy Community Secretariat
EnCT	Energy Community Treaty
ENTSO-E	European Network of Transmission System Operators for Electricity
ERRA	Energy Regulators Regional Association
ESCO	Electricity Market Operator
EU4Energy	Programme Funded by the EU and led by the Energy Community Secretariat
GE-AR	Georgia-Armenia
GE-TR	Georgia-Turkey
GNERC	Georgian National Energy and Water Supply Regulatory Commission
GoG	Government of Georgia
GSE	Georgian State Electrosystem
HVDC	High-Voltage Direct Current
IDM	Intra-Day Market
LoE	Law of Georgia on Energy
MO	Market Operator
NEEAP	National Energy Efficiency Action Plan
NEMO	Nominated Electricity Market Operator
NREAP	National Renewable Energy Action Plan
RAB	Regulatory Asset Base
REMIT	Regulation on Wholesale Energy Market Integrity and Transparency
SoLR	Supply of Last Resort
TSO	Transmission System Operator
USAID	United States Agency for International Development
USoA	Uniform System of Accounts
WG	Working Group

CONTENTS

INTRODUCTION.....	5
BACKGROUND.....	6
ELECTRICITY SECTOR ACTION PLAN.....	7
ANNEX 1.....	8
Matrix.....	8

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 project 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 Electricity 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 Electricity market to a fully competitive and robust electricity market by 2020.

ELECTRICITY SECTOR ACTION PLAN

To compliment the Concept Design, USAID Energy Program has developed the initial Electricity Sector Action Plan. The Action Plan provides the detailed activities to be accomplished during electricity 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 Program 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 electricity sector.

ANNEX 1

MATRIX

#	Action	Description of Action	Institution (s) in Charge / Beneficiaries	Assistance donor support (actual/requested)	Deadlines	Comments	Source (Author)
Electricity Market Reform Oversight							
1	Establish Electricity Market Development Working Group (WG)	WG Creation, including representatives of GoG, main market players and other relevant parties	MoESD	USAID Energy Program	2018	Established	
2	Develop and adopt the objectives and scope of work for the Electricity Market Development WG	Approved objectives and action plan for the WG	MoESD	USAID Energy Program	2018	Established	
3	Develop Electricity Market Transitional Plan for reforms and restructuring	Detailed and adopted Electricity Market Transitional Plan for reforms and restructuring. Approval of the Electricity Market Transition Plan - this document should be finalized by the decision makers, adopted, and implemented with dedicated personnel and a Champion with decision-making powers	MoESD	USAID Energy Program	2018		
Electricity Policy, Security and Energy Efficiency							
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	Energy Community Secretariat (ECS)
5	Update and approve the National Energy Strategy (Optional)	The National Energy Strategy has to be updated in line with the approved Electricity Market Transitional Plan	MoESD				USIAD Energy Program
6	Electricity Market Concept Design	Adoption of electricity market concept to provide strategic guidance and target on i) design for electricity market reform, ii) design for electricity balancing market reform, and iii) principles for the promotion of a functioning electricity market by providing solutions for existing limitations	GoG	USAID Energy Program	12 months from the date of entry into force of LoE	Drafting: MoESD in cooperation with GNERC and other parties.	ECS

