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# DRAFT NATURAL GAS TRANSPORTATION CONNECTION TARIFF METHODOLOGY

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30 July 2018

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USAID ENERGY PROGRAM

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# DATA

**Reviewed by:** Ivane Pirveli

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## ACRONYMS

CAPEX	Capital Expenses
DSO	Distribution System Operator
EnCT	Energy Community Treaty
EP	Exit Point
GEL	Georgian Lari
GNERC	Georgian National Energy and Water Supply Regulatory Commission
IFRS	International Financial Reporting Standard
MoESD	Ministry of Economy and Sustainable Development of Georgia
NARUC	National Association of Regulatory Utility Commissioners
OPEX	Operational Expenses
RAB	Regulatory Asset Base
RCB	Regulatory Cost base
TSO	Transmission System Operator
USAID	United States Agency for International Development
USoA	Uniform System of Accounts
VAT	Value Added Tax
WACC	Weighted Average Cost of Capital
WC	Working Capital

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## EXECUTIVE SUMMARY

USAID Energy Program is a three year program focused on supporting the development of Georgian electricity and natural gas markets that support further expansion of renewable energy projects thereby improving Georgia' security of supply. The Program's Task 1 supports the development of competitive electricity and natural gas markets including cross-border energy trading.

The enabling environment in the Georgian natural gas sector needs further development and enhancement to meet the requirements of Georgia's Accession Protocols of the Energy Community Treaty (EnCT). Under agreement between USAID Georgia and the Georgian National Energy and Water Supply Regulatory Commission (GNERC), the USAID Energy Program is supporting GNERC in drafting several secondary legislative acts during 2018.

GNERC requested support from the USAID Energy Program to develop the draft natural gas sector transportation connection tariff methodology. Following a presentation and detailed discussion with GNERC gas division and tariff division experts, the draft transportation tariff methodology for natural gas connections is included in Annex 1.

This tariff methodology is consistent with the draft Natural Gas Grid Code developed by US National Association of Regulatory Utility Commissioners (NARUC) financed USAID and the draft Energy Law under review by the Ministry of Economy and Sustainable Development of Georgia (MoESD).

# ANNEX 1

## CHAPTER I. GENERAL PROVISIONS

### ARTICLE 1 PURPOSE

1. The purpose of the Tariff Setting Methodology for Connection to the Natural Gas Transportation Network (hereafter “the Methodology”) is to define the rules and principles for calculating the connection evaluation, connection installation, the disconnection/reconnection and connection termination tariffs in accordance with the Law of Georgia on Electricity and Natural Gas;
2. Tariff setting based on this Methodology is in accordance with the “Cost Plus” regulation principle which stimulates stable functioning of the transportation system operator (TSO) recovery of reasonable costs and gain fair profit.

