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AGREEMENT ON GRID INTERCONNECTION FOR GENERATION AND DISTRIBUTION COMPANIES

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16 October 2020

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AGREEMENT ON GRID INTERCONNECTION FOR GENERATION AND DISTRIBUTION COMPANIES

USAID ENERGY PROGRAM

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DATA

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ACRONYMS

DisCo	Distribution Company
EnCT	Energy Community Treaty
EU	European Union
GNERC	Georgian Energy and Water Supply Regulatory Commission
GoG	Government of Georgia
kV	Kilovolt
LLP	Limited Liability Partnership
USAID	United States Agency for International Development

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1. INTRODUCTION

In October 2016, Georgia signed the Energy Community Treaty (EnCT) signaling the country's commitment to direct future energy planning and market development towards approximation with the European Union (EU). This step commits Georgia to enhance the security of energy supply by promoting the development of relevant infrastructure, increasing market integration and gradual regulatory approximation towards key elements of the EnCT, and promoting the use of renewable energy sources. In order for Georgia to meeting its strategic commitments in the energy sector, the United States Agency for International Development (USAID) is providing technical assistance and policy advice on legal, regulatory and institutional reform issues, including facilitating investment and deal structuring, engineering and environmental analyses, financial planning, and outreach, and other consulting. This technical assistance, ("USAID Energy Program") is being rendered by Deloitte Consulting LLP, under a USAID contract, AID-OAA-I-13-00018.

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, facilitate economic growth, and enhance national security. The project 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 EnCT. The investment objective will be achieved through the provision of technical assistance to a variety of stakeholders in the energy sector.

The purpose of USAID Energy Program is to: (1) support Georgia in energy market development per Georgia's obligations under the EnCT, (2) build the capacity of the GoG and relevant institution(s) to evaluate the fiscal and long-term impacts of regulatory changes, (3) promote energy investments, primarily in variable renewable energy development, (4) to 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.

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 market legal and regulatory framework that complies with European requirements and encourages competitive energy trade and private sector investments.

USAID Energy Program is tasked under its contract, AID-OAA-I-13-00018, to assist the GoG with drafting secondary legislation, clear and transparent rules, administrative and licensing procedures, and simplified permitting requirements to expedite approvals from the multiple institutions involved in energy project development; Serve in an advisory capacity to update standardized power purchase agreements and interconnection contract.

2. EXECUTIVE SUMMARY

The purpose of this document is to assist the GoG and key energy stakeholders, playing on Georgian competitive and transparent energy market, to improve investment climate through creation of a stable, clear, and non-discriminatory legal basis.

USAID Energy Program developed a draft concerning the Agreement on Grid Interconnection Standards for Generation and Distribution Companies. The draft includes general provisions, rights and obligations of parties, connection procedures, metering and billing, operational requirements and other procedures in accordance with the effective Georgian legislation in force and best international practices.

The standard interconnection agreement is essential for both: production facilities, including renewable energy facilities, and transmission / distribution licensees. The existence of a standard contract will help the creation of a transparent and competitive environment and define the rights and responsibilities of the parties (production VS transmission/distribution), their responsibilities, connection fees and other important conditions.

The interconnection of the generation facility to the transmission / distribution network is one of the subjects that are regulated by the law. In particular, facilitating and eliminating obstacles of the access to the network of new electricity generation is the direct task of the Georgian Energy and Water Supply Regulatory Commission (GNERC) (Law of Georgia on Energy and Water Supply, Article 28, Paragraph 1, Subparagraph "f"). In addition, the issues of connection to the transmission and distribution networks are defined in the "Network Rules" approved by GNERC Resolution # 10 of April 14, 2017 and are mandatory for all energy enterprises. Based on the above, the Regulatory Commission approved the "Standard Terms and Conditions of the Transmission Network Connection Agreement" (GNERC Decision # 17/9, 10.03.2017).

For the purpose to harmonize the Georgian legislation with the EU legislative framework and to support the GoG and energy stakeholders in reforming process, USAID Energy Program drafted the initial Standard Terms on Interconnection Agreement. The document is an initial draft and was developed in accordance with the European best practices, as well as the above-mentioned legislative acts and by-laws.

