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NATURAL GAS MARKET DEVELOPMENT ACTION PLAN

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22 October 2020

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DATA

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Practice Area: Gas Market Development

Key Words: Gas Market, Action Plan, Market Development

ACRONYMS

ADB	Asian Development Bank
DAM	Day Ahead Market
DSO	Distribution System Operator
EC	Energy Community
ECS	Energy Community Secretariat
EnCT	Energy Community Treaty
EU	European Union
GGTC	Georgian Gas Transportation Company
GNERC	Georgian National Energy and Water Supply Regulatory Commission
GoG	Government of Georgia
GOGC	Georgian Oil and Gas Corporation
IFI	International Financial Institutions
ISO	Independent System Operator
LNG	Liquefied Natural Gas
LoE	Law of Georgia on Energy
LoEWS	Law of Georgia on Energy and Water Supply
MO	Market Operator
MoESD	Ministry of Economy and Sustainable Development of Georgia
MoLHSA	Ministry of Labor Health and Social Affairs of Georgia
NARUC	National Association of Regulatory Utility Commissioners
PSO	Public Service Obligation
SoLR	Supplier of Last Resort
SSO	Storage System Operator
TNO	Transmission Network Owner
TSO	Transmission System Operator
TYNDP	Ten-Year Network Development Plan
UGS	Underground Gas Storage
USAID	United States Agency for International Development
USoA	Uniform System of Accounts

CONTENTS

INTRODUCTION.....	5
BACKGROUND.....	6
NATURAL GAS MARKET DEVELOPMENT ACTION PLAN	7
ANNEX 1.....	10
Action Plan	10

INTRODUCTION

The objective of USAID Energy Program is to support Georgia's efforts to facilitate increased investment in power generation capacity as a means to increase national energy security and facilitate economic growth. The Program will have a significant impact on energy market reform efforts of the Government of Georgia (GoG) to comply with the country's obligations under the Energy Community Treaty (EnCT). The investment objective will be achieved through the provision of technical assistance to a variety of stakeholders in the energy sector.

The ultimate goal of this Program is to enhance Georgia's energy security through improved legal and regulatory framework and increased investments in the energy sector. The ultimate expected outcome of this project is an energy legal and regulatory framework that complies with European requirements and encourages competitive energy trade and private sector investments.

BACKGROUND

The GoG signed the EnCT in October 2016. The Treaty commits the GoG to harmonize its energy related legislation to specific European Union (EU) directives and other EU regulations. USAID Energy Program supports the GoG in development of legislation that is compliant with EU legislation.

USAID Energy Program was asked by the Ministry of Economy and Sustainable Development of Georgia (MoESD) to support in developing process of activities which should be implemented by Georgia under the Accession Protocol. These activities include development / modification process of primary and secondary legislation, monitoring of unbundling of networks, development of Transmission System Operator (TSO) and infrastructure, as well as development regional market and transit Corridor by 2026, as it is required by the EU Legislation.

NATURAL GAS MARKET DEVELOPMENT ACTION PLAN

To support Ministry of Economy and Sustainable Development in natural gas market development process, USAID Energy Program has developed Natural Gas Market Development Action Plan. The Action Plan provides the detailed activities to be accomplished during natural gas market transition for the market to reach full competition. The initial Action Plan was shared with counterparts and other stakeholders, including international donor organization, to establish responsibilities of the various parties to support all the activities.

The Natural Gas Market Development Action Plan aiming update the status of the activities and monitor progress of the activities are tracked and recorded in the Natural Gas Market Development Action Plan listed in annex 1. The updates are based on intensive communication with Georgian relevant energy stakeholders and donor companies as well. The Natural Gas Market Development Action Plan will be shared with counterparts and other stakeholders, including international donor organizations to make them familiar with the accomplished and in progress activities listed in annex 1, which itself is in accordance with Accession Protocol and commitments under the EnCT.

The Natural Gas Market Development Action Plan falls under commitment of energy market development component and was developed for the first year of the project and updated on an annual basis.