7	Development of draft Electricity Market and Balancing Rules	This measure comprises of the development of two sets of regulatory acts that shall be compliant with EU and Energy Community (EC) acquis: i) the new electricity market rules in line with the electricity market concept previously endorsed by the Government and ii) the balancing concept. Both acts aim to targets for implementation of the Georgian electricity and balancing market, should specify transitory periods and intermediary targets till both underlying concepts will have to be wholly implemented. In addition, the measure includes an appropriate amendment to the existing market rules due to the first stage of market opening in May 2018 and has to be taken into account while measuring progress achieved	GNERC, MoESD, Georgian State Electrosystem (GSE), Electricity Market Operator (ESCO)	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.	ECS
8	Adoption of renewable energy strategic framework and package	Establishing the strategic, institutional, and financial vision and framework for renewable energy in Georgia, including, preferably, the adoption of the Law on Renewable Energy. More precisely, adoption of the National Renewable Energy Action Plan (NREAP) that sets the Georgian Government's renewable energy strategy and the government's decisions on the institutional and financial support framework, as well as the monitoring of the NREAP implementation	MoESD	ECS (after indications by and consultations with MoESD)		Drafting: MoESD in consultations with GNERC and other parties.	ECS
9	Adoption of energy efficiency strategic Framework by the government	Establishing the strategic, institutional, and financial vision and draft framework for energy efficiency in Georgia. This shall encompass the adoption of National Energy Efficiency Action Plan (NEEAP) that sets the Georgian Government efficiency target as well as the government's decisions on the institutional and financial framework	MoESD		2018		
10	Adoption of Legislative Package for Energy Performance of Buildings and enforcement:	Create the primary and extensive legal basis for the promotion of energy efficiency in/of buildings	MoESD		2019		
11	Adoption of a Social Support Scheme	Find agreement on the appropriate measures to protect relevant final customers through measures that do not inhibit electricity market functioning	MoESD/GNERC/Ministry responsible for Social affairs		2019		USIAD Energy Program
12	Adoption of Public Service Obligation for Universal Supply:	Find a transitory regime for the phasing-out of price regulation in the energy sector in all segments during a transitory period until 2021	GoG		2019		
13	Adoption of transparency strategy	Establish a credible commitment from the government to improve transparency regarding policy-making, market operation, and regulation	GoG		2019		
14	Promotion of Regulatory Independence	Establish the functional, organisational and legal foundations for a non-discriminatory and competitive electricity sector	GoG		2019		
15	Identify barriers for market entry and participation	Identify and list all legal and regulatory barriers that could hamper electricity market functioning			2019		

16	Adoption of second NEEAP	Establishing an advanced strategic, institutional, and financial vision and framework for energy efficiency in Georgia based on lessons learnt from the first NEEAP	GoG				
Primary Legislation							
17	Adoption of new Energy Law	Adoption of draft Energy Law by government establishing the legal foundation for the electricity sector reform to a market in compliance with EC acquis. The Law shall require i) a new institutional set-up, ii) an unbundling regime (particular in reference to the Transmission System Operator (TSO) and Distribution System Operator (DSO), and iii) promote regulatory independence	GoG, Parliament	Drafted by EC	2018		
18	Modify and adopt the necessary primary legislation	Modify and adopt the Primary Legislation for daily trading and bi-lateral contract market. Define Direct Consumer for the Initial Market Opening	MoESD, GNERC, Parliament			Amendments to the Law are already in force	
19	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				
20	Adoption of energy efficiency law in compliance with Directive 2012/27/EU:	Establishing the Georgian legal foundation for implementing energy efficiency policies, measures, and support schemes in compliance with Directive 2012/27/EU	MoESD		2018	Included in the Secondary acts as well	
21	Adoption of draft energy efficiency labelling law in compliance with Directive 2010/30/EU by MoESD	Adoption of draft Energy efficiency labelling Law by MoESD as a necessary precondition to move further towards its adoption by the parliament. It will establish the Georgian legal foundation for transposing EU Directive 2010/30/EU	MoESD		2018		
22	Stakeholder reference group Creation	Create one or two bodies that serve(s) two functions; i) support for political dialogue regarding all legislative initiatives and proposals from the Ministry and ii) support to foster market reform through fast track consultations, direct feedback, and experts' exchange	MoESD				
Secondary Legislation							
23	Certification procedure	This document should include: Legal basis for certification requirement, certification process, certification decision, monitoring of requirements, data to be submitted, protection of confidential data, charging for certification, model application for certification	GNERC	Energy Community Secretariat (ECS)		Work in progress	