USAID Energy Program supports counterparts in developing an enabling environment and proposes the Interconnection Agreement Standards for Generation and Distribution Companies.

Annex 1: Agreement on Grid Interconnection Standards for Generation and Distribution Companies.

AGREEMENT ON GRID INTERCONNECTION STANDARDS FOR GENERATION AND DISTRIBUTION COMPANIES

THIS AGREEMENT is signed between Distribution Company hereafter referred to as DisCo, and Generation Licensee, herein after referred to as Producer, and collectively, Parties.

WHEREAS a) The Producer has entered into an Agreement with the DisCo for interconnection purposes. b) The parties agree that they are bound by the conditions of supply contained in the Agreement for supply of electricity dated -X- for the purposes of the Agreement. c) DisCo should provide metering facilities to allow producers connect to the distribution network, and after, to supply with generated energy the existing electricity supply network. d) The parties should enter into this Agreement for the purpose given in Clause – c above.

Now it is hereby agreed as follows.

1. DEFINITIONS

Producer: Generation Licensee and small power plant.

Generating Facility: Generating Facility means all of the Producer's equipment and land at a single site or parcel of land utilized to produce and deliver electrical energy, including but not limited to, Producer's generating, metering and protection equipment.

Contract Demand: The allocated capacity, as depicted in the electricity agreement, to the Consumer by the DisCo expressed in terms of kilovolt hour.

Billing Period: The period for which the Producer's electricity meter is read by DisCo and the Producer is issued with an electricity bill, usually a period of one month (30 days).

Connection Application – written request prepared in compliance with Network Rules regarding connection to the network or modification of the existing connection.

Interconnection Agreement – an agreement between Declarant on the one hand and the Transmission Licensee and Dispatch Licensee on the other, which specifies the terms and conditions pertaining to the connection of the User to a new connection point of the transmission network.

Applicant – person seeking to connect to the transmission or the distribution network.

Declarant – applicant or user, who submits application to the relevant Transmission or Distribution Licensee regarding new connection or modification of the existing connection.

Electricity Distribution Network Connection Fee – payment paid by a declarant, seeking connection to distribution network.

Energy Credit: This shall be the amount of net electrical energy exported to the distribution network during a specified Billing Period, which amount, measured in kilowatt hours, shall be credited to the Producer's electricity account in the subsequent Billing Period.

2. GENERAL PROVISIONS

1. This Agreement shall come into effect from the date of execution and continues to be in force until the expiry it.

2. If for any reason, the Producer's electricity supply is partially or fully disconnected by DisCo for whatever reason, with or without a request from the Producer, or owing to natural causes, and when there is reasonable hope that the supply will be restored within a reasonable time, this Agreement automatically stands suspended for the period of such disconnection.

3. GENERAL RULES, RIGHTS AND OBLIGATIONS

1. Applicant seeking connection of the power plant or of a new customer at 35-110 kV voltage level to the Distribution Network is responsible for compliance with the technical conditions of connection

defined by the Distribution Licensee and shall bear costs related to activities necessary for connection to the Distribution Network.

- a) Application on connecting customers to the Distribution Network at 35-110 kV voltage level shall meet the application form requirements laid down by the GNERC resolution.
- b) Upon request of DisCo Applicant is obliged on submission of additional information.
- c) Where appropriate, the applicant is entitled to enclose justification on technical necessity of the connection n to the requested voltage level to the connection application in accordance with provisions laid down by Network Rules (Article 77.6).
- d) Seeker is responsible on implementation of technical conditions laid down by the relevant legal acts and expenses relating to interconnection. As well as is responsible for design and construction works necessary for connection to the network in accordance with mentioned technical conditions.

2. The DisCo is obliged to ensure compliance with voltage parameters prescribed in Network Rules and Technical regulations of Georgia.

- a) DisCo is obliged to issue offer of connection (technical condition) free of charge within the 50 (Fifty) days from receiving connection application.
- b) DisCo is obliged to check completeness of the application and of the request stated therein within 5 days from the receipt of the application and provide response to the applicant either via message or by other means of communication indicated in the application in writing or electronically (in case of non-compliance refusal shall be duly justified).