UPDATES TO THE NATURAL GAS MARKET DEVELOPMENT ACTION PLAN

The Natural Gas Market Development Action Plan needed significant updating from Y2 to Y3, due to significant accomplishment of prior planned actions. The GoG, the Parliament of Georgia and other authorized parties adopted several primary and secondary legislation, as an initiative to approximate to the EU standards and harmonize national legislation with Energy Community acquis.

The primary and secondary laws and sub-laws, applicable to the third energy package, came into force from December 2019 through 2020, which are Y3 updates. *These are listed in Annex 1:*

Primary legislation:

- Law on Energy and Water Supply

Secondary legislation:

- Georgian Energy and Water Supply regulator National Commission resolution on DSO unbundling Rules
- Georgian Energy and Water Supply regulator National Commission resolution on Rules for Certification of the Transmission System Operator for Natural Gas
- Georgian Energy and Water Supply regulator National Commission resolution on Natural Gas Balancing Rules and etc.

ANNEX 1

ACTION PLAN

#	Action	Description of Action	Institution (s) in Charge / Beneficiaries	Assistance donor support (actual/requested)	Deadlines	Comments
Natural Gas Reform Oversight						
State Natural Gas Policy						
1	State Energy Policy	The energy policy act providing strategies and priorities in electricity and natural gas sectors, as well as other measures and guidelines to be required by Law of Georgia on Energy and Water Supply (LoEWS), for a period of at least 10 years.	GoG		12 months from the date of entry into force of LoEWS.	Drafting yet to be initiated. Will be initiated after adoption of New Law on Energy and Water Supply by MoESD in cooperation with Georgian National Energy and Water Supply Regulatory Commission (GNERC) and stakeholders
2	Update and approve the National Energy Strategy (Optional)	The National Energy Strategy has to be updated in line with the approved Natural Gas Market Transitional Plan	MoESD	USAID Energy Program		Assessment implemented. Per demand: USAID Energy Program provided comments on National Energy Strategy and assisted in translation
Primary Legislation						
3	Adoption of Georgian Law on Energy and Water Supply	Adoption of draft Energy Law by government establishing the legal foundation for the energy sector reform to a market in compliance with Energy Community (EC) acquis.	GoG, Parliament	Drafted by EC	2019/12	Adopted
Secondary Legislation						
4	Natural Gas Market Rules	The Rules shall define terms, conditions and procedures for the organisation and operation of the natural gas market in line with the applied Natural Gas Market Concept Design adopted by the Government. The Rules shall in particular define: types and templates of contracts concluded on the natural gas market; products for trading in the natural gas market; standards and procedures for keeping records of transactions conducted on the natural gas market; types of the market products; procurement of natural gas to cover losses in the	GNERC	USAID Energy Program		Initial drafts of transitory gas market rules and Day-Ahead Market (DAM) rules were developed by USAID Energy Program and submitted to GNERC. Updates will be developed in parallel with Market Concept Design, in consultation with Energy Community Secretariat (ECS) and GNERC

