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LOW VOLTAGE CONNECTION FEE METHODOLOGY

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23 August 2018

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LOW VOLTAGE CONNECTION FEE METHODOLOGY

USAID ENERGY PROGRAM

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ABSTRACT

This Low Voltage Connection Fee Methodology is aimed at establishing a standardized approach to dealing with power network connections and associated connection charges for customers and producers. The objectives of the Methodology includes; identifying parties to whom the Low Voltage Connection Fee Methodology applies, establishing a set of base connection charge principles, describing the process of application for new connections or upgrades to existing supply arrangements, identification of the different costs to be recovered via connection charges, setting a standard methodology for determining connection charges, providing a governance structure to deal with network connection matters.

ACRONYMS

CAPEX	Capital Expenses
DSO	Distribution System Operator
GEL	Georgian Lari
GNERC	Georgian National Energy and Water Supply Regulatory Commission
GSE	Georgian State Electrosystem
IFRS	International Financial Reporting Standards
km	Kilometer
kW	Kilowatt
kWh	Kilowatt Hour
m	Meters
O&M	Operation and Maintenance
OPEX	Operating Expenses
QoS	Quality of Supply
TSO	Transmission System Operator
USAID	United States Agency for International Development

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EXECUTIVE SUMMARY

The Low Voltage Connection Fee Methodology covers:

1. The treatment and principles of charging new connection to the low voltage network;
2. The definitions of Direct Assets, New Infrastructure Assets, Infrastructure Reinforcement Assets;
3. The sharing of costs of Direct Assets, New Infrastructure Assets, Infrastructure Reinforcement Assets;
4. The criteria for connection charging sets out the technical characteristics of the connection, the type and volume of works required to connect a facility to the low voltage networks, breakdown the connection charges, classification of connection assets, types of connections;
5. The methodology for connection charging is related to different type of connections: standard and individual connections, special connections, temporary connections, increase of the connection power, emergency connections and connections for producers from renewable energy sources;
6. The tariff setting, and application submission procedures regulates the procedures and methods for accounting and reporting, required documents for tariff setting, and tariff setting timeline and procedures.

This document does not cover detailed technical matters related to technical standards of equipment, operation and planning of new connection, and infrastructure reinforcement – these are covered in the Network Code and requirements of the other technical codes and regulations in force.

BACKGROUND

The purpose of developing this document is creation of Methodology for calculation of connection fee and defining terms and conditions for the connection on low voltage network and manner to determine charges for connection of new facility of electricity customers and producers or increasing/reducing the connection capacity of existing facility of electricity customers and producers. This document sets out the methodology whereby new connections, additions or increases in existing connections, to the low voltage networks shall be charged for the costs associated providing the connection. The Low Voltage Connection Fee Methodology is aimed at establishing a standardized approach to dealing with low voltage network connections and associated connection charges for Customers and Producers. The objectives of the Methodology include: identifying parties to whom the Low Voltage Connection Fee Methodology applies, establishing a set of base connection charge principles, describing the process of application for new connections or upgrades to existing supply arrangements, identification of the different costs to be recovered via connection charges, setting a standard methodology for determining connection charges, providing a governance structure to deal with network connection matters.

This Methodology takes into consideration and obeys where necessary the requirements under the draft Law for Energy, Network Rules, Rules on Commercial Service Quality, and Electricity/Capacity Supply and Consumption Rules, Universal Service Supply Tariff Methodology, Supplier of Last Resort Tariff Methodology, and Electricity Market Rules. The Low Voltage Connection Fee Methodology and associated procedures should be consistent with the adopted regulation by Georgian National Energy and Water Supply Regulatory Commission (GNERC) "Tariff Methodology for the Electricity Sector". Hence this document must be revised whenever the New Law for Energy have been adopted by the Parliament of Georgia and the Market Rules are changed.

LOW VOLTAGE CONNECTION FEE METHODOLOGY

CHAPTER I: GENERAL PROVISIONS

ARTICLE 1

Purpose

1. The purpose of the Tariff Setting Methodology for Connection for to the Low Voltage Electricity 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 Energy, Network Rules.
2. Tariff setting based on this Methodology is in accordance with the “Cost Plus” regulation principle which stimulates stable functioning of the Transmission System Operator (TSO) and Distribution System Operator (DSO) recovery of reasonable costs and gain fair profit.

ARTICLE 2

Acronyms

Acronym	Description
CAPEX	Capital Expenses
DSO	Distribution System Operator
GEL	Georgian Lari
GNERC	Georgian National Energy and Water Supply Regulatory Commission
GSE	Georgian State Electrosystem
IFRS	International Financial Reporting Standards
km	Kilometer
kW	Kilowatt
kWh	Kilo Watt Hour
m	Meter
O&M	Operation and Maintenance
OPEX	Operating Expenses
QoS	Quality of Supply
RAB	Regulatory Asset Base
RCB	Regulatory Cost Base
RES	Renewable Energy Sources
TS	Transformer Station
TSO	Transmission System Operator
USOA	Uniform System of Accounts
VAT	Value Added Tax
WACC	Weighted Average Cost of Capital
WC	Working Capital

ARTICLE 3

Definitions

1. The terms used in this Methodology have the same meaning as in the Law of Georgia on Energy;
2. Other terms used in methodology for the tariff regulation purposes have the following meaning:
 - a) **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;
 - b) **Asset life** – the defined life of low voltage assets as set by GNERC for tariff calculation purposes (number and date of the regulation need to be provided by GNERC);
 - c) **Asset replacement costs** - total expenditures that will be necessary for creating assets similar to the assets that need to be evaluated;
 - d) **Assets** – shall mean tangible and intangible assets;
 - e) **Building block approach** – defining the structure of Regulatory Cost Base by its components;