3. Connection point of Producer connected at 35-110 kV voltage level to the Distribution Network shall coincide with balance (property) border between the Producer and the DisCo.

4. DisCo bears operational responsibility up to the property division border (connection point) between the DisCo and Producer if the acting legislation or agreement between the parties does not state otherwise.

4. REVIEW OF APPLICATION ON CONNECTING PRODUCER AND DISTRIBUTION NETWORK

1. If connection of power plant and of the new User at 35-110 kV voltage level to the Distribution Network is requested, such connection shall be carried out on the basis of mutual agreement between the parties. Despite the fact whether parties have agreed or not, the Distribution Licensee is obliged to issue offer of connection (technical condition) free of charge within the terms given in paragraph 11 of this Article and Applicant is responsible for design and construction works necessary for connection to the network in accordance with mentioned technical conditions.

2. The Applicant shall apply (either electronically or in writing) the respective Distribution Licensee with request to connect to the Distribution Network.

3. The Distribution Licensee is obliged to check completeness of the application and of the request stated therein within 5 days from the receipt of the application and provide response to the applicant either via message or by other means of communication indicated in the application in writing or electronically (in case of non-compliance refusal shall be duly justified).

4. The Distribution Licensee is entitled to determine that the application on connection to the Distribution Network is deficient (only in cases envisaged under these Rules) and dismiss the application. In such case requested connection will take place only after the submission of a new application.

5. The reasons for determining deficiency of the application and dismissing it can be the following:

- a) If the application is not complete and/or has gaps (including if the application is not filled out in accordance with standard forms approved under the Commission's decision);
- b) If under "Electricity (Capacity) Supply and Consumption Rules" approved under the Resolution N20 of September 18, 2008 lower voltage level is envisaged for the capacity requested by the Applicant (except Power Plants), except cases envisaged in paragraph 6 of this Article;
- c) If it is obvious that the Distribution Licensee cannot provide requested capacity at certain nominal voltage level of the Distribution Network.
- d) The Distribution Licensee does not have requested nominal voltage level.

6. The Distribution Licensee is not authorized to determine that connection application is deficient in accordance with paragraph 5(b) of this Article when connection at the requested nominal voltage level is technically necessary for the Applicant and Applicant has reasonable justifications for it.

7. Days after its submission (if deficiency has not been observed) the Application is considered to be accepted and in accordance with these Rules substantial review commences to prepare offer of connection to the Distribution Network.

8. Within 20 days after the receipt of the Application the Distribution Licensee prepares draft of the technical conditions and sends it together with the copy of connection application and documents (if any) submitted by the Applicant to the Dispatch Licensee for its consent. The Dispatch licensee shall review the documentation received from the Distribution Licensee and provide its consent or, alternatively, provide comments and well-grounded suggestions for amending the draft connection offer within 15 days. The Distribution Licensee shall take duly substantiated suggestions of the Dispatch Licensee into consideration in the process of preparing a final draft of the connection offer.

9. The Dispatch Licensee is entitled to request provision of additional information and/or discussion on the draft offer of connection with the Distribution Licensee any time during the review of the connection offer.

10. If the Dispatch Licensee does not notify the Distribution Licensee on its comments to the draft of the connection offer in writing within 15 days envisaged under paragraph 8 of this Article, it is considered that the Dispatch Licensee has consented to it.

11. Within 50 (Fifty) days after receiving connection application the Distribution Licensee sends its offer of connection to the Distribution Network to the relevant applicant. The offer of connection is based on the review of the application, investigation of possible impact of applicant's electrical equipment/installations on the network and opinion (research regarding impact on the Distribution Network) of the Dispatch Licensee. Copy of the respective connection application is sent to the Dispatch Licensee.

12. If, in the process of substantial review of the application, it becomes obvious that connection of requested capacity at the requested nominal voltage level is impossible or technically unreasonable (taking into consideration projected capacity of the Distribution Network section where connection shall take place) the Distribution Licensee is entitled to offer different nominal voltage level (together with sufficient justification) to the applicant.