#	Action	Description of Action	Institution (s) in Charge / Beneficiaries	Assistance donor support (actual/requested)	Deadlines	Comments
		natural gas transmission and distribution networks; etc.				
5	Natural Gas Market Concept Design	A legal act developing the general guidance for the organisation and functioning of the natural gas market in Georgia. Any proceedings related to the natural gas market shall be established by the Natural Gas Market Rules as to be developed and adopted by GNERC under the terms and conditions to be stipulated in LoEWS.	GoG	MoESD	2020/10	Initial draft prepared and circulated among the stakeholders in July 2018. An updated version will be prepared in Q1 of 2019.
6	Rules on the Security of Natural Gas Supply	These rules shall define the roles and responsibilities of different energy undertakings, market participants, system users and customers in achieving adequate minimum standards for the security of natural gas supply. These rules shall also define the concept of protected customers, supply standards, risk assessment and measures to mitigate such risks.	MoESD	ECS (after indications by and consultations with MoESD)	12 months from the date of entry into force of LoEWS.	Drafting yet to be initiated.
7	National Natural Gas Emergency Plan included regulations on Emergency Situations on Natural Gas	The Emergency Plan shall define the crisis levels and the role and responsibilities of natural gas undertakings and of industrial natural gas customers including relevant electricity producers, in each of the crisis level, as well as the detailed procedures with measures for each crisis level. It shall also define the role and responsibilities of MoESD and of the other bodies to which tasks have been delegated at each of the crisis levels	MoESD	ECS (after indications by and consultations with MoESD)	12 months from the date of entry into force of LoEWS.	Drafting yet to be initiated.
8	Licensing and operation of the Storage Facility.	Adopt and modify the secondary legislation and modify primary legislation where appropriate	GNERC	Should be elaborated Natural Gas Network Code		Should be implemented by GNERC, Georgian Oil and Gas Corporation (GOGC) and Georgian Gas Transportation Company (GGTC)
9	Regulation on Imposition of Public Service Obligation(s) on Natural Gas Market Participants and Designation of the Natural Gas Supplier of Last Resort	regulations on designation of Public Service Obligations (PSOs) and Supplier of Last Resort, including tender procedures, the rights and obligations and terms and conditions of PSO and Supplier of Last Resort (SoLR).	GoG	ECS (after indications by and consultations with MoESD)		Drafting yet to be initiated.

#	Action	Description of Action	Institution (s) in Charge / Beneficiaries	Assistance donor support (actual/requested)	Deadlines	Comments
10	Model and Action Plan for Unbundling of the Transmission System Operator for Natural Gas	A legal act by which the Government shall approve a particular unbundling model selected for the natural gas transmission system operator, and the action plan for its implementation. Proposed solutions shall be prepared by GNERC in consultations with ECS and TSO.	GoG	ECS (after indications by and consultations with MoESD and GNERC)	As Soon As Possible after the entry into force of LoEWS so as to comply with unbundling deadlines.	Adopted
11	Develop electricity market transition plan on vulnerable customers	Such transition plan shall establish the status of socially vulnerable customers and define the scope of their rights as well as measures aimed at protecting socially vulnerable customers in order to meet their electricity demand. The transition plan shall not violate the electricity and natural gas market best practices and shall suggest alternative protection structure and timing of market opening and functions and responsibilities of competent authorities.	MoESD / GNERC / Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia (MoLHSA)	USAID Energy Program	2019	Submitted to MoESD
12	Rules and regulations referring protection measures of vulnerable consumers	Rules and regulations should be developed to ensure comprehensive protection of socially vulnerable customers aiming to meet requirements of EU legislation and to provide uninterrupted supply of electricity and natural gas to vulnerable population.	MoESD, GNERC	EU4Energy	2019	Assistance agreed with the ECS
13	Rules for Certification of the Transmission System Operator for Natural Gas	Procedure and requirements for a notification of a candidate TSO to be certified according to the chosen unbundling model and submission of documents, data and information requested by GNERC to accomplish a decision on certification. The rules on certification shall be based on Law of Georgia on Energy (LoE) and shall also envisage the role of ECS in the certification procedure.	GNERC	ECS		Adopted
14	Rules on Reporting by Regulated Natural Gas Undertakings	Mandatory requirements for the preparation and submission to GNERC of activity reports by regulated natural gas undertakings, including licensed undertakings and those engaged in natural gas trading and/or supply.	GNERC	ECS amendments where appropriate		Existing legislation. Amendments where appropriate
15	Rules on Provision of Information by	Mandatory requirements for the preparation and submission and/or public announcement of information related to relevant activities, market	GNERC	ECS amendments where appropriate		Existing legislation. Amendments where appropriate