24	Licencing conditions for transmission	Conditions for exercising licensed activity, rules concerning the cooperation and information exchange on electricity market, reporting, main provisions regarding transmission of electricity, rules concerning dispatch, metering services, metering administration and settlement, rules concerning connection, disconnection and reconnection to transmission system and change of transmission capacity, rules concerning development of transmission system, construction of transmission systems and on ensuring new generation capacities, provisions concerning cross-border interconnectors, their development and capacity allocation principles, application of tariffs, regime concerning purchasing goods and services outside the electricity market, basic principles for sale and purchase of balancing services and purchase of ancillary services, electricity at the electricity market, public service obligations, rules concerning monitoring of the licensed activity, personnel code of conduct requirements, disputes settlement on the licensed activity, transferability of the License	GNERC	ECS		Should be incorporated in a single document regulating licensing issues
25	Transmission network code	This document should include: Transmission System technical operations, technical operation of interconnections, long term system development planning, operational planning of system performance, Dispatch rules, ancillary services, power system emergencies, technical requirements and process for connection to transmission system, use of transmission system	TSO, GNERC	ECS		Once the transmission network code is drafted by GSE, ECS will recruit consultants to help GNERC with the revision process
26	Commercial metering code	Organization of metering services (roles and responsibilities), types and capabilities of metering devices, entities involved and interrelations, technical requirements, accuracy and standards, technical requirements for communications and data interchange, metrological provision of metering data, data collection and management, storage and custody of metering data, processing and aggregation, verification and inspection of devices, disputes resolution, fall back processes	TSO, GNERC			No assistance required - will be drafted by TSO. GNERC may decide to incorporate the document in the transmission network code
27	Transmission system connection fee methodology	This document should include: Rules and processes for demand connection, rules and processes for generators connections, High-Voltage Direct Current (HVDC) connection rules, Renewable Energy Sources connection rules, etc.	TSO, GNERC	USAID Energy Program		Work in progress
28	Transmission Tariff Methodology	This document should include: Relationship between revenues and tariffs, transmission allowed revenues, Regulatory Asset Base (RAB) based incentives regime, revenue or price cap, control period, taxes, price basis, setting expenditure allowances, new investments treatment, RAB revaluation, treatment of working capital, depreciation options, allowed rate of return calculation	TSO, GNERC			No assistance required , amendments to the existing regulation, if necessary, will be drafted by GNERC

29	Rules for congestion management and procedure for interconnectors capacity allocation	This document should include: Procedure for yearly, monthly and daily auctions, participation rules and requirements, joint auctions regime, auction platform and results, fall back procedures, use of transmission rights and rules for transferring them, secondary market rules, curtailment rules and processes, payments and clearance, etc.	TSO, GNERC	EU4Energy		Assistance agreed with the ECS
30	Methodology for cross-border capacity calculation	This document should contain the detailed methodology under which the TSO will calculate the capacity to be each time available for cross border trades	TSO, GNERC			No assistance required - will be drafted by TSO and submitted to GNERC.
31	Procedure on development of the 10 year transmission system development plan	Information on existing and forecasted demand and supply; indications of the main transmission infrastructure that needs to be built or upgraded over the next ten (10) years; all the investments already decided and identify new investments which have to be executed in the next three (3) years etc.	TSO, GNERC			Might be developed by ECS within the framework of document No 43 (Methodology of evaluation of investment plans for transmission and distribution networks)
32	TSO compliance programme	Unbundling and independence requirements of the TSO, Managerial independence, Operational independence, provisions ensuring non-discriminatory behaviour, measures to ensure equal access to the electricity transmission system, cases for refusal to grant access to the electricity transmission system, commercial and financial relations with other participants of electricity market and third parties, avoidance of conflict of interests, brand policy, provision of information, confidentiality of information, monitoring and reporting on the implementation of the Program	GNERC	ECS		
33	Commercial Metering Methodology	Metering Registries to be kept by appropriate operators, profiling methodologies where non-interval metering exists, forecast requirements entering the methodology, ex-ante determination of representation percentages, ex-post recalculations, processes when data is missing, reconciliation, combining interval and non-interval metering	TSO, GNERC			No assistance required, will be drafted by TSO. If commercial metering code is adopted as a separate document, commercial metering methodology may be incorporated as a separate chapter. Otherwise, it should be a separate document from the transmission network code.