### ARTICLE 2 DEFINITIONS

1. The terms used in this Methodology have the same meaning as in the Law of Georgia on Electricity and Natural Gas.
2. Other terms used in methodology for the tariff regulation purposes have the following meaning:
  - a) **Intangible assets** – identifiable, non-monetary assets without physical form used in connection-related activities;
  - b) **Assets** – tangible and intangible assets;
  - c) **Asset replacement costs** - total expenditures that will be necessary for creating assets similar to the assets that need to be evaluated;
  - d) **Asset cost** – the real value of payments in money or money equivalents or other compensation during the creation or the first purchase of an asset;
  - e) **Historical cost asset valuation method** – Valuation of the Asset Cost according to the price of its creation or initial purchase;
  - f) **Net book value of the Asset** – accumulated depreciation/amortization deducted from the Asset Cost (envisaging investments made in this Asset);
  - g) **Reasonable costs** – cost incurred in accordance with the least cost principle, for the purpose of purchasing goods, services and construction works with required characteristics, which is rational and necessary for the efficient functioning of TSO connection services;
  - h) **Cost audit** – regulatory mechanisms, by means of which the Commission (the Commission by itself or/and through the neutral third party) verifies the TSO’s costs and financial results and defines the Regulatory Cost Base;
  - i) **Investment** – capital investment which is used for creating, purchasing and/or rehabilitation of assets;
  - j) **Weighted Average Cost of Capital (WACC)** – rate of return on the Regulatory Asset Base calculated before taxes according to the capital (own or raised) structure defined by the Commission;
  - k) **Capital Expenses (CAPEX)** - return on Regulatory Asset Base and depreciation/amortization, for the purposes of this Methodology;
  - l) **Tangible assets** – Fixed assets used in respective regulated connection activities where the useful life of which exceeds one year;
  - m) **Third party** - any physical and/or legal person (including: state, customer, etc.), except of the TSO shareholder, which issues subsidies, awards grants to the TSO, pays fees for connecting to the natural gas transportation network and/or awards the TSO with tangible and intangible assets free of charge;
  - n) **Regulated activity** – for the purpose of this Methodology the activities for providing network connection-related services, which is regulated by the Commission in accordance with the Law of Georgia on Electricity and Natural Gas;
  - o) **Regulatory Cost Base (RCB)** – revenue of the TSO allowed by the Commission for the tariff year that is necessary for the efficient provision of TSO connection services and comprises reasonable costs and rational profit;
  - p) **Regulatory Asset Base (RAB)** – Tangible and intangible assets used in regulated connection activities of the TSO (except of the assets created by means of funding by the

third parties), that are directly related to the respective regulated activities and participate in the tariff calculation process;

- q) **Working Capital (WC)** – Amount of funds defined by the Commission for financing the connection-related expenses of TSO;
- r) **Building block approach** – defining the structure of Regulatory Cost Base by its components;
- s) **Tariff Year (t+1)** - the calendar year for which the Commission sets connection tariffs in accordance with this Methodology;
- t) **Operational Expenses (OPEX)** – Operating expenses related to the connection-related activities of the transportation system operator licensee, as well as, other expenses related to the regulated connection activity for the purposes of this methodology;
- u) **Test year (t-1)** – the calendar year prior to the connection services tariff calculation year by the Commission;
- v) **Tariff application** – forms approved by the Commission, which includes financial and technical data for the Test Year of the TSO as well as investments associated with connection services made during the Tariff Calculation Year;
- w) **Transportation System Operator (TSO)** – natural gas transportation system operator licensee, who is subject to tariff setting for their regulated network connection activities according to this Methodology and the current legislation;
- x) **Tariff calculation year (t)**-the calendar year prior to the Tariff Year;
- y) **Fixed operational costs** – the operational costs related to connection services which do not depend on the specifications of the non-standard connection;
- z) **Depreciation/amortization** –gradual allocation of depreciable amount of the tangible/intangible asset over its useful life;
- aa) **Variable operational costs** – the operational costs of connection services which depends on the specification of the non-standard connection;

## ARTICLE 3 MAIN PRINCIPLES

1. This Methodology and the connected related tariffs set on its bases:
  - a. protect consumers from the monopolistic prices;
  - b. support the stable and reliable functioning of the TSO;
  - c. ensure that tariffs are transparent, stable and fair for the TSO customers.
2. For determination of RCB structure of a TSO, "building blocks" approach method is used. RCB defined by this Methodology consists of the following components:
  - a. Capital expenses;
  - b. Operational expenses;
3. Calculation of capital and operation expenses is carried out by "Cost-Plus" method with annual cost audit. The TSO aims to recover those costs that they reasonably expect to incur when it provides connection services;
4. All connection-related tariffs set by the Commission are calculated without Value Added Tax (VAT);
5. Details of the TSO connection charges will be permanently and prominently posted on the website of the TSO.

## ARTICLE 4 TARIFF SETTING PERIOD

The Commission sets tariffs for three year regulatory periods for the TSO. The regulatory period for connection-related charges will be the same period for the TSO established by the Commission for setting charges for natural gas transportation tariffs.

