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ENERGY REGULATORY IMPACT ASSESSMENT TRAINING PLAN

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17 October 2018

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DATA

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ACRONYMS

AYPEG	Association of Young Professionals in Energy of Georgia
CBA	Cost-Benefit Analysis
CEA	Cost-Effectiveness Analysis
EnCT	Energy Community Treaty
EU	European Union
G4G	Governing for Growth in Georgia (USAID Project)
GNERC	Georgian National Energy and Water Supply Regulatory Commission
GoG	Government of Georgia
ISET	International School of Economics at Tbilisi State University
ISU	Ilia State University
LEAP	Long-Range Energy Alternatives Planning
M&E	Monitoring and Evaluation
MARKAL	Market Allocation
MCA	Multi-Criteria Analysis
MoESD	Ministry of Economy and Sustainable Development of Georgia
NGO	Non-Governmental Organization
OECD	Organization for Economic Co-operation and Development
RIA	Regulatory Impact Assessment
USAID	United States Agency for International Development
VRE	Variable Renewable Energy
WEG	World experience for Georgia

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INTRODUCTION

USAID Energy Program will: (1) support Georgia in energy market development per Georgia's obligations under the Energy Community Treaty (EnCT), (2) build the capacity of the Government of Georgia (GoG) and relevant institution(s) to evaluate the fiscal and long-term security impacts of regulatory changes, (3) promote energy investments, primarily in Variable Renewable Energy (VRE) development, (4) support integration of non-hydro renewable energy into the power system, and (5) provide strategic advisory services to the GoG to increase Georgia's energy security. Technical assistance will require a comprehensive approach, focusing on legal and policy advice, investment promotion and deal structuring, engineering and environmental analyses, capacity building, financial planning, and outreach, among others.

Under the Task (2), "build the capacity of the GoG and relevant institution(s) to evaluate the fiscal and long-term security impacts of regulatory changes," USAID Energy Program shall provide technical assistance to prepare the Ministry of Economy and Sustainable Development of Georgia (MoESD), Georgian National Energy and Water Supply Regulatory Commission (GNERC), Non-Governmental Organizations (NGO), and local institutions (e.g. Ilia State University (ISU), etc.) to perform technical and other analyses such as Energy Regulatory Impact Assessments (Energy RIAs), while also coordinating with the MoESD and parliament to continue training new staff on the ongoing reporting processes. Regulatory impact and other highly technical modeling analysis are necessary to inform policy decisions. While the MoESD staff is already well-trained in performing such analyses in the forms of RIAs, Market Allocation (MARKAL) modelling, and Long-Range Energy Alternatives Planning (LEAP) modelling, with changes of administration, staff turnover, or even developments in modelling sciences, sustaining the high level of expertise within the government can become a challenge in the future. In addition, the offered RIA trainings were on the selected regulatory reforms, whereas the RIA trainings offered by USAID Energy Program will be energy focused. Therefore, USAID Energy Program is responsible for setting up a sustainable system in which an institution selected for this assistance will be responsible for providing on-going training to the GoG staff in the energy sector analysis while conducting independent analysis available for public consumption/discussion. USAID Energy Program will also be responsible for ensuring this system is self-sustaining within the life of the project.

Specifically, USAID Energy Program is required to implement the following tasks:

- Review the local institution(s) to assess its capacity and recommend to the USAID for approval the institution most suitable to perform unbiased energy sector RIA;
- Develop and implement a training plan for the institution(s) and the MoESD to build their capacity to perform regular analyses;
- Provide necessary tools to evaluate the impact of proposed regulations;
- Using the selected institution(s)'s capacity, analyze energy investment support schemes developed under the Task 3, with a special emphasis on expected cost to consumers;
- Perform analysis of the impact of regulations and/or legislation that will be developed under the Task 1 through the selected institution(s), the capacity of which will be built under this Task.

The following are the deliverables that USAID Energy Program will produce under this Task:

- Report on a review of local institutions' capacity and recommendations for selecting one or more institutions for further support;
- A training plan (Training Plan, viz., this document) for the selected local institution(s) to build its capacity to implement Energy RIAs. The training plan will be updated annually during the life of the project;
- As minimum, five in-country trainings for the institution(s) conducted annually for the selected institution(s). In total, fifteen trainings will be implemented throughout the life of the project, as minimum;
- As minimum, four Energy RIAs conducted for new legislation and/or regulations each year. In total, as minimum twelve Energy RIAs supported over the life of the project.

Prior RIA Technical Assistance

With the aim to create a more sustainable system, USAID Energy Program deems the capacity building of selected NGOs, the Parliament and educational units important, since it will ensure the presence of skills who will be in a position to provide assistance to civil servants responsible for

carrying out RIA. In view of high turnover in the MoESD VS relatively low turnover in NGOs, such a tailored approach will have a long-term sustainable impact in terms of maintaining the required level of expertise.