- f) **Capital Expenses** - return on Regulatory Asset Base and depreciation/amortization, for the purposes of this Methodology;
- g) **Connection agreement** - contractual agreement concluded between the Customer and Network Licensee setting out the terms of the network connection in relation to Network Connection Assets between the parties;
- h) **Connection Charges** - charges payable by the Customer to cover the costs associated with the connection to the low voltage electricity network as applicable;
- i) **Cost audit** – regulatory mechanisms, by means of which the Commission (the Commission by itself or/and through the neutral third party) verifies the electricity enterprise’s costs and financial results and defines the Regulatory Cost Base;
- j) **Dedicated Network** – electricity low voltage network that is used exclusively by a single customer or group of customers;
- k) **Deep Connection Assets** – All assets associated with the connection, Direct Assets, New infrastructure Assets and Infrastructure Reinforcement Assets for the existing system;
- l) **Depreciation/amortization** – gradual allocation of depreciable amount of the tangible/intangible asset over its useful life;
- m) **Direct Connection Assets** – Assets directly associated with the particular connection offer. These assets include all elements from the low voltage assets up to the new infrastructure assets;
- n) **Fixed operational costs** – the operational costs related to connection services which do not depend on the specifications of the non-standard connection;
- o) **Guaranteed Capacity Fee** – fee for providing the guaranteed capacity to country’s unified electricity system by guaranteed capacity source, which provides the reimbursement of capital expenses and fixed operational expenses of the guaranteed capacity source, and in case of thermal power plants built after 2010 - in accordance with the ratio (%) defined by the government;
- a) **Historical cost asset valuation method** – Valuation of the Asset Cost according to the price of its creation or initial purchase;
- b) **Intangible assets** – identifiable, non-monetary assets without physical form used in connection-related activities;
- c) **Investment** – capital investment which is used for creating, purchasing and/or rehabilitation of low voltage assets;
- d) **Low Voltage Assets** - include New Infrastructure Assets, Direct Assets and Infrastructure Reinforcement Assets;
- e) **Net book value of the Asset** – accumulated depreciation/amortization deducted from the Asset Cost (envisaging investments made in this Asset);
- f) **Operational Expenses** – 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;
- 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 electricity enterprise connection services;
- h) **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 Energy;
- i) **Regulatory Cost Base** – revenue of the electricity enterprise allowed by the Commission for the tariff year that is necessary for the efficient provision of electricity enterprise connection services and comprises reasonable costs and rational profit;
- j) **Regulatory Asset Base** – Tangible and intangible assets used in regulated connection activities of the electricity enterprise (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;

- k) **Semi Deep Connection Assets** - The assets within the shared network located at or near the customer's point of connection that need to be reinforced or strengthened in order to connect the customer and enable the customer to inject power (in the case of a producer) or take supply (in the case of a load) up to a specified maximum injection or off-take limit;
- l) **Shallow Connection Assets** – All assets associated with the procurement and installment of the direct connection assets. Costs for reinforcement and reconstruction of the infrastructure shall be covered by the electricity enterprise;
- m) **Shared Network** - electricity network that is shared by a large number of customers and cannot easily be attributed to identified customers;
- a) **Special Connection Assets** - assets or equipment that may become stranded (i.e. made redundant before the end of their economic lives) or assets that are specifically designed and constructed to the specific needs of the Customer, which are not standard equipment of the Network Licensee and cannot be used elsewhere in the system;
- n) **Tangible assets** – Fixed assets used in respective regulated connection activities where the useful life of which exceeds one year;
- o) **Tariff application** – forms approved by the Commission, which includes financial and technical data for the Test Year of the electricity enterprise as well as investments associated with connection services made during the Tariff Calculation Year;
- p) **Tariff calculation year (t)**-the calendar year prior to the Tariff Year;
- q) **Tariff Year (t+1)** - the calendar year for which the Commission sets connection tariffs in accordance with this Methodology;
- r) **Test year (t-1)** – the calendar year prior to the connection services tariff calculation year by the Commission;
- s) **Third party** - any physical and/or legal person (including: state, customer, etc.), except of the electricity enterprise shareholder, which issues subsidies, awards grants to the electricity enterprise, pays fees for connecting to the electricity networks and/or awards the electricity enterprise with tangible and intangible assets free of charge;
- t) **Transmission System Operator** – electricity transmission system operator licensee, who is subject to tariff setting for their regulated network connection activities according to this Methodology and the current legislation;
- u) **Variable operational costs** – the operational costs of connection services which depends on the specification of the non-standard connection;
- v) **Weighted Average Cost of Capital** – rate of return on the Regulatory Asset Base calculated before taxes according to the capital (own or raised) structure defined by the Commission;
- w) **Working Capital** – Amount of funds defined by the Commission for financing the connection-related expenses of electricity enterprise;

ARTICLE 4

Objectives of Low Voltage Connection Fee Methodology

1. The overall objective of the Low Voltage Connection Fee Methodology is to establish a standardized approach to dealing with applications for electricity low voltage network connections and associated connection charges for customers and producers;
2. More specifically, the objectives include:
 - a. Identifying parties to whom the Low Voltage Connection Fee Methodology applies;
 - b. Establishing a set of base connection charge principles;
 - c. Describing the process of application for new connections or upgrades to existing supply arrangements;
 - d. Identification of the different costs to be recovered via connection fees;
 - e. Setting a standard methodology for determining connection fees;
 - f. Providing a governance structure to deal with network connection matters.