## ARTICLE 5 CONNECTION SERVICES PROVIDED BY THE TSO

1. Design of the connection

Design charges for a new connection will be identified by the TSO. Where the work is sufficiently complex, a chargeable design study will be carried out prior to a quote being issued for physical connection work. The design charge for completing the design study will be payable in advance and will include an appropriate level of overhead.



## 2. Installation of the connection

### a. Standard charges

Based on the design study, the TSO will estimate the costs of a new connection. Estimated connection cost will include any assumptions that were used in the determination of the cost. Where these assumptions are found to be materially incorrect, the TSO may require the person requesting the connection to agree to a variation in price before continuing work on site. Where such agreement is not provided, the TSO may terminate the job. The customer will pay for actual cost of the connection.

### b. Additional costs

TSO may carry out work additional to that requested by the customer. Where this occurs, the cost of the additional work will not be charged to the customer.

### c. Abortive visits

Where customers fail to communicate changes in site conditions or fail to agree on necessary site variations that prevent the TSO from starting work, the TSO may apply a standard charge for abortive visits.

## 3. Modification to an existing connection

Customer may request a change in the existing natural gas connection. The TSO will provide the customer with an estimated cost to complete the connection. The customer will be responsible for the cost of the modification. If the modification is done at the behest of the TSO, then the cost of the connection will be borne by the TSO.

## 4. Disconnection/reconnection

Separate fees are set for each utility for temporary disconnection and for reconnection of the gas flow to a customer's property. The request for disconnection will be paid by the requestor, normally the supplier of natural gas to a non-paying customer. The request for reconnection of the gas flow will be paid by the customer requesting reconnection.

## 5. Termination of connection

The connection can be removed completely by request of the customer. The cost of the removal of connection equipment and restoring any disturbed area to green field (or close as possible to pre-termination condition) is borne by the customer.

# CHAPTER II. REGULATORY COST BASE

## ARTICLE 1 REGULATORY COST BASE FOR THE TARIFF YEAR

Regulatory Cost Base for the Tariff Year is calculated according to the following formula:

$$RCB_{(t+1)} = CAPEX_{(t+1)} + OPEX_{(t+1)},$$

Where:

$RCB_{(t+1)}$  – Regulatory Cost Base of the TSO for the Tariff Year (Georgian Lari (GEL));

$CAPEX_{(t+1)}$  – Connection-related Capital Expenditures for the Tariff Year (GEL);

$OPEX_{(t+1)}$  – Connection-related Operational Expenditures for the Tariff Year (GEL).

## ARTICLE 2 CAPITAL EXPENSES

Capital expenses for the Tariff Year are calculated according to the following formula:

$$CAPEX_{(t+1)} = RAB_{start(t+1)} \times WACC + D_{(t+1)} \quad (2),$$

Where:

$CAPEX_{(t+1)}$  - Capital expenses for the Tariff Year (GEL);

$RAB_{start(t+1)}$  - Regulatory Asset Base for the beginning of Tariff Year (GEL);

WACC - Rate of return on Regulatory Assets Base for the Tariff Year (%);

$D_{(t+1)}$  - annual depreciation for the Tariff Year (GEL).

## ARTICLE 3 REGULATORY ASSET BASE

1. Cost of asset is defined by the historic cost valuation method;
2. In case if the assets' cost cannot be determined by the method specified in Paragraph 1 of this article, the Commission uses replacement cost asset valuation method;
3. The RAB includes the existing asset value including actual investments;
4. The RAB shall not reflect:
  - a) the part of investments financed by the third parties. The utilities shall record such assets separately;
  - b) the investments the Commission does not consider justified and reasonable;
  - c) the part of the investment exceeding the amount of reasonable expense and has not been carried out based on the least cost principle by the TSO;
  - d) the assets not used in the regulated activity;
  - e) construction in progress.
5. The Commission is authorized not to consider the asset included by the shareholder in its capital which was transferred by the third party, if the shareholder or the third party is represented by the state, or by the enterprise who's no less than 50 % of shares is owned by the State.
6. The Commission will consider the capitalized cost of the paid loan according to the factual annual interest rate for the long term loan taken to finance the construction during the construction process in the cost of asset defined in Subparagraph E of Paragraph 5 of this Article, but the rate should not exceed the rate of debt ( $r_d$ ) defined in this Methodology.
7. Value of Regulated Assets Base of TSO is determined according to the net book value of the assets engaged in this base.
8. RAB value at the beginning of the Tariff Year shall be determined based on the following formula:

$$RAB_{start(t+1)} = RAB_{end(t-1)} + INV_t - D_t \quad (3),$$

Where:

$RAB_{start(t+1)}$  - value of RAB at the beginning of the Tariff Year (t+1) (GEL);

$RAB_{end(t-1)}$  - value of RAB at the end of the Test Year (t-1) (GEL);

$INV_t$  – actual investments which were deemed as justified and reasonable by the Commission for the Tariff Calculation Year (t) (GEL);

$D_t$  - depreciation/amortization of RAB, existing at the end of the Test year, for the Tariff Calculation Year (t) (GEL).

## ARTICLE 4 DEPRECIATION AND AMORTIZATION

1. For the assets which become operational after January 1, 2014, the linear method of depreciation shall be used according to the "Regulated Asset depreciation/amortization Norms for Regulated Utilities" approved by the Commission.
2. With regard to assets which become operational before January 1, 2014, the Commission will consider the depreciation/amortization rates used in the TSO; in case of non-existence of such information the Commission is authorized to use amortization, rate calculation rule defined under the Tax Code of Georgia or the "Regulated Asset depreciation/amortization Norms for Regulated Utilities" approved by the Commission.

## ARTICLE 5 WEIGHTED AVERAGE COST OF CAPITAL

1. Rate of Return on RAB is defined based on Weighted Average Cost of Capital (WACC) method.
2. The pretax Weighted Average Cost of Capital (WACC) for the Tariff Year is calculated as follows:

$$WACC_{pretax} = g * r_d + \frac{(1-g)*r_e}{(1-T)} \quad (4)$$

Where:

$WACC_{pre-tax}$  - pretax Weighted Average Cost of Capital (%);

$g$  (gearing) - Debt ratio (%) of total capital;

$r_d$  - Cost of debt (%);

$r_e$  - Cost of Equity (%);

$T$  - Profit tax rate (%).

3. Cost of Equity is calculated based on the following formula:

$$r_e = (rrf - ds) + cr + \beta \times mp \quad (5),$$

Where:

$r_{ff}$  - risk free rate (%);

$ds$  - Country default spread (%);

$cr$  - country risk (%);

$mp$  - market risk premium (%);

$\beta$  - Equity Beta.

4. The ratio of debt (gearing) ( $g$ ) of the total capital is 60 percent, for the purpose of calculation WACC by the Commission.

## ARTICLE 6 OPERATIONAL COSTS

1. The Test Year data is used for calculation of operational expenses of the Tariff Year. Tariff Calculation Year data is used for calculation of estimated expenses during the year in which the tariffs are applicable.
2. The operational expenses which are justified, reasonable and fair are considered for calculating tariffs for the Tariff Year.
3. While calculating tariffs, the Commission is authorized to consider technical and economic forecasting data of Tariff Year, which it deems justified, reasonable and fair.
4. Operational expenses shall ensure the recovery of costs associated with the regulated activity, in particular:
  - a. maintenance and service expenses;
  - b. administrative and general expenses.
5. Operational expenses shall cover maintenance costs of assets financed by the third party (including current repair, service and maintenance as well as other costs);
6. The factual financial data and technical information shall be submitted according to the Commission's approved forms and verified by the head of the TSO or duly authorized person;

7. Operational cost may reflect the actual cost of permitting and other costs associated with specific municipal design and construction regulations;
8. The Commission is authorized to verify the correctness of the submitted documentation, assess reasonability and compliance of the costs submitted. For this purpose the Commission is authorized to assess operational expenses for the Test year based on analysis of the operational expenses for the Test year of preceding years and based on benchmarking of other TSOs' connection related services.