In that regard, the following selected institutions will be offered the tailored trainings: The MoESD, the Parliament of Georgia, Georgian National Energy and Water Supply Regulatory Commission (GNERC) World Experience for Georgia (WEG), Association of Young Professionals in Energy of Georgia (AYPEG), Ilia State University (ISU).

The MoESD has previously been trained by USAID Governing for Growth (G4G) in performing analysis such as RIAs on selected regulatory reforms. However, continuous change in the administration and staff turnover impair the maintenance of a high level of expertise within the government and other institutions, which create the required skills gap. In addition, the previous trainings focused on general RIA for selected regulatory reforms, whereas trainings organized by USAID Energy Program will focus on RIA application in the energy sector, hence will offer the Energy RIA. USAID Energy Program feels responsible for creating a sustainable Energy RIA process within that selected institutions. The designed training course is planned to take place on October 22, 23, 2018 that will aid the participants to better understand the concept that will facilitate the formulation of more appropriate Energy RIA terms of reference for assistance in carrying out quantified analysis in Energy RIA, with the focus on the energy sector. In addition, USAID Energy Program plans to conduct two more RIA trainings by the end of the year (Dates are TBD).

Upon the request of the MoESD, USAID Energy program will conduct Pre-RIA training on October 19, 2018. The training aims to increase awareness on the energy sector functioning among the MoESD new staff as a prerequisite for RIA trainings. The course will have five modules organized in 30-minute lectures and final assessment of the learned material. The following topics will be covered during the training: 1) The organization of the energy sector, 2) Characteristics of market participants 3) How Energy markets work 4) Policies and Regulation of the Energy industry. 5) Energy Legislation Framework. USAID Energy Program believes that such tailored training will create a strong basis among the MoESD staff in terms of enhancing the improved understanding of the Energy RIA trainings.

BACKGROUND

The RIA process has proven to be an effective policy making tool integrated into policy and legislative processes in an increasing number of countries. Donor organizations, including USAID, have made significant efforts in recent years to raise the GoG's awareness on RIA. Many GoG officials attended RIA trainings and several ministries participated in pilot RIAs on the selected regulatory reforms. However, none of the trainings have been focusing on the Energy RIA. Moreover, performing RIA will soon be required by Georgia Law. The draft Law on RIA Institutionalization is ready and planned to be adopted during the fall Georgian Parliament session 2018.

The ultimate mission of any government is to produce better public policies, which will benefit the society, positively influence the economy and business and in the meantime remain business friendly and less costly for citizens. In ensuring a good and consistent process for introducing sound public policies, countries and international organizations developed standard definitions and principles.

RIA is a process of evidence-based policy making, which greatly contributes to complying with the improved regulatory principles and facilitates the design of better regulations. Energy RIA will enhance this process in the energy sector.

Internationally recognized standards for RIA are established by the Organization for Economic Co-operation and Development (OECD). RIA emerged as a policymaking process to help with producing better regulations. According to the European Union (EU) 2009 Guidelines, RIA is "a set of logical steps to be followed in the preparation of policy proposals. It is a process that prepares evidence for political decision-makers on the advantages and disadvantages of possible policy options by assessing their potential impacts."

The Government has recognized the need for improved evidence-based policymaking and legislative drafting by approving the Policy Planning System Reform Strategy 2015-2017 in the energy sector, which prescribes the introduction of Energy RIA into the Georgian legislative process. Additionally, in 2015 the Government established the Investors Council, which is expected to serve as a high-level cooperation platform for the public and private sectors in shaping a better and more business-friendly regulatory framework.

Most of the countries, with an effective RIA system, have mandated it through the laws and/or government decrees and set up a strong oversight and scrutiny body. International best practices and recommendations of pertinent organizations suggest that RIA, as a time-consuming exercise, should be applied to the normative acts featuring the most significant potential impacts.

However, conducting Energy RIA requires technical skills. Therefore, adequate training and capacity building represent the major input for the successful implementation and systematization of Energy RIA. Energy RIA trainings envisage familiarizing officials with respective obligations during the process, as well as developing skills among regulators essential for undertaking a high-quality Energy RIA in the respective sector.

Once RIA is introduced in the regulatory processes, practical problems may prevail the technical ones, due to misunderstanding or unawareness of theoretical aspects of RIA. Thus, training and familiarization with Energy RIA techniques will enhance a successful practical application in the energy sector.

USAID Energy Program will provide the following trainings:

1. Pre-RIA Training;
2. Energy RIA Training;
3. RIA Training on Assessing the Impact of Draft Energy Law and Market Opening on Vulnerable Customers;
4. Two more trainings are planned on RIA by the end of the year (TBD).