ARTICLE 5

Legal Requirements

1. In accordance with the Law of Georgia on Energy, Network Rules, Rules on Commercial Service Quality, and Electricity/Capacity Supply and Consumption Rules, Universal Service Supplier Tariff Methodology, and Supplier of Last Resort Tariff Methodology;
2. Law on Energy establishes a general legal framework for the generation, transmission, distribution, supply of and trade in electricity, and for the transmission, distribution, supply, storage of and trade in natural gas with a view to the facilitated emergence, opening, development and integration of well-functioning, transparent and competitive electricity and natural gas markets in Georgia;
3. Rules on Commercial service quality aims at improving commercial service quality provided by energy entities to the Customer in accordance with standards prescribed in the Rules for commercial service quality;
4. Electricity/Capacity Supply and Consumption Rules regulates the relationships, between the electricity licensee, small power plant, on the one hand, and consumer, on the other, in the process of electricity purchase, sale, distribution, pass through and/or consumption;
5. Network Rules sets procedures, terms, principles and standards for development, management, availability and secure utilization of transmission network by electricity system participants and applicants;
6. Universal Service Supply Rules, regulates the relationship between customer who request a connection to the electricity networks and electricity enterprises and received services on specified quality and affordable prices;
7. Rules for Supplier of Last Resort, establishes legal and regulatory framework for protecting the customers in the event of supplier failure.

ARTICLE 6

Main Principles

1. The fees based on this Methodology shall be justified, reasonable, verifiable, non-discriminatory, based on objective criteria, and determined in a transparent manner;
2. The connection fees shall reflect the justified costs of operation, maintenance, replacement, construction and reconstruction of networks, including a reasonable return of investment, amortization and taxes, with consideration of environmental and customer protection;
3. Connection fees that are cost justified may be included for connection to Low Voltage networks or for substantially increasing the connection capacity;
4. Setting of connection fees, as well as respective terms and conditions thereto, shall reflect prevailing international practices;
5. This Methodology and the connected related tariffs set on its bases shall:
 - a. protect customers from the monopolistic prices;
 - b. support the stable and reliable functioning of the Electricity System;
 - c. ensure that tariffs are transparent, stable and fair for the electricity customers.
6. For determination of Regulatory Cost Base (RCB) structure of an electricity enterprise, "building blocks" approach method is used. RCB defined by this Methodology consists of the following components:
 - a. Capital expenses;
 - b. Operational expenses.
7. Calculation of capital and operation expenses is carried out by "Cost-Plus" method with annual cost audit¹. The Electricity enterprises aims to recover those costs that they reasonably expect to incur when it provides connection services;
8. All connection-related tariffs set by the Commission are calculated without Value Added Tax (VAT);

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

9. Details of the Low Voltage connection charges will be permanently and prominently posted on the website of the Electricity enterprises;
10. Ownership of the facilities between the electricity enterprise and the customers are as follows:
 - a. In terms of customers connected to the low voltage network, any plant and equipment ranging from the point of connection to the location of use shall be in the possession of the customer. The rest of the line starting from the point of connection including the point of connection shall serve as an electricity enterprise's network;
 - b. The measuring devices and meters shall be located on the inlet side of the secondary main bus-bar of transformers with consumption of 400kVA and below, on the inlet side of step-down transformers at customers plants for customer with a transformer power of 400 kVA and above and on the inlet side of the switch gear (terminal box etc.) where the consumption begins for low voltage customers;
 - c. Should a producer's or customer's plant be connected to the low voltage network via a switchyard of another producer's or customer's plant or in an input-output fashion, then the jointly-used or input-output switch yard or the switch yard of the producer's or customer's plant connected to two separate low voltage plants through two different lines, shall be a part of the electricity enterprise network. The operation and maintenance (O&M) of the electricity installations that fall within the scope of this subparagraph shall be handled by the owners of the relevant producer's or customer's plant.
11. Power factor and phase balance:
 - a. The customer shall take all reasonable steps to operate the plant and the facility to keep the power factor of the total load at the connection point for imported electricity between 0.90 up to 1.00, whereas for exported electricity between 0.95 up to 1.00;
 - b. Wind generators must keep power factor between 0.92 and 0.95;
 - c. For the purpose of this Methodology, lagging power factor refers to the absorption of reactive power. These are minimum requirements;
 - d. In certain instances, specific requirements may apply in order to ensure that the electricity enterprise can comply with the requirements of the Network Rules.

ARTICLE 7

Tariff Setting Period

The Commission sets tariffs for three year regulatory periods for the licensed enterprises. The regulatory period for connection-related charges will be the same period for the licensees established by the Commission for setting charges for the electricity transmission and/or distribution tariffs.

ARTICLE 8

Connection Services Provided by the Licensed Electricity Enterprises

1. Design of the connection

Design charges for a new connection will be identified by the licensed electricity enterprise. 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 licensed electricity enterprises 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 electricity enterprise 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 electricity enterprise may terminate the job. The customer will pay for actual cost of the connection.

b. Additional costs

The electricity enterprise, upon its own initiative, 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. Unsuccessful visits

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

3. Modification to an existing connection

Customer may request a change in the existing low voltage connection. The electricity enterprise 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 electricity enterprise, then the cost of the connection will be borne by the electricity enterprise.