## **ARTICLE 7 COST DISTRIBUTION (ALLOCATION)**

1. If the TSO carries out more than one regulated activity as well as a non-regulated activity, it is obligated to present to the Commission the unbundled data about costs and revenues of the Test Year for each regulated and deregulated activities, and asset costs for each regulated activity according to the Commission's approved reporting forms.
2. The Commission is authorized to disagree with the allocation method which was used by the TSO according to the Paragraph 1 of this Article (considering it unreasonable and unjustified) and use another method of allocation of cost and asset value.

# CHAPTER III. TARIFF CALCULATION

## ARTICLE 1 TRANSPORTATION ENTRY AND EXIT CONNECTIONS

1. **General** – The TSO may offer a service to connect pipelines or mains laid and intended to be operated by Distribution System Operators (DSOs), which will link entry facilities to its systems. The TSO will enter into bilateral contractual agreements that will provide the most appropriate long term commercial and regulatory arrangements for system entry points. The bilateral agreement will be drawn up between TSO and a DSO. It will set out the technical, engineering and charging details of the connection. The associated work will be considered as sufficiently complex jobs and in all cases TSO will charge for a remotely operable valve and telemetry at the interface of the connecting pipeline and the system operated by the other party.
2. **Requirements for entry and storage connections** - In addition to the equipment provided by TSO, there are a variety of requirements (e.g., gas quality measurement) that a customer must fulfil to connect and operate an entry or storage facility that is connected to transportation network. Prospective entry and storage facility operators' requirements will be included in the bilateral contract with the TSO.
3. **Charging for connections to entry or storage facilities.** Following the principles above, charges will be set out in the Bilateral Contractual Agreement between TSO and an operator. Where the connection of entry or storage facilities to the TSO system triggers reinforcement of the TSO network, the costs of such reinforcement will be charged to the operator within the connection charge.
4. The operating costs of providing other services such as gas quality monitoring, metering and telemetry, and any other non-transportation services will be recovered through the bilateral agreement. It's not envisaged that any ongoing transportation charges would be applied to the storage connections.
5. **Ownership of DSO entry or storage connection assets.** At the operator's option, the TSO will take ownership of apparatus laid by others that is intended to connect entry or storage facilities.
6. **Review of system entry and storage connection arrangements.** The above arrangements reflect the current market conditions. Depending on the number and take-up of local distribution system entry points, the TSO reserves the right to review these arrangements should market conditions change.

## ARTICLE 2 REINFORCEMENTS FOR SYSTEM EXIT CONNECTIONS

1. Reinforcement required to enable the connection of identified new consumers, or to permit an increase in flow rate in respect of an existing consumer, is known as specific reinforcement.
2. The TSO apportions the cost of specific reinforcement according to its location in relation to the connection charging point. Specific reinforcement downstream of the connection charging point is charged to the customer. The TSO funds specific reinforcement upstream of the connection charging point of distribution network system reinforcements when the reinforcements or portion of the reinforcement is for the common good.
3. The connection charging point is the closest economically feasible point (taking into account any customer request for gas to be made available at a particular pressure) on the TSO network, that is deemed to have enough capacity to supply the new load disregarding existing loads. The connection charging point creates the financial distinction between connection costs that are fully chargeable to the customer concerned, and upstream reinforcement costs which may be funded by the TSO subject to any contractual requirements.
4. Where the TSO connects premises and selects an alternative route that provides lower overall reinforcement and connection costs, the customer contribution will be based on the lower of:
  - The overall costs of the alternative to reinforcement including any associated contribution towards any specific reinforcement that is associated with the alternative connection;
  - The connection costs plus any contribution towards specific reinforcement associated with the original connection charging point route.
5. In respect of such 'alternative to reinforcement connections' by a third part, they will be informed of where the connection should be made. They will then be offered a payment to offset the estimated additional cost associated with connecting at the alternative point.