13. Application on connection to the Distribution Network shall entail:

- a) Technical conditions.
- b) Detailed description of works to be undertaken in the new connection area (substation and/or transmission line where physically connection is carried out) for ensuring connection of requested capacity.
- c) Information related to the connection point (location, connection capacity and voltage level, existing capacity of the network of the substation to which applicant's load / generation shall be connected, etc.).
- d) Information related to the presumable cost of the connection (if prior agreement between Applicant and the Distribution Licensee envisages clause that the Distribution Licensee shall carry out connection).
- e) Information on obligations envisaged under paragraph 18 of this Article.

14. Technical conditions issued by the Distribution Licensee may comprise indications regarding measures directly related to the connection of Applicant to the Distribution Network (Sub-station or transmission line streaming from the sub-station) – such as installation of connection units and metering points, construction of transmission line(s) connecting to the Distribution Network, reinforcing network (in case of multi-branching or tying in) from connection point to substation of the Distribution Licensee, measures for management and relay protection of replacing commutation equipment, also information on other technical works to be undertaken for the reinforcement of the Distribution Network, if necessary.

15. If carrying out technical works for the replacement of commutation equipment(s) and reinforcement of the network is necessary, the request of the Distribution Licensee shall be duly justified. The Distribution Licensee is obliged to provide respective information to the Applicant, if requested.

16. The Connection point and other requirements for the connection requested in the Application shall be determined on the basis of technical reasonability during the preparation of offer of connection to

the Distribution Network so that connection of Applicant to the Distribution Network incurred possibly lowest costs.

17. The offer of connection (technical conditions) to the Distribution Network shall be issued for the same term as requested in the connection application but shall not be less than 2 years. Amendments to the offer of connection can be introduced on the basis of mutual agreement between the parties.

18. The Applicant shall provide written consent to the Distribution Licensee within 20 days after the receipt of the connection offer or commence discussions on amending the connection offer (if necessary). Otherwise, the offer will be revoked automatically.

5. METERING AND BILLING

1. The Producers' electricity service shall be metered with a two-way meter-, and the cost of installation of such meter or metering equipment for the first time, shall be covered by the DisCo.

2. During any Billing Period, if the electrical energy supplied by DisCo exceeds the electricity exported by the Consumer plus any energy credits carried-over from the previous Billing Period, the charges for the net energy (kWh) consumed will be calculated using the Producer's applicable tariff. The fixed charge and/or the minimum charge applicable for the installation will also be applicable.

3. During any Billing Period, if the electricity exported by the Producer plus any energy credits carried-over from the previous Billing Period exceeds the electrical energy supplied by DisCo, the Producer shall be billed only for the applicable fixed charge and/or the minimum charge, and the balance of the electricity generated shall be carried over to the next Billing Period and appear as an energy credit, stated in kilowatt hours.

4. Energy credits may be carried over from one Billing Period to another, for so long as the Consumer has a legal contract for the supply of electricity by DisCo, and during the Term of this Agreement.

5. In the event the Producer's electricity supply account and/or the contract for the premises is terminated for whatever reason, any accumulated energy credits on the last day of such termination shall be granted to the DisCo with no financial compensation to the Producer. Energy credits shall not be transferable to any other Producer who applies for a new contract for the supply of electricity to the same premises. Energy credits shall not be transferable to the same consumer applying for a contract to another premise.

6. If the tariff applicable to the consumer / customer is multi-tier tariff, the energy credit is given only in the tier where credit is generated. This credit is carried forward to next billing period in the same tier. When the consumer's tariff is converted to a multi-tier tariff, this multi-tier credit forwarding is applicable even if the consumer / customer was in single tier tariff at the signing of this contract. In such a case, appropriate tier for the carried forward credit is determined by the energy credit of the consumer in 1st billing period (with not less than 21 days) after converting into multi-tier. The previous accumulated total credit will be assigned to the tier having highest credit in this 1st billing period. In case of no credit in this period, highest export tier is considered.