#	Action	Description of Action	Institution (s) in Charge / Beneficiaries	Assistance donor support (actual/requested)	Deadlines	Comments
	Regulated Natural Gas Undertakings	and/or system operations, <i>etc.</i> , possessed by natural gas undertakings.				
16	Rules on Public Consultations by GNERC	Scope and conditions of public consultations to be processed by GNERC, its procedures, formal requirements, public announcement of information, <i>etc.</i>	GNERC	ECS amendments where appropriate		Existing legislation. Amendments where appropriate
17	Rules on the Monitoring of Energy Markets	Scope, conditions and procedure of the monitoring of energy markets (including electricity and natural gas market) to be performed by GNERC in compliance with LoE, including, <i>inter alia</i> , regular monitoring of energy markets, monitoring of competition in energy markets, market survey, monitoring of imposed public service obligations, definition of and monitoring of significant influence in energy markets, and reporting on the market functioning.	GNERC	ECS (after indications by and consultations with GNERC)	12 months from the date of entry into force of LoEWS.	Public proceedings for approving Market Monitoring Rules are commenced.
18	Rules on Enforcement of Penalties Imposed by GNERC	The Rules shall establish the procedural terms and conditions for enforcement of penalties (financial sanctions) imposed by GNERC on energy undertakings and/or other persons in accordance with LoE and the Administrative Offences Code of Georgia.	GNERC			Existing legislation. Amendments where appropriate
19	Rules on Settlement of Disputes by GNERC	Rules establishing the terms and conditions for handling the complaints and dispute settlement by GNERC. Specific competence of GNERC in handling the complaints of and settling disputes between market participants shall be established as to be stipulated in LoE.	GNERC	ECS amendments where appropriate		Existing legislation. Amendments where appropriate
20	Rules on Mediation by GNERC	Rules establishing the terms and conditions for the mediation procedure to be applied by GNERC in case it acts as a mediator with regard to any received complaint or processed dispute.	GNERC	ECS (after indications by and consultations with GNERC)	12 months from the date of entry into force of LoEWS.	Should be elaborated where appropriate

#	Action	Description of Action	Institution (s) in Charge / Beneficiaries	Assistance donor support (actual/requested)	Deadlines	Comments
21	Methodology for Calculation and Setting of Natural Gas Transmission and Distribution Tariffs	Regulated tariffs shall reflect the justified costs incurred by the TSO and Distribution System Operator (DSO) in operation, maintenance, replacement, construction and reconstruction of natural gas transmission networks, including a reasonable return of investment, amortisation and taxes, with consideration of environmental and customer protection. Such tariffs shall allow the necessary investments in networks and facilities to be carried out in a manner allowing these investments to ensure the viability of such networks and facilities and their undisrupted development, taking into account relevant transmission network development plans.	GNERC	ECS		Existing legislation. Amendments where appropriate
22	Methodology for Calculation and Setting of Fees for Connection to Natural Gas Transmission and Distribution Networks	Fees for connection to natural gas transmission and distribution networks shall reflect the justified costs of the operator incurred due to physical connection of natural gas facilities to the network, including necessary network developments.	GNERC	USAID Energy Program	2018	Drafted, submitted to GNERC
23	Methodology for Calculation and Setting of Fees for Services Provided by the Natural Gas Market Operator	Fees for services provided by the natural gas market operator shall reflect the justified costs incurred by the Market Operator (MO) in providing its respective services to market participants under the terms and conditions to be stipulated in the Natural Gas Market Rules.	GNERC	USAID Energy Program	2018	Drafted, submitted to GNERC
24	Methodology for Calculation and Setting of Prices for the Supply of Natural Gas of Last Resort	Supply of last resort shall be provided at fair, comparable and market-based prices set and applied by suppliers of last resort in a transparent and non-discriminatory manner. Prices for natural gas supplied by suppliers of last resort are cost-reflective, including necessary investments and an appropriate rate of return, the costs of imports, the costs of supply services and bad debts.	GNERC	USAID Energy Program	2018	Drafted, submitted to GNERC
25	Methodology for Calculation and Setting of Natural Gas Storage Tariffs	To be developed on the basis of and depending on the decision regarding the selected regime for the access to natural gas storage facilities. General principles for the methodology shall apply equally to those required for natural gas transmission and distribution tariff methodologies.	EU4Energy		12 months from the date of entry into force of LoEWS.	Commencing with financing support of EU4Energy