4. Disconnection/reconnection

Separate fees are set for each electricity network company for temporary disconnection and for reconnection of the low voltage electricity network to a customer's property. The request for disconnection will be paid by the requestor, normally the supplier of electricity to a non-paying customer. The request for reconnection to the low voltage electricity network will be paid by the customer requesting reconnection. The electricity enterprise is entitled to disconnect the customer's electrical facility and equipment. The disconnection of the customer's power should occur if one of the following takes place:

- a. Any situation that requires disconnection of the power as per the connection agreement and the provisions of the applicable law;
- b. Any situation that requires any part of the electricity network to be tested, checked, restored, maintained repaired or expanded by the electricity enterprise;
- c. Any situation related to force majeure;
- d. Any situation that requires the safety of life and property;
- e. Any accident, system failure or emergency that affects or is likely to affect the electricity network or another system that power is drawn from or provided through;
- f. Based on the request of the supply company;
- g. Based on the request of the customer;
- h. Non-compliance with the energy permission, and/or connection agreement;
- i. If the customer doesn't have a valid supply contract;
- j. If the customer is obstructing the access to the metering devices, or in case of **unauthorized use of energy**.

After eliminating the situation which leads to disconnection, the electrical facility and equipment of the customer shall be reconnected as soon as possible.

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 9

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 electricity enterprise for the Tariff Year, 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 10

Capital Expenses

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

$$\text{CAPEX}_{(t+1)} = \text{RAB}_{\text{start}(t+1)} \times \text{WACC} + D_{(t+1)} \quad (2)$$

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 11

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 electricity enterprise;
 - 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 electricity enterprise 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:

$$\text{RAB}_{\text{start}(t+1)} = \text{RAB}_{\text{end}(t-1)} + \text{INV}_t - D_t \quad (3),$$

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 12

Depreciation and Amortization

The depreciation component of the connection charge shall be calculated as:

$$\text{DC}^d_t = \text{GAV}^d_t / \text{DL}^d$$

Where:

DC^d_t is the depreciation of the connection asset for producer “d” in year “t”;
 GAV^d_t is the gross asset value of the connection assets for producer “d” as valued in year “t”;
 DL^d is the depreciation life of the connection assets for producer “d”.
GAV is the value of the connection assets prior to any adjustment for depreciation but including any revaluations to reflect the requirements of any approach used to revalue assets.

ARTICLE 13

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:

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

Where:

$WACC_{\text{pre-tax}}$ 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:

$$r_e = (r_{rf} - ds) + cr + \beta \times mp \quad (5),$$

Where:

r_{rf} risk free rate (%);
ds country default spread (%);
cr country risk (%);
mp market risk premium (%);
 β 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 14

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 electricity enterprise 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 electricity enterprises' connection related services.

ARTICLE 15

Cost Distribution (Allocation)

1. If the electricity enterprise 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 electricity enterprise 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: CRITERIA FOR CONNECTION CHARGING AND BREAKDOWN OF CONNECTION CHARGES

ARTICLE 16

Connection Charging Criteria

1. Connection Charges apply to all parties connected to low voltage networks;
2. Connection charges are set according to the following criteria:
 - a. technical characteristics of the connection;
 - b. the type and volume of works required to connect a facility to the electricity low voltage electricity networks;
 - c. other conditions concerning the construction works on the connection;
 - d. with special regards to:
 - i. the approved power, voltage level of the network to which the facility is to be connected, and the distance from the existing network;
 - ii. the number of phases;
 - iii. the number of metering devices;
 - iv. the type and cross-section of the power line;
 - v. the type of equipment, devices, and materials installed in accordance with the technical conditions for connection established by Network Rules and technical rules and regulations governing the operation of the electricity networks;
 - vi. the design requirements or procurement, and gathering of other documentation for connection construction, or for performance of the related works.

ARTICLE 17

Breakdown of Connection Charges

1. Connection charges cover the capital costs of connection assets, ancillary items, and the on-going costs of maintaining the connection;
2. Connection charges include:
 - a. Costs of equipment, devices and materials;
 - b. Costs of works;
 - c. Costs of design preparation, gathering of required documentation and securing of other conditions for constructing a connection; and
 - d. The part of system costs incurred by connecting the facility, depending on the approved power.

3. The part of system costs incurred by connecting the facility shall include the costs of providing the system capacities necessary for secure delivery of electricity to the customers;
4. The connection charges shall be set based on the most favorable market value of the equipment, materials, works, and services obtained in the public procurement procedure, or in the procedure of equipment, material, work, and services procurement in the market (hereinafter: market price).

ARTICLE 18

Connection Asset Classification

1. The capital costs to be recovered essentially entail the network infrastructure required to provide the Connection to the particular Customer. This includes Dedicated Network assets associated with the specific Customer's connection (Shallow Connection Assets) and considerations for strengthening the infrastructure deeper within the Shared Network (Deep and Semi-Deep Connection Assets) necessitated by the Customer's requirements. Costs for reinforcement and reconstruction of the infrastructure shall be covered by the electricity enterprise;
2. In addition, consideration must be given to capital costs associated with special connection requests for non-standard, obsolete or for temporary infrastructure;
3. The capital costs differentiate between:
 - a. Shallow Connection Assets;
 - b. Semi-Deep Network Assets;
 - c. Deep Network Assets;
 - d. Special Connection Assets;
 - e. Temporary Connection Assets in respect of low voltage customers.

ARTICLE 19

Connection Types

1. According to connection complexity and depending on the technical conditions for connection of a facility to the electricity networks, on the type of facility, and its distance from the system, and on the connection method, the connections shall be classified into two types:
 - a. Standard connection;
 - b. Individual connection.
2. Where a distance of facility from system is exceeding 25 meters, the connection is deemed to be a standard connection:
 - a. if, for a standard power line cross-section and required connection power, the voltage drop remains within set limits regardless of the (underground, overhead) power line based connection type;
 - b. for overhead power lines, if pillars are used for the construction of a connection, or if no tension pole installation is required for the construction of a connection.