6. If the customer insists on making a connection at another point which represents a sub-optimal system development solution, then TSO will charge the full cost of any associated reinforcement. A consumer's premises may be closer to a main that is on the 'wrong' side of a significant obstacle (e.g., a river) than it is to another main. In this case, the connection charging point would be deemed to be on the alternative main as the cost of laying a connection pipe across the obstacle would be prohibitive.
7. Where the TSO already planned and financially approved general reinforcement of the transportation network system which is to be installed prior to the winter following connection of the new load request, and which obviates the requirement for specific reinforcement, The TSO shall fund the full cost of the general reinforcement. Where a general reinforcement project that has already been planned and financially approved has to be upsized prior to construction, only the additional costs necessary to meet the customer's load shall be deemed specific reinforcement.
8. All loads connected to the distribution network will automatically default to firm transportation arrangements. Similarly, all new applications for connection or additional load must be for firm capacity rights. Once firm transportation rights have been obtained, users may then be able to submit an interruption offer to designate one or more tranches of supply point capacity at an eligible supply point as interruptible through the annual or ad hoc interruptible application process.
9. Where firm capacity can't be delivered by the TSO in full within the timescale requested, the TSO may agree to connect sooner on an interruptible basis until firm capacity can be delivered. The number of days of interruption will be determined by the TSO in order to meet the TSO's transportation license obligations. Compensation may be paid to the Shipper to reflect the fact that firm transportation capability won't be available.
10. Costs associated with reinforcement work that are required to increase the gas pressure at an existing supply point or connected system Exit Point (EP) will be charged to the applicant.
11. Where requested by the customer, and where practicable and consistent with the other provisions of this tariff methodology and the Network Code, the TSO will provide pressure elevation at a new supply point free of charge if the required pressure is predicted to be continuously available during the subsequent planning period. The planning period is five years for below 7Barg networks and ten years for above 7Barg networks. If the requested pressure is determined to be unavailable at any time within the planning period, reinforcement will be required. The cost of this work will be charged to the customer requiring the elevated pressure.
12. To ensure efficient system development, it is sometimes necessary to upsize a connection or reinforcement pipe beyond that which is required for the load. The TSO will do this when the anticipated cost of subsequent reinforcement is greater than the predicted cost of upsizing apparatus, taking into account the time value of money and the probability that subsequent reinforcement will be required. The TSO will fund the reasonable marginal cost of upsizing apparatus.
13. Where any specific reinforcement involves work that is of sufficient complexity, the customer requesting the connection, or increase in load will give rise to the reinforcement, must pay for a design study prior to their receiving a quote. If the reinforcement subsequently proceeds with no substantive change to the load or original design, then the cost of the design study may be reimbursed to the customer.

## **ARTICLE 3 CONNECTIONS TO ENTRY OR STORAGE FACILITIES**

1. Following the principles above, charges will be set out in the Bilateral Contractual Agreement between the TSO and the operator of a storage facility, a producer or regional TSO.
2. Where the connection of entry or storage facilities to TSO network triggers reinforcement of those systems, the costs of such reinforcement will be charged to the customer within the connection charge.
3. The operating costs of providing other services such as gas quality monitoring, metering and telemetry, and any other non-transportation services will be recovered through the bilateral agreement. It's not envisaged that any ongoing transportation charges would be applied to these connections.

## ARTICLE 4 METERING AND PRESSURE REDUCTION SUBSTATION

1. Customers may decide to construct or have a third party construct the connection to their property. In either case, a certified engineer must be responsible for the design and construction oversight of the connection.
2. The metering and pressure reduction substation will be constructed by the TSO and the actual cost charged to the customer.
3. Charges for pressure reduction apparatus are as follows:
  - If they form part of the supply meter installation, then charges must be provided by a gas supplier;
  - If it's located along the connecting pipework, it's charged for at cost plus overheads;
  - If it's part of any specific reinforcement downstream of the connection charging point, it's charged for at cost plus overhead;
  - If it's part of any specific reinforcement upstream of the connection charging point, DSO will fund it subject to the application of the appropriate Economic Test;
  - If it's part of an 'alternative to reinforcement connection', then the cost is treated in the same way as the proposed alternative to reinforcement connection pipe.
4. The customer may decide to construct the metering and pressure reduction substation. In this case, the customer will receive gas at high pressure entry point.