6. GENERATING FACILITY DESIGN AND OPERATING REQUIREMENTS

1. The protective function and requirements defined here are designed to protect DisCo distribution system and not the Generating Facility. A Producer shall be solely responsible for providing adequate protection for its Generating Facility and interconnection facilities. The Producer's protective functions shall not impact the operation of other protective functions utilized on distribution system in a manner that would affect DisCo capability of providing reliable service to its customers.

2. Generating facilities operating in parallel with DisCo shall be equipped with the following protective functions to sense abnormal conditions on DisCo distribution system and cause generating facility to be automatically disconnected from DisCo distribution system or to prevent the generating facility from being connected to DisCo distribution system inappropriately.

- a) Over and under voltage trip functions and over and under frequency trip functions.
- b) A voltage and frequency sensing and time delay function to prevent the generating facility from energizing a deenergized distribution system circuit and to prevent the generating facility from reconnecting with DisCo distribution system unless DisCo distribution system service

voltage is within 6% of the nominal supply voltage and frequency is within 47 Hz to 52 Hz and are stable for at least 3minutes.

- c) A function to prevent the generating facility from contributing to the formation of an Unintended Island and cease to energize the DisCo system within half a second (0.5 second) of the formation of an unintended island.
- d) The generating facility shall cease to energize DisCo distribution system for faults on DisCo distribution system circuit to which it's connected. The generating facility shall cease to energize DisCo distribution circuit prior to reclosure by DisCo distribution system equipment.
- e) The generating facility shall be automatically disconnected from the DisCo distribution network within half a second (0.5 second) when the DisCo supply is intentionally or automatically switched off.
- f) The Producer should not change any of the settings stated above without the written permission from the DisCo.

3. Suitable equipment required. Circuit breakers or other interrupting devices located at the connection point must be certified by DisCo as suitable for their intended operation. This includes being capable of interrupting the maximum available fault current expected at their location. Producer's generating facility and interconnection facilities shall be designed so that the failure of any one device shall not potentially compromise the safety and reliability of DisCo distribution system.

4. Visible disconnect required When required by DisCo operating practices, the producer shall furnish and install a ganged manually operated isolating switch near the point of interconnection to isolate the generating facility from DisCo distribution system. The device does not have to be rated for load break nor provide over current protection. The device must:

- a) Allow visible verification that separation has been accomplished. (This requirement may be met by opening the enclosure to observe contact separation)
- b) Include marking or signage that clearly open and closed positions.
- c) Be capable of being reached quickly and conveniently 24 hours a day by DisCo personnel for construction, maintenance, inspection, testing or reading, without obstacles or requiring those seeking access to obtain keys, special permission, or security clearance.
- d) Be secured in a weather-proof enclosure and capable of being locked in the open position to prevent unauthorized or accidental closing.
- e) Be clearly marked on the submitted single line diagram and its type and location approved by DisCo prior to installation. permanent signage must be installed at a DisCo approved location providing a clear description of the location of the device.

5. Drawings: Prior to parallel operation or momentary parallel operation of the generating facility DisCo shall approve the Producers protective function and control diagrams. Generating facilities equipped with protective function and control scheme previously approved by DisCo for system wide application or only certified equipment may satisfy this requirement by reference to previously approved drawings and diagrams.

6. The output voltage wave form of the Generating Facility shall be of 50.2 – 50.5 Hz, with a sinusoidal wave form.

7. The inverters used for interconnection shall be only those which have received the Type Approval by DisCo.

8. The Producer should not change any of the settings stated in section 6.4 without the written permission from the DisCo.

7. FORCE - MAJEURE

1. In Standard Conditions herein, Force Majeure and Force Majeure occurrence for any of the Parties means: the circumstances, which cannot be controlled by mentioned Party; when they cannot be avoided, stopped or improved, despite all the efforts of such Party; when as a consequence or as a result, one of the Parties cannot fulfil the obligations imposed by Standard Conditions. The Force Majeure occurrence includes (but is not limited to):

- a) The war, military actions, siege, mobilization, requisition or embargo;
- b) Unrest, revolution, rebellion, civil war, public disorder, civil riot, sabotage and terrorist actions;
- c) Lightning, conflagration, explosion, storm, wind, flood, earthquake, hurricane or other natural disasters.