ARTICLE 20

Standard connection

1. Depending on the number of metering devices, the standard connections shall be classified into two standard connection subtypes:
 - a. Standard single connection; and
 - b. Group connection.
2. Depending on the approved power, power line type, and the number of phases within standard single connection subtype there may be following types:

Table 1: Standard single connection

N	Connection type designation	Approved power, kW	Power line type	Number of phases
1	M1	1 – 10	Overhead	One
2	M2	1 – 10	Underground	One
3	M3	1 – 10	Overhead - underground	One
4	T1	1 – 10	Overhead	Three
5	T2	1 – 10	Underground	Three
6	T3	1 – 10	Overhead - underground	Three
7	T4	10-30	Overhead	Three
8	T5	10-30	Underground	Three
9	T6	10-30	Overhead - underground	Three
...
...
...	T...	500 – 800	Overhead	Three
...	T...	500 - 800	Underground	Three
...	T...	500 - 800	Overhead - underground	Three
...	T...	800 – 1000	Overhead	Three
...	T...	800 – 1000	Underground	Three
...	T...	800 – 1000	Overhead - underground	Three

Table 2: Values of the coincidence factor (ks) depending on the number of dwellings and the way of heating

N	Number of consumers	First group – heating mainly with electricity	Second group – heating with other type of energy	Third group – combined heating
1	From 3 to 5	0.75 – 0.66	0.65 – 0.54	0.68 – 0.58
2	From 5 to 10	0.66 – 0.56	0.54 – 0.44	0.58 - 0.48
3	From 10 to 20	0.56 – 0.48	0.44 - 0.36	0.48 - 0.40
4	From 20 to 50	0.48 - 0.42	0.36 - 0.29	0.40 - 0.34
5	From 50 to 100	0.42 - 0.39	0.29 - 0.26	0.34 - 0.31
6	From 100 to 200	0.39 - 0.37	0.26 - 0.24	0.31 - 0.29
7	From 200 to 500	0.37 - 0.36	0.24 - 0.23	0.29 - 0.28
8	Above 500	0.35	0.22	0.27

Depending on the maximum number of metering devices, the approved power per metering device, the type and cross-section of the power line and the intended purpose of electricity consumption (whether it is also used for heating of premises), the following types are established within the standard group connection subtype:

Table 3: Standard group connection

N	Connection type designation	Approved power per metering device, kW	Power line type	Max number of metering devices
1	G11	Up to 43 kW	Overhead	4
2	G12	Up to 43 kW	Underground	4
3	G13	Up to 43 kW	Overhead - underground	4
Connection types for facilities wherein electricity is used for heating premises				
4	G21	Up to 43 kW	Overhead	32
5	G22	Up to 43 kW	Underground	32
6	G23	Up to 43 kW	Overhead - underground	32
Connection types for facilities wherein electricity is not used for heating premises				
7	G31	Up to 43 kW	Overhead	64
8	G32	Up to 43 kW	Underground	64
9	G33	Up to 43 kW	Overhead - underground	64

Connection types from G21 to G33 include facilities wherein the number of metering devices exceed four.

Table 4. Values of the coincidence factor (ks²) depending on the number of dwellings and the way of heating³

² IEC 60050 defines coincidence factor as the ratio, expressed as a numerical value or as a percentage, of the simultaneous maximum demand of a group of electrical appliances or consumers within a specified period, to the sum of their individual maximum demands within the same period

³ Values of the coincidence factor need to be discussed with GNERC for compliance with the requirements of the national standards and regulations

N	Number of consumers	First group – heating mainly with electricity	Second group – heating with other type of energy	Third group – combined heating
1	From 3 to 5	0.75 – 0.66	0.65 – 0.54	0.68 – 0.58
2	From 5 to 10	0.66 – 0.56	0.54 – 0.44	0.58 - 0.48
3	From 10 to 20	0.56 – 0.48	0.44 - 0.36	0.48 - 0.40
4	From 20 to 50	0.48 - 0.42	0.36 - 0.29	0.40 - 0.34
5	From 50 to 100	0.42 - 0.39	0.29 - 0.26	0.34 - 0.31
6	From 100 to 200	0.39 - 0.37	0.26 - 0.24	0.31 - 0.29
7	From 200 to 500	0.37 - 0.36	0.24 - 0.23	0.29 - 0.28
8	Above 500	0.35	0.22	0.27

ARTICLE 21

Individual connection

1. Individual connection shall be every connection for the establishment of which it is not possible to deploy standardized solutions with average construction charges due to complexity of the connection.
2. With respect to Paragraph 1 of this Article, an individual connection is:
 - a. a connection of the facility of an electricity producer;
 - b. a connection of the customer's facility with characteristics which do not meet the conditions to be classified as a standard connection as defined by this Methodology.

CHAPTER IV: THE METHODOLOGY OF CONNECTION CHARGING

ARTICLE 22

Standard Connection

1. The costs of constructing a standard connection shall be set, for each type of this connection, based on the standardized average quantity of required equipment, devices, and materials whose installation is required, average costs of works and design preparation, gathering of required documentation, the costs of providing system capacities necessary for secure delivery of electricity to the customer and fulfilment of other conditions for constructing a connection.
2. The costs of a standard connection may be:
 - a. Fixed; and
 - b. Variable.
3. Fixed costs comprise costs which do not depend on the distance of the facility from the system and are calculated with respect to the elements from Paragraph 1 of this Article;
4. Variable costs comprise the costs which depend on the distance of the facility from the system and are calculated using elements from Paragraph 1 hereof per meter of length;
5. Where the distance of facility from system is up to 25 meters, variable costs are calculated for a standard distance of 15 meters from the system;
6. Where the distance of facility from system exceeds 25 meters, connection variable costs, calculated for a standard distance from the system, are increased for every meter over the 25 meters distance, whereby these costs, for power line based connection types referred to in Tables 1. and 2, are determined in the following manner:
 - a. for setting up a connection type using overhead power lines, the variable costs per meter are determined by dividing the cost of construction of one overhead low voltage line range of 40 meters in length by 40, whereby only one pillar and its associated equipment are included in the calculation of the range construction value, and the cost of individual elements, or construction items, is set in accordance with the costs of equipment, materials and works of the relevant connection type at the standard distance from system;
 - b. for setting up a connection type using underground power lines, the variable cost per meter is equal to the value of variable costs per meter determined for the standard distance from system.
7. Costs of equipment, devices, and materials shall comprise the costs of procurement of the standardized quantities of equipment, devices and materials that are installed according to