#	Action	Description of Action	Institution (s) in Charge / Beneficiaries	Assistance donor support (actual/requested)	Deadlines	Comments
26	Natural Gas Transmission Network Code	The Code shall define the rules for the operation and management of the natural gas transmission network, including, but not limited to, connection, third party access, dispatching, balancing, capacity allocation, congestion management, transparency, safety, network development, data exchange, measurements of transported natural gas, quality of services, etc. The Code shall be developed by TSO, in consultations with other relevant parties, and adopted by GNERC.	GNERC	USAID / National Association of Regulatory Utility Commissioners (NARUC)	31 June 2020	Adopted
27	Natural Gas Distribution Network Code	The Code shall define rules for the operation and management of the natural gas distribution network, including, but not limited to, connection, third party access, transparency, safety, network development, data exchange, measurements of transported natural gas, quality of services, etc. The Code shall be developed by DSO, in consultations with other relevant parties, and adopted by GNERC.	GNERC	EU4Energy	<u>30-Sep-20</u>	Adopted
28	Natural Gas Storage Code	The Code shall define the procedures, terms and conditions for granting third-party access to natural gas storage facilities, including third-party access services provided by the Storage System Operator (SSO), capacity allocation mechanisms and congestion management procedures, rules for the operation and management of storage facilities, data exchange, measurements, quality of services, etc. The Code shall be developed by SSO, in consultations with other relevant parties, and adopted by GNERC.	GNERC	Asian Development Bank (ADB) (Fichtner)	12 months from the date of entry into force of LoEWS.	Drafted
29	Criteria for Determination of the Access Regime to Natural Gas Storage Facilities and Line pack	Criteria to be adopted by GNERC shall define the applicable organisation of access to natural gas storage facilities and line pack – either negotiated or regulated access shall be applied. General conditions for each of the access regimes to be established in LoE.	GNERC	ECS (after indications by and consultations with GNERC)	12 months from the date of entry into force of LoEWS.	An best practice review has been prepared. The project according to Georgia is not developed.

#	Action	Description of Action	Institution (s) in Charge / Beneficiaries	Assistance donor support (actual/requested)	Deadlines	Comments
30	Decision on Authorisation for Construction of Direct Natural Gas Pipelines	Special decision authorising the construction of direct natural gas pipelines under the terms and conditions to be stipulated in LoE.	GNERC	USAID Energy Program	To be adopted upon necessity.	In 21 month after adoption LoEWS
31	Decision on Classification of a Closed Natural Gas Distribution System	Special decision classifying a particular network as a closed natural gas distribution system under the terms and conditions to be stipulated in LoE and establishing relevant exemptions applicable to such distribution system.	GNERC	N/A	To be adopted upon necessity.	Drafting after adoption LoEWS
32	General Natural Gas Supply Conditions	The Supply Conditions shall establish the terms and conditions for: the conclusion and contents of the supply contract; the rights and obligations of final customers and suppliers; the method for changing contracted terms of supply; the right of the final customer to terminate the contract; the method for the notification of a price increase before its application; the method for the notification of valid prices; standard deadlines and conditions, in particular those related to the access and use of services and other supply contractual measures; etc.	GNERC	ECS (after indications by and consultations with GNERC)		Drafted
33	Natural Gas Supplier Switching Rules	The Rules shall define: the terms and conditions for switching the natural gas supplier; conditions that have to be fulfilled by a new supplier, particularly those related to balancing; duties of a supplier whose supply contract is undergoing a termination procedure; duties of system operator in charge to whose facilities of the eligible customer are connected; rights of the new supplier in relation to the access to and the use of transmission and distribution systems for the purpose of supplying a new eligible customer; the settlement of previous financial obligations of eligible customers, etc. May be an integral part of the General Natural Gas Supply Conditions.	GNERC	ECS (after indications by and consultations with GNERC)	12 months from the date of entry into force of LoEWS.	GNERC's draft to be submitted to ECS for the acquis compliance check.