34	Licencing conditions for distribution	Conditions for exercising licensed activity , rules concerning the cooperation and information exchange on electricity market, accounting, reporting and information requirements, rules concerning connection, disconnection and reconnection to distribution systems, rules concerning access to distribution system and electricity distribution, obligations to system users, exploitation and maintenance of distribution system, requirements for development of distribution system, construction of distribution system, public service obligation, commercial metering services, quality of services, purchasing goods and services outside the electricity market, purchasing of electricity at the electricity market, application of tariff, disposal of relevant assets, personnel code of conduct, disputes settlement on the licensed activity, transferability of the License.	GNERC	Will be drafted by ECS		Should be incorporated in a single document regulating licensing issues (both in electricity and gas sectors)
35	DSO compliance programme	Unbundling and independence requirements of the DSO, Managerial independence, Operational independence, provisions ensuring non-discriminatory behaviour, measures to ensure equal access to the electricity distribution system, cases for refusal to grant access to the electricity distribution system, commercial and financial relations with other participants of electricity market and third parties, avoidance of conflict of interests, brand policy, provision of information, confidentiality of information, monitoring and reporting on the implementation of the Program.	GNERC	ECS		
36	Distribution network code	This document should include: Distribution System technical operations, interface with transmission and requirements, long term distribution planning, distribution operating rules, Data registration, distribution system emergencies, technical requirements and process for connection to distribution system, use of distribution system	DSOs, GNERC			No assistance required
37	Distribution connection fee methodology	This document should include: Rules and processes for demand connection, rules and processes for generators connections, RES and small RES connection rules, etc.	DSOs, GNERC	USAID Energy Program		Work in progress
38	Distribution tariff Methodology	This document should include: Relationship between revenues and tariffs, distribution allowed revenues, RAB based incentives regime, revenue or price cap, control period, taxes, price basis, setting expenditure allowances, new investments treatment, RAB revaluation, treatment of working capital, depreciation options, allowed rate of return calculation.	DSOs, GNERC	GNERC		Amendments to the existing regulation, if necessary, will be drafted by GNERC

39	Retail Supply Rules (General Supply Conditions)	This document should include: customer services, contact principles, publication of information, contractual and pre-contractual procedure, rights and obligations of supply, publication of applicable tariffs, non-discrimination rules, regulation on retail supply, rules for small customers, special provisions for vulnerable customers, contract implementation and termination, dispute resolution, process for supplier change, communication with customer rules, monitoring of rules application	GNERC	EU4Energy		Based on the existing regulation and draft Rules Governing Georgia's Retail Electricity Market developed through NARUC's support, General Electricity Supply Conditions will be drafted by GNERC – no assistance required
40	Rules for electricity supply by the universal service supplier and draft Standard Contract for relevant services	Rules to regulate the activities of such suppliers including, inter alia, their rights and obligations, termination of responsibilities and other relevant issues with a view to ensuring a continuous, reliable and qualitative supply of electricity to household customers and small enterprises, in line with the relevant provisions of the draft Energy Law	GNERC	EU4Energy		Assistance agreed within the framework of EU4Energy. Taking into account the document prepared by NARUC, consultants will deliver draft by 15 April (latest – May)
41	Rules for electricity supply by the Supplier of Last Resort (SoLR) and draft Standard Contract for relevant services	Rules to regulate the activities of this entity with respect to its rights and obligations, termination of responsibilities and other relevant issues in line with the relevant provisions of the draft Energy Law	GNERC	EU4Energy		Rules Governing Supplier of Last Resort for the electricity sector were developed through NARUC's support. Assistance agreed with the ECS. Taking into account the document prepared by NARUC, consultants will deliver a draft document by 15 April (latest – May)
42	Methodology for setting the supply tariff for the universal service supplier and calculating corresponding remuneration for the service provider	Self-explanatory	GNERC	USAID Energy Program		Work in progress
43	Methodology for setting the supply tariff for the SoLR and calculating corresponding remuneration for the service provider	Self-explanatory	GNERC	USAID Energy Program		Work in progress
44	Procedure on imposition of the public obligation of universal services to suppliers	Detailed procedure upon which the nomination of appropriate Suppliers who will also offer universal services under articles 9 and 120 para 2 of the draft law on energy	GoG			N/A
45	Methodology on selection (tender) on	In accordance with article 122 para 11 of the draft energy law, a methodology needs to be developed under which	GoG			N/A