- the Network Rules and rules and regulations governing the operation of the system to which the facility is to be connected;
8. For all types of standard group connections, the costs of necessary equipment, devices, and materials shall be calculated based on installation of one half of the maximum number of metering devices of the adequate connection type referred to in Table 2, where all connection types from G11 to G33 shall be considered to have three-phase metering devices;
 9. The costs of equipment, devices, and materials may be fixed and variable;
 10. The costs of indoor connection installation comprise the costs of equipment and devices used for construction of the indoor connection installation and the costs of materials, which shall be calculated to the standard of 10-meter-long indoor connection installation for all types of the standard single connection and the standard group connection types G11 to G23, and to the standard of 20-meter-long indoor connection installation for standard group connection types G31 to G33;
 11. Costs of works shall comprise the costs of labor, the costs of machinery usage, and the costs of vehicle usage;
 12. The costs of labor of persons engaged to perform the necessary works on building a connection type shall be calculated by multiplication of the determined market price of one person-hour, according to the standardized level of educational attainment and occupational profile of the persons performing the works, and the standardized number of person-hours necessary for completion of the works on the connection. The costs of labor per one working hour shall not exceed the market price of the standard person-hour for such services, regardless of whether the work is performed by employees of the electricity enterprise or by the contractors hired by that electricity enterprise;
 - a. For all types of the standard group connection, the costs of labor shall be calculated according to the standardized number of person-hours for installation of one half of the maximum number of metering devices of the adequate connection type referred to in table 2.
 13. The costs of using machinery with machine operator, which is used for connecting a specific connection type, shall be calculated by multiplication of the standardized number of hours of operation of the piece of machinery necessary for the connection, and the determined market price of employment of that machine per hour of operation. The costs of using a piece of machinery with machine operator per hour of operation shall not exceed the market price of employment of that machine per hour of operation, regardless of whether the machine is owned by the electricity enterprise or by the contractor hired by the electricity enterprise;
 14. The costs of vehicles with drivers, which are used for connecting a specific connection type, shall be calculated as the sum of the appertaining standardized costs of the vehicle, according to the category, or type of the vehicle required, and the appertaining costs of the fuel for the vehicles, calculated based on the distance of 50 km;
 15. Costs under Paragraph 6. and 7. may be fixed and variable;
 16. The costs in Paragraph 8. are entirely fixed;
 17. Costs of design preparation, gathering required documentation and other construction arrangements for connection consist of costs of connection design preparation, costs of gathering required documentation and costs of carrying out another necessary specialist and operational works dependent on the relevant connection type. These costs consist of costs of labor calculated by multiplying standardized labor costs of persons engaged in works referred to in Paragraph 1. hereof, per person-hour in accordance with the standardized level of educational attainment and occupational profile, by the standardized number of person-hours required to complete these works, and shall not exceed the market price of a standard person-hour for such services, regardless of whether works are performed by electricity enterprise's employees, or by service providers hired by the relevant electricity enterprise. Costs of design preparation, gathering required documentation and making other construction arrangements for connection are calculated to the maximum of 2 electricity enterprise's engineer-hours per metering device, whereas these costs for all standard group connection types are calculated based on the installation of the half of the maximum number of metering devices of the adequate connection type referred to in Table 2. These costs are entirely fixed;

18. Semi-deep connection costs incurred by installing a standard connection shall be set as an accounting unit expressed as a unit cost per kW, determined subject to the metering method (with or without power metering);
 19. The basis for determining semi-deep connection costs incurred by connecting a facility to that system shall be the average costs of construction of electricity facilities to the next higher voltage level, transformer stations (TS) with associated power lines, as taken from the location of connection;
 20. Semi-deep connection costs incurred by installing the connection shall include the average costs of construction of TS and the associated power lines, and shall comprises the costs of:
 - b. facility, equipment, devices, and materials installed, calculated according to quantities with respect to the Network Rules and the technical regulations, for construction of a standard transformer station facility and the power lines of the corresponding voltage level and the market price of that equipment, devices and materials;
 - c. labor, machinery usage and vehicle usage in construction of electricity facilities; and
 - d. design preparation, obtaining the prescribed consents and approvals, and the costs of performing preliminary works on facility construction, as well as the costs of performing other necessary specialist and operational works with a view to facility construction.
 21. For calculation purposes, the length of the power line (aerial and cable) shall be 300 m;
 22. If an electricity enterprise also comprises an armored facility, the semi-deep connection costs incurred by connecting a facility shall be set by calculating the sum of weighted construction costs of armored facilities and outdoor TS with associated power lines, and the weight factors shall be calculated on the basis of share of the power of existing armored facilities in the total power of the existing TS of the electricity enterprise on the corresponding voltage level;
 23. Unit cost shall be the quotient of total average costs of construction of the part of the system defined for a standard connection, and the total customers' power that is possible to connect to thus defined part of the system; it shall be expressed in GEL/kW and set in accordance with this Methodology. Unit cost for a standard connection shall be different for the two subgroups which have different load coincidence factors:
 - a. customers with an installed device for metering active and reactive energy and power;
 - b. customers with an installed device for metering only active energy.
- 2 The customer shall be charged for the semi-deep costs incurred by connection, proportionate to the unit cost and the approved power of the connection.