# CHAPTER IV. TARIFF SETTING AND APPLICATION SUBMISSION PROCEDURES

## ARTICLE 1 ACCOUNTING AND REPORTING

1. For the regulated purposes the TSO is obligated to carry out its financial accounting and reporting based on the Uniform System of Accounts approved by the Commission, according to the current legislation.
2. If the TSO carries out more than one regulated activity as well as a non-regulated activity, it is obligated to unbundle its revenues, costs and financial accounts for each regulated activity.
3. The TSO should submit information about assets financed by the consumer separately as requested by this Methodology.

## ARTICLE 2 REQUIRED DOCUMENTS FOR TARIFF SETTING

1. For the purpose of tariff setting the TSO has to submit the tariff application at the Commission for tariff calculation year.
2. Tariff application and data forms, as well as a list of documents to be submitted along with the tariff application are determined by individual administrative - legal act of the Commission.
3. Along with the tariff application the TSO shall also submit the following documents prepared and audited in accordance with the International Financial Reporting Standard (IFRS) and the Uniform System of Accounts (USoA) for the Natural Gas Sector:
  - a) Balance Sheet;
  - b) Profit and Loss Statement;
  - c) Cash Flow Statement.
4. The Commission is authorized to request from the TSO other additional information if it finds appropriate.
5. The responsibility on the accuracy of the information contained in the tariff application lies on the party submitting the application.

## ARTICLE 3 TARIFF SETTING TIMELINE AND PROCEDURES

1. The TSO is obliged to submit tariff application to the Commission from August 4 to August 15 of the tariff calculation year. If this date coincides with the non-working day, then the application shall be submitted the following working day.
2. The Commission reviews the compliance of tariff application with the approved form and its completeness within three days upon submission.
3. If the Commission finds tariff application incomplete or it does not correspond with the approved form, it sets the deadline in written form of no more than 30 working days for amending this. This period shall be extended once only upon request of the applicant, for no more than 15 working days.
4. If the tariff application is not submitted in the timeframe defined in paragraph 3 of this Article, it remains unconsidered according to the decision of the Commission. If unconsidered tariff application was submitted due to the obligations defined by the legislation, sanctions may be imposed on the TSO in accordance with the law.
5. The Commission is authorized to make a relevant decision and review the TSO's tariffs on its own initiative. In this case the provisions of submitting necessary information and documentation are determined by the relevant decision of the Commission.
6. Upon acceptance of properly submitted application and in case envisaged by Paragraph 5 of this Article, the Commission starts public administrative proceedings and the relevant notice shall be published on the Commission web site.
7. Tariff application is reviewed according to public administrative proceeding rule under the Georgian legislation. Therefore, tariff application and enclosed documents (except for personal information relating to identifiable persons, as well as commercially confidential information considered by the Commission) are public and shall be available to any interested party.
8. All the interested parties are authorized to get familiar with materials presented to the Commission and provide their comments.



9. Comments on the tariff application shall be submitted in written form and shall include justified argumentations. In addition, the interested party is entitled not to indicate the identity while submitting own comments, the copy of comments shall be sent to the tariff applicant, and the opinions are reviewed at the public hearing of tariff application.
10. In the process of reviewing the tariff application, the Commission is authorized to request submitting of additional documentation or different types of conclusions from the TSO.
11. In the process of reviewing the tariff application before reaching the final decision, the Commission is authorized to organize meetings and/or public hearings regarding the above-mentioned tariff application.
12. Applicant shall be notified about the time and venue of the public hearing seven days in advance.

# CHAPTER V. TRANSITIONAL PROVISIONS

## ARTICLE 1 TRANSITIONAL PROVISIONS

1. Until January 1, 2020, tariff setting will be performed annually. Thereafter, GNERC will establish connection-related tariffs within three year regulatory periods.

**USAID Energy Program**

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