	assigning a supplier 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				
46	Procedure and form of information provision in the electricity bills	Self-explanatory	GNERC			Relevant rules will be amended by GNERC – no assistance required ; May be incorporated in Retail Supply Rules (General Supply Conditions)
47	Consumers complaint handling procedure for suppliers	Self-explanatory	GNERC			No assistance required - will be drafted by GNERC. Might be merged with Procedures regarding claims and dispute settlement
48	Quality of service indicators for DSO and suppliers	This document should include: The Basis of Service Quality Regulation, Continuity of Supply rules, voltage quality, commercial quality, data submission, monitoring of quality indicators etc.	GNERC			Relevant rules will be amended by GNERC – no assistance required
49	Rules for protection of vulnerable customers	Determination of the vulnerable consumers, periods of protection and levels of protection, detailed description of the process to be followed for someone to be categorised as vulnerable (criteria, conditions, benefits) etc.	MoESD			GNERC should also take steps towards increased protection of vulnerable customers and elaborate existing regulations – e.g. prohibit disconnections during the cold period of year, accordingly amend reporting regulations, etc. No assistance required – GNERC will draft necessary amendments to the existing regulations
50	Methodology for reimbursement of expenses of universal electricity supplier associated with electricity supply to vulnerable consumers	Self-explanatory	GNERC	EU4Energy		Assistance agreed with the ECS
51	Procedure for informing customers about origin of electricity	Detailed description of the information to be provided to customers, its segmentation, appearance etc. regarding the origin of electricity	GNERC			General rules regulating the matter will be foreseen by the renewables legislation. Once the responsible parties are determined by the relevant law, assistance will be discussed with the ECS

52	Market Rules	This document should include: Introduction and Participation rules to wholesale market, general rules and processes, accounts and registration, exemptions from the rules, ancillary services and operating reserves procurement platform, forecasting obligations of the TSO, real time balancing rules, emergencies treatment, imbalance and other settlements, Security Cover Requirements, form of Security Cover Statement, form of Notice of Drawing, Invoicing and Payments, Market Information and Reporting, timetable of Operations	TSO/GNERC	EU4Energy		Assistance agreed with the ECS
53	Day-Ahead Market (DAM) rules	Participation rules to the DAM, general rules and processes, accounts and registration, bidding rules, pricing, settlements and clearing, Security Cover Requirements, Invoicing and Payments, Market Information and Reporting, timetable of Market Operations etc.	Market Operator (MO), GNERC	EU4Energy		Assistance agreed with the ECS. May be incorporated in Market Rules
54	Intra-Day Market (IDM) Rules	Participation rules to the IDM, general rules and processes, accounts and registration, bidding rules, matching process, settlements and clearing, Security Cover Requirements, Invoicing and Payments, Market Information and Reporting, timetable of Market Operations etc.	MO, GNERC	EU4Energy		Assistance agreed with the ECS. May be incorporated in Market Rules
55	Rules on Information exchange on electricity market	Detailed rules (what, in what format and when) in accordance with European Network of Transmission System Operators for Electricity (ENTSO-E) requirements and Regulation on Wholesale Energy Market Integrity and Transparency (REMIT) obligations	TSO, MO, GNERC			No assistance required - will be drafted by GNERC. As suggested during the meeting with the ECS expert, reference to REMIT should be removed and the content of the act should focus on the transparency regulation
56	Licencing conditions for generation	Conditions for exercising licensed activity, rules concerning participation at the electricity market, accounting, information and reporting requirements, rules concerning electricity sale and purchase at the electricity market, fuel reserves requirements, balancing and ancillary services, dispatch management, public service obligations, purchasing of goods and services outside electricity market, requirement for financial responsibility for imbalances, rules concerning organization of licensed activity, human resources and code of conduct for licensee's staff, disputes settlement on the licensed activity, transferability of the License.	GNERC	ECS		Assistance agreed with the ECS. Should be incorporated in a single document regulating licensing issues.
57	Licencing conditions for market operator	Conditions for exercising licensed activity, human resource independence requirements, organizational requirements, registration of market participants, development and modifications of the rules for the markets it operates, Market information data platform, Technological requirements to operating as a market operator, Special requirements, Rules concerning penalties for breaches of licensing rules and conditions, transferability of the License	GNERC	ECS		Assistance agreed with the ECS; Should be incorporated in a single document regulating licensing issues.