The USAID Energy Program Energy RIA training plans are presented in the table below as an appendix 1. In addition, a Report on Selection of Institutions to receive Energy RIA support, provides the names of the institutions proposed to receive this training.

APPENDIX 1

TRAINING ON POLICIES AND REGULATION OF ELECTRIC INDUSTRY

(Pre-RIA Training for MoESD RIA Department)

The training will overview the general functioning of the Energy sector including the application of respective policies and regulations.

Speaker: Valeriy Vlatchkov, Senior Energy Advisor, USAID Energy Program

#	Topic	Description
1	Organization of the Energy Sector	Structure and organization of the energy sector, electricity trade, marketing techniques, and methods of benefiting from the seasonality in electricity trade
2	Characteristics of Market participants	The module covers different market models more common for the world today and mainly the market models used in EU and CIS countries and applicability of these models for Georgia
3	How energy markets work	The aim of the module is to understand how power markets work, the main principles of the electric markets function, what trading arrangements are, the basic trading arrangement models and how the various electric markets function under each of the models, how sufficient capacity to meet peak needs is ensured under each model, how services are scheduled, which markets are available for buyers and sellers under each model, how prices are set under different models and the roles available to market participants under each model
4	Policies and Regulation of the Energy Industry	The module presents the international best practices in drafting policies and regulation in the energy sector. The module includes several country-specific case studies on these issues
5	Energy Legislative Framework	Description of the current energy legal and regulatory framework, allowing functioning of the sector in new market environment
6	Discussion/Q&A	Questions and Answers
7	Final assessment	The participants will be able to check their knowledge. Knowledge check consists of 10 questions and covers all the material of the course. The participants will have 15 minutes to check their knowledge

ENERGY RIA TRAINING

This training will be a quick introduction, with a general discussion about Energy RIA (mostly frontal teaching), coupled with some guided interactive exercises about market opening.

Speaker: Norberto Pignatti, Professor at the International School of Economics at Tbilisi State University (ISET).

#	Topic	Description
1	Introduction to Energy RIA	Brief definition of RIA and Energy RIA Phases. Why is RIA used (and useful), when by whom and why. The concept of risk-based regulation and the principle of proportional analysis. Cross-Cutting issues: Identification of Stakeholders (interest-influence matrix), stakeholder consultations, literature review and data collection.
2	Definition of the problem	Problems and symptoms; The importance of defining the problem properly. Understanding how to identify the policy problem and how to map it. The roles of stakeholder consultations, literature review and data collection.
3	Defining the objectives	Making sure objectives are clearly linked to the problem. Discussion of general and specific objectives. Define the indicators.
4	Identifying the options	How to identify a broad set of credible options addressing the problem causes and coherent with the objectives set.
5	Identifying the impacts	Making sure objectives are clearly linked to the problem. Discussion of general and specific objectives. Define the indicators.
6	Assessment of impacts and comparison of options	Comparison tools/ strategies: Cost-Benefit Analysis (CBA), Cost-Effectiveness Analysis (CEA), Multi-Criteria Analysis (MCA).
7	Monitoring and Evaluation (M&E)	Measuring regulatory performance; Monitoring indicators; Ex-post evaluation in the regulatory policy process

RIA TRAINING ON ASSESSING THE IMPACT OF DRAFT ENERGY LAW AND MARKET OPENING ON VULNERABLE CUSTOMERS

This training will be focusing on the practical aspects of identifying and assessing the impacts of Energy Law on vulnerable customers.

Speaker: Norberto Pignatti, Professor at the International School of Economics at Tbilisi State University (ISET).

#	Topic	Description
1	Analysis of the connection between the reform, its objectives and vulnerable groups	Identification of vulnerable groups. Review of reform objectives under the light of social SDGs 2030
2	Identification of the impacts on vulnerable groups	Identification of the expected potential impacts on vulnerable groups. Review of the roles of stakeholder consultations, literature review and data collection [short presentation from trainers to illustrate the importance and the purpose of the upcoming three assignments].
3	Review of the objectives and evaluation criteria with an eye on vulnerable groups	Selecting and/or refining objectives and indicators to make sure they capture the effects on vulnerable groups. And the impact on vulnerable groups will constitute an evaluation criteria
4	Definition of literature review strategy	What literature could/should be reviewed to conduct properly the qualitative and quantitative impact assessment.
5	Definition of stakeholder consultation strategy	Which stakeholders should be consulted. How? Selection of the most appropriate method among those available. Development of consultation tools (surveys, set of questions for interviews and focus groups)
6	Definition of data collection strategy	Which data are going to be needed and where and how they should be collected, in order to conduct properly the qualitative and quantitative impact assessment.
7	How to re-define options on the light of the results of the analysis	Identifying weaknesses. Defining offsetting/mitigation measures. Is there a possibility for Pareto improvements?

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