2. None of the Parties is requested to fulfil the agreement and it will not be considered as default, if the reason for non-fulfilment is Force Majeure, if lack of funds by any of the Parties is not considered as the Force Majeure.
3. The Parties shall be released from full or partial fulfilment of contract obligations considered by agreement only, when the circumstances indicated in Paragraph 1 of this article occur. Under such circumstances, deadline for the fulfilment of contracted obligations will be rescheduled by the length of Force Majeure period.
4. In Force Majeure situation, the Party directly affected by it shall send another Party written notification about the occurrence within 5 (five) workdays. This notification shall include relevant facts, information, possible consequences and duration. The document (the statement issued by the Chamber of Trade and Industry of Georgia), justifying Force Majeure occurrence shall be presented within the following one month.

8. EVENTS OF DEFAULT AND TERMINATION

1. Events of Default by the Producer shall be on each or any of the following events.
 - a) If the Producer violates any of the conditions stipulated in article 3.
 - b) If the permit issued to the Producer subject to the provisions of GNERC is cancelled for contravening and/or failing to conform to any of the terms and conditions stipulated therein.
 - c) If the Producer is in breach or is unable to perform any of his obligations under any approval, license granted or which may be granted to the Producer and has not remedied such default within the cure periods provided in such approval, permit or license;
 - d) The disconnection of the electricity account due to non-format of electricity bills or any other reason.
 - e) Change of Producer or change of location of the Generating Facility.
2. Events of Default by DisCo shall be on each or any of the following events:
 - a) Failure to meet the obligations in Section 3 of this Agreement.
 - b) Failure to read the meter and issue invoices to the Consumer.
 - c) Failure to maintain the supply equipment, meters and metering equipment.
3. Upon the occurrence of an Event of Default, the aggrieved Party may terminate this Agreement after giving due notice of not less than thirty (30) days to the defaulting Party.
4. Notwithstanding the foregoing, this Agreement shall remain in effect after the termination hereof to the extent necessary to provide for final billings, billing adjustments and charges which have accrued up to the time of termination of the Agreement.

9. DISPUTE RESOLUTION

1. the DisCo and Generation licensee shall take all possible actions to settle any dispute or disagreement occurred in relation with the agreement herein (the definition, use and/or fulfillment).
2. If the Parties fail to reach common agreement, the subject of argument shall be submitted to the Georgian National Energy Regulatory Commission or the court within the jurisdiction of Georgia.
3. DisCo has the right to demand immediate execution of the First Instance Court Decision in compliance with the Civil Code (Article 268.).

10. LIABILITIES & INDEMNIFICATION

1. The Producer agrees to maintain DisCo's equipment in an initial stage and avoid results of any failure or malfunction. DisCo shall not be liable, indirectly or directly for permitting or continuing to allow the interconnection of the facility or for the acts or misuse or omissions of the Consumer or the failure or malfunction of any Consumer-owned equipment that causes loss or injury, including death, to any party. Whenever any liabilities are incurred by either or both the parties for damages caused by injuries to either party (or their employees or agents) or the property of either party then the liabilities for such damages between the parties will be as follows:
 - a) Each party will be liable for all damages because of injuries to persons or property caused solely by its negligence or solely by its failure to comply with this agreement.

- b) Each party will be liable for all damages to its own property that are caused by the concurrent negligence of both parties, or that are due to causes that cannot be traced to the sole negligence of the other party, to the extent of its negligence therefore.
- c) In the event of claims brought to recover damages because of injuries to persons not employees of either party and because of injuries to property not belonging to either party that are alleged to be caused by the concurrent negligence or both parties or are alleged to be due to causes that cannot be traced to the sole negligence of either party, the parties agree no right of indemnification will exist, so that in all such claims, the issues of liabilities will be determined as a matter of contribution and not as a matter of indemnity.

Neither party will have any liability whatsoever for any special, indirect, consequential or punitive damages.

11. PARTIES AND REQUISITES

Distribution Company :----- Producer: -----

Signature of authorized person

Signature of authorized person

Annex 1. Technical Condition

For each case separately

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