ARTICLE 23

Individual Connection

1. Costs of constructing an individual connection shall be set as the total sum of actual costs of: equipment, devices and materials, works, design preparation, gathering of required documentation, and fulfilling other conditions for building the connection;
2. The costs of constructing an individual connection referred to in Paragraph 1 of this Article, depending on the type and volume of the required works, shall comprise the costs of:
 - a. conducting analysis of optimal connection conditions;
 - b. connection design preparation;
 - c. obtaining prescribed consents and approvals and other required documentation;
 - d. settling legal and ownership issues pertaining to the connection in question;
 - e. performing preliminary works;
 - f. procurement of equipment, devices and materials;
 - g. necessary assembly works for building a connection, inclusive of the costs of labor, usage of machinery and vehicles;
 - h. metering point equipment;
 - i. testing and commissioning;
 - j. performing other necessary specialist and operational works with a view to connecting the facility to the system, in accordance with the Network Rules and technical rules and regulations governing the operation of the system to which the facility is to be connected and with the criteria stipulated by this Methodology.

3. Where a connection, on account of technical conditions, also involves construction of an electricity facility exclusively for user's needs, the construction costs of connection are determined to the amount needed to construct such a facility according to the power required by the user, or for the next greater standardized rated power of the transformer and the next larger standardized cross-section of the power line;
4. Semi-deep costs incurred by connecting a facility is set for the customer, whereas costs of connecting a producer's facility are not charged;
5. Semi-deep costs incurred by connecting a facility of the customer shall be set as the accounting unit expressed as the unit cost per kW, which is in turn determined depending on the voltage level of the network to which the facility is to be connected, and for customers connected to the low voltage network, depending also on the metering method (with or without power metering);
6. Semi-deep costs incurred by establishing a connection shall comprise average costs of construction of TS and the associated power lines and include the costs specified in V.1.2;
7. If the electricity enterprise's assets include an armored facility, the semi-deep costs incurred by connecting a facility shall be set by calculating the sum of the weighted costs of construction of armored facilities and outdoor TS with associated power lines, and the weight factors shall be calculated based on share of the power of existing armored facilities in the total power of existing TSs of the electricity enterprise on the corresponding voltage level;
8. The length of the power line in the low voltage networks shall be set as the average length of the existing power lines of the electricity enterprise on the corresponding voltage level, and for calculation purposes, the length of the power line in the low voltage network (aerial or cable) shall be 300 m;
9. Unit cost shall be the quotient of the total average construction costs of the part of the system defined for every connection group and the total power of customers that is possible to connect to such a system; it shall be expressed in GEL/kW and determined in accordance with this Methodology;
10. Unit cost shall be determined for each of the defined connection groups;
11. Unit cost for customers connected to the low voltage network shall be different for the two subgroups, which have different load coincidence factors:
 - a. customers with an installed device for metering active and reactive energy and power;
 - b. customers with an installed device for metering only active energy.
12. The customer shall be charged for the semi-deep costs incurred by the connection, in proportion to the unit cost and the allowed power of the connection.

ARTICLE 24

Special Connection Assets

1. Special Connection Assets are classified as assets or equipment that may become stranded (i.e. made redundant before the end of their economic lives) or assets that are specifically designed and constructed to the specific needs of the Customer, which are not standard equipment of the Network Licensee and cannot be used elsewhere in the system;
2. These assets may also need specialized or more frequent maintenance, depending on the operating conditions. Special Connection Assets may, for example, be required to deliver a "premium supply" where a Customer requires a level of supply that exceeds the Quality of Supply (QoS) standards applicable to the rest of the network;
3. Because of the nature of Special Connection Assets and the capital and O&M cost risk that they pose to Network Licensees, Special Connection Assets may be considered to be Shallow, Semi- Deep or Deep and are governed by the costing and charging approaches associated with these asset classes (unless specifically stated otherwise).

ARTICLE 25

Temporary Connection Assets

1. Temporary Connection Assets are connection assets that are required by Customers for a connection period of shorter than **18 months**;

2. Temporary Connection Assets are that the connection is granted for a period of 30 days and are mainly used for the purpose of whilst the Network Licensee is constructing the permanent connection in following cases:
 - a. Construction Supply;
 - b. connection of temporary structures;
 - c. construction sites and structures in the trial period;
 - d. connection of mobile temporary facilities (movable booths, mobile circuses, roller coasters and other amusement facilities, television reporter vehicle etc.),
3. On completion of the permanent connection, the Temporary Connection will be disconnected;
4. Depending on of the nature of Temporary Connection Assets and the capital and O&M cost risk that they may pose to Network Licensees, Special Connection Assets may be considered to be Shallow, Semi-Deep or Deep and are governed by the costing and charging approaches associated with these asset classes (unless specifically stated otherwise).

ARTICLE 26

Connection costs for the increase of connection power

1. The following cases for setting connection costs, with respect to this Methodology, shall be considered as increase of connection power in a facility already connected to the system:
 - a. increase of power;
 - b. separation of installations;
 - c. joining of installations.
2. Connection costs for the increase of connection power shall be set according to the actual costs incurred by the connection, with the following considerations:
3. In case of increase of power, separation or joining of installations in a facility already connected to the system, the construction costs shall be set on the basis of the actual costs incurred by building a new connection, and semi-deep costs incurred by the connection shall be set for the approved increase of power;

ARTICLE 27

Emergency Connections

1. Where due to unforeseen circumstances it is necessary to provide an emergency network connection (i.e. outside the timescales in the Connection Code) then the following will apply:
 - a. Derogation from the Network Rules as for this Methodology must be given by GNERC;
 - b. Electricity enterprise will give a best estimate of the costs;
 - c. The Applicant will pay this estimate in advance;
 - d. The actual costs will be reconciled post event.