58	Electricity Market Monitoring rules	Market monitoring Rules in accordance with REMIT	GNERC	EU4Energy		As a result of Twinning Project "Strengthening Capacities of the GNERC in Regulatory Cost Audit and Market Monitoring", Draft Rules on Electricity Market Monitoring were developed. No assistance required - GNERC will draft the Electricity Market Monitoring rules based on the abovementioned document and provide ECS with the draft for revision
59	Requirements for protection, submission, disclosure and publishing of information by market participants	Self-explanatory	GNERC	EU4Energy		Assistance agreed with the ECS. May be incorporated in Electricity Market Monitoring rules
60	Rules on security of supply	Rules on security of electricity supply shall at least include detailed provisions on the Purpose and scope, Risk assessment, Risk-preparedness plan, Emergency situations, Ex-post evaluation of the crisis situations, Monitoring the security of electricity supply (according to the Article 149 of the draft Energy Law)	MoESD	EU4Energy		Assistance agreed with the ECS. Consultants will deliver a draft by 15 April
61	Procedure regarding claims and dispute settlement	Self- explanatory	GNERC			No assistance required - GNERC recently adopted Procedural Rules on Dispute Settlement. GNERC will amend the Rules as necessary and provide ECS with the draft document for revision
62	Procedure on definition of Closed Distribution System (CDS)	This document should include: Determination of closed distribution systems, electricity supply rules within closed distribution networks, third party access rules etc.	GNERC			Assistance required - GNERC will approach Energy Regulators Regional Association (ERRA) for support with drafting definition of CDS in the gas sector. If approved, this experience would be relevant for the electricity sector as well
63	Framework contract between the TSO and the Compliance Officer	Self- explanatory	GNERC	ECS		Assistance agreed with the ECS
64	Notification Procedure for Supply and Trading	In the absence of corresponding licensing conditions for those energy activities the draft Energy law foresees a	GNERC	ECS		Assistance agreed with the ECS

		notification process. The relevant detailed elements of such notifications shall be included in the relevant document					
65	Methodology of evaluation of investment plans for transmission and distribution networks	Self- explanatory	GNERC				Assistance agreed with ECS
66	Rules on Uniform System of Accounts (USoA)	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				Assistance agreed with USAID
67	Methodology for Calculation and Setting of Fees for Services Provided by the Electricity MO	Fees for services provided by the electricity market operator shall reflect the justified costs incurred by the MO in providing its respective services to market participants under the terms and conditions to be stipulated in the Electricity Market Rules.	GNERC				Assistance agreed with USAID
68	Adoption of secondary act(s) on Energy Efficiency	Implementation of Energy Efficiency standards through secondary legislative act(s), including: a) legislation on institutional setting and financing instruments, energy efficiency procurement procedures, mandatory energy efficiency labelling and certification, metering, informative billing, energy audits. b) Energy Efficiency act(s) that will focus on the construction sector including different energy efficiency requirements according to the various categories of buildings, c) information and awareness raising campaigns for the general public designed to explain and illustrate the benefits of the legislation, measures and financing opportunities, as well as, training and capacity building of experts and key implementing institutions					
69	Adoption of Transparency Regulation	Adoption of transparency legislation and regulations that are compliant and aligned to EU and EC regulations and standards			2020		
Unbundling of Networks							
70	Legal Unbundling	Unbundling of network owns, distribution companies and generation sources	TSO, DSOs		2018		
71	Adopt the 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				
Development of Transmission System Operator							
72	Establish TSO	Model of the TSO unbundling has to be chosen in line with EU energy acquis	MoESD, GNERC, GSE				
Market Operator							