ARTICLE 28

Connection costs for electricity producers from renewable energy sources

1. The impact of electricity produced from renewable energy sources on low voltage networks (in terms of costs and benefits) is site specific, it may vary in time, will depend on the availability of the primary sources (important for some forms of production from renewable energy sources), size and operational regime of the plant, proximity of the load, layout and electrical characteristics of the local network, etc.;
2. Producers from renewable energy sources of installed capacity between – kW⁴ and - kW pays all cost for construction and equipping of connection at the metering point;
3. Producers from RES maximum connecting capacity is approved up to size of connecting capacity approved in electric power permit as end customer. The application for increase in connecting capacity is possible to submit only as customer, not as micro generator.

⁴ To be discussed with GNERC

ARTICLE 29

Connection Costs in Special Cases

1. The following cases for setting connection costs, with respect to this Methodology, shall be considered as special:
 - a. Increase of power, separation or joining of installations in a facility already connected to the system;
 - b. Reconnection of a facility to the system, when the application for obtaining the approval for connection is submitted due to the previous disconnection from the system;
 - c. Connection of a facility of a customer who, in the case of disconnection due to demolition of the facility that was connected to the system, or in case of relocation, is entitled, free of charge, to a metering device of the same type and class at a different metering point (location) in the area of the same electricity enterprise, in accordance with the regulations governing the terms of electricity delivery.
2. Connection costs in the abovementioned special cases shall be set according to the actual costs incurred by the connection, with the following considerations:
 - a. in case of increase of power, separation or joining of installations in a facility already connected to the system, the construction costs shall be set on the basis of the actual costs incurred by building a new connection, and semi-deep costs incurred by the connection shall be set for the approved increase of power;
 - b. In case of connecting a facility to the system, when the application for obtaining the approval for connection is submitted due to previous disconnection from the system, the construction costs shall be set according to the actual costs of building a new connection, without a charge for the part of system costs incurred by the connection, except in the case of earlier disconnection due to unauthorized connection of a facility, devices or installation, i.e. with no connection permit;
 - c. The costs of construction of temporary structures, construction sites and structures in the trial period, shall be set by applying the criteria for calculation of connection costs for the facility that is to be connected to the system for the first time, on the basis of the actual connection costs. The connection costs for a facility, which was temporarily connected to the system as a structure in the trial period, shall be set on the basis of potential additional costs for building a permanent connection. Semi-deep costs incurred by connecting a temporary structure and the construction site, shall not be charged. The part of system costs incurred by connecting a facility that was temporarily connected to the system during the trial period, shall be set according to the potential additional power allowed for permanent connection;
 - d. Charges of connecting a mobile facility for a period of up to 30 days are determined in accordance with the complexity of a connection associated with the type of equipment, devices, material and works required for construction and the location of connection within the power distribution system.
3. The connection charge is determined from the costs of mounting and dismantling the connection plus the number of days of using the connection multiplied by the daily connection charge calculated in accordance with this Paragraph of the Methodology;
4. The daily connection charge is calculated by dividing the construction cost of connection by the estimated number of service days during the equipment's service life period; whereas the estimated number of service days shall not be less than 500 days⁵. The construction cost of connection consists of costs of procuring equipment, devices and material and costs of works required to set up a connection;
5. Costs of mounting and dismantling a connection include standardized costs of labor, costs of machinery usage and costs of vehicle usage. These costs are included in the customer's cost calculation to their total amount;
6. Semi-deep connection costs incurred by connecting these facilities are not included in the calculation;

⁵ To be discussed with GNERC

7. in case of disconnection of a facility due to demolition or relocation, when the customer, in accordance with the regulations governing the terms of electricity supply, is entitled, free of charge, to a metering device of the same type and class at a different metering point (location) in the area of the same electricity enterprise, the connection costs, which are set by applying the criteria for calculating the connection costs for a facility that is to be connected to the system for the first time, according to this Methodology, shall be reduced by the value of the replaced metering device, and there will be no charge for the semi-deep costs incurred by the connection;
8. In case of connecting a facility to the system, when the application for obtaining the approval for connection is submitted due to a previous disconnection from the system after unauthorized connection of a facility, devices or installation, i.e. with no connection permit, the connection costs and the part of system costs incurred by the connection, shall be calculated by applying the criteria for calculating the connection costs for a facility that is to be connected to the system for the first time, in accordance with this Methodology.

CHAPTER V: TARIFF SETTING AND APPLICATION SUBMISSION PROCEDURES

ARTICLE 30

Accounting and Reporting

1. For the regulated purposes the electricity enterprise 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 electricity enterprise 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 electricity enterprise should submit information about assets financed by the consumer separately as requested by this Methodology.

ARTICLE 31

Required Documents for Tariff Setting

1. For the purpose of tariff setting the electricity enterprise 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 electricity enterprise shall also submit the following documents prepared and audited in accordance with the IFRS and the Uniform System of Accounts for the Electricity Sector:
 - a. Balance Sheet;
 - b. Profit and Loss Statement;
 - c. Cash Flow Statement.
4. The Commission is authorized to request from the electricity enterprise 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 32

Tariff Setting Timeline and Procedures

1. The electricity enterprise 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 electricity enterprise in accordance with the Law;
5. The Commission is authorized to make a relevant decision and review the electricity enterprise'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 electricity enterprise;
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 VI: TRANSITIONAL PROVISIONS

ARTICLE 33

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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