73	Establishment of procedure for the designation of a Nominated Electricity Market Operator	Creating institutional foundations and setting operational responsibilities for the operation of the organised electricity day-ahead market	GNERC / MoESD		2019		
74	Test-run of electricity day-ahead market:	To offer trial runs for future participants and stakeholders of the new organised market as a way to better understand the processes of bidding, price-formation, and settlement	Nominated Electricity Market Operator (NEMO)		2020		
75	Day-ahead electricity market go-live	Put into operation the organised day-ahead electricity market of Georgia	NEMO		2021		
76	Adopting a concept for integration with the Pan-European market:	Develop a perspective for the integration of the Georgian electricity market into the EU's Internal Energy Market	NEMO		2021		
Balancing Mechanism							
77	Development of draft Electricity Market and Balancing Rules	This measure comprises of the development of two sets of regulatory acts that shall be compliant with EU and EC acquis: i) the new electricity market rules in line with the electricity market concept previously endorsed by the Government and ii) the balancing concept. Both acts aim to targets for implementation of the Georgian electricity and balancing market, should specify transitory periods and intermediary targets till both underlying concepts will have to be wholly implemented. In addition, the measure includes an appropriate amendment to the existing market rules due to the first stage of market opening in May 2018 and has to be taken into account while measuring progress achieved	GNERC, MoESD, GSE, ESCO		2018		
78	Launch of the preparatory works for balancing mechanism deployment	Initiation of an implementation initiative to implement the first phase of a previously developed balancing concept, aiming at assuming full responsibility over the load-frequency control processes and all actions subsumed under balancing within the EC acquis (i.e. pursuant to the ENTSO-E Operation Handbook, or the Operation Guideline, respectively), covering: i) the dimensioning of reserves, ii) the introduction of load-frequency control and balancing energy activation processes, as well as, iii) the definition and procurement of balancing reserves	GNERC, MoESD, GSE, ESCO		2018		
79	Adoption of Electricity Market and Balancing Rules	Adoption of Electricity Market and Balancing Rules to create the legal framework for electricity market development	GoG		2018		
80	Balancing mechanism deployment	The implementation of the first phase of a previously developed balancing concept; GSE assumes full responsibility over the load-frequency control processes	GSE		2018		
81	Test-run of balancing market	Test-run that uses the same software and hardware as envisaged for the real operation of the balancing market in order to offer the stakeholders of the new balancing market an opportunity to better understand the processes			2019		

82	Balancing Mechanism Completion	The implementation of the second phase of a previously adopted balancing concept through the establishment of a non-discriminatory imbalance pricing and settlement scheme based on an hourly settlement timeframe and including the completion of the introduction of balance responsibility for all market participants as well as the financial settlement of imbalances			2019		
83	Balancing market go-live	Establishing the underlying requirements of a non-discriminatory and fair electricity market while ensuring operational security and encompassing the go-live for the first market-based procurement of compatible standard balancing reserve and balancing energy products			2020		
Regional Market							
84	Joint coordinated allocation of cross-border capacity between GE-TR (Georgia-Turkey):	Introduce coordinated processes for the efficient and non-discriminatory capacity allocation between Georgia and Turkey	MoESD, NEMO	USAID Energy Program	2019		
85	Sign new intergovernmental agreement between GE-AR (Georgia Armenia):	Formalise cross-border cooperation relations with Armenia	MoESD, NEMO	USAID Energy Program	2020		
86	Joint coordinated allocation of cross-border capacity on two borders:	Expanding the coordinated capacity calculation and allocation scheme to a second border	MoESD, NEMO		2020		
87	Intergovernmental Agreement on market coupling:	Laying the political and formal foundations for regional market integration based on the EU Target Model	MoESD, NEMO		2021		
88	Establish a regional stakeholder forum:	Creating a formal platform for opinion-making and consultations on regional electricity market development.	MoESD, NEMO		2021		

USAID Energy Program

Deloitte Consulting Overseas Projects LLP

Address: 29 I. Chavchavadze Ave.,0179, Tbilisi, Georgia

Phone: +(995) 595 062505

E-mail: info@uep.ge