#	Action	Description of Action	Institution (s) in Charge / Beneficiaries	Assistance donor support (actual/requested)	Deadlines	Comments
34	Standard Contract on the Supply of Natural Gas to Household Customers and Small Enterprises	Standard contract establishing common terms and conditions for the supply of natural gas to household customers and small enterprises. Such contract shall be developed in line with LoE and General Natural Gas Supply Conditions. GNERC's adopted standard contract shall be applied by all suppliers serving household customers and small enterprises.	GNERC	ECS (after indications by and consultations with GNERC)	2018	Drafted
35	Operational Rules for Public Service Suppliers of Natural Gas	The Rules shall further regulate the activities of natural gas suppliers having imposed PSOs, including, inter alia, their rights and obligations, termination of their responsibilities, and other matters considered relevant by GNERC.	GNERC	ECS (after indications by and consultations with GNERC)	2018	Drafted
36	Operational Rules for Natural Gas Supplier of Last Resort	The Rules shall further regulate the activities of a designated natural gas supplier of last resort, including, inter alia, its rights and obligations, termination of its responsibilities, and other matters considered relevant by GNERC.	GNERC	ECS (after indications by and consultations with GNERC)	2018	Drafted
37	Ten-Year Natural Gas Transmission Network Development Plan (TYNDP)	TYNDP shall encompass: information on existing and forecasted demand and supply of natural gas; indications of the main natural gas transmission infrastructure that needs to be built or upgraded over the next 10 years; network investments already decided and new investments which have to be executed in the next 3 years; etc. Network developments to be included to the TYNDP shall comply with strategic developments of the natural gas sector envisaged in the State Energy Policy to be adopted by the Government.	TSO, GNERC		On a rolling basis by 1st of October each year.	Adopted on an annual basis.
38	Natural Gas Distribution Network Development Plan	The Plan shall encompass: information on the existing natural gas distribution network state and degree of utilisation; major infrastructures which should be built during the years covered by the Plan; an estimation of the needs in capacity, including forecasted demand and supply; possible development of smart meters; investments which should be made to meet the estimated demand for natural gas, including, if necessary, construction of new network	DSO, GNERC		On a rolling basis by 1st of July each year.	Adopted on an annual basis.

#	Action	Description of Action	Institution (s) in Charge / Beneficiaries	Assistance donor support (actual/requested)	Deadlines	Comments
		segments, etc. To be considered a 5-year Natural Gas Distribution Network Development Plan.				
39	Standard Natural Gas Transmission Contract(s)	Standard contract(s) establishing common terms and conditions of the services provided by the TSO, and in particular of (i) connection to natural gas transmission networks, and (ii) natural gas transmission (transport) services. Standard contract(s) shall be prepared and, subject to the approval by GNERC, adopted by the TSO.	TSO, GNERC		31 June 2020	Drafting: TSO in consultations with GNERC
40	Standard Natural Gas Distribution Contract(s)	Standard contract(s) establishing common terms and conditions of the services provided by the DSO, and in particular of (i) connection to natural gas transmission networks, and (ii) natural gas transmission (transport) services. Standard contract(s) shall be prepared and, subject to the approval by GNERC, adopted by the DSO.	DSO, GNERC		30-Sep-20	Drafting: TSO in consultations with GNERC.
41	Contract between the Natural Gas Transmission System Operator for Natural Gas and the Compliance Officer	The contract establishing, inter alia, conditions governing the mandate or the employment conditions of the Compliance Officer, including the duration of its mandate or employment. Necessity as well as precise contents and regulatory scope of the contract will depend on the Compliance Programme of the TSO. The contract shall be prepared and, subject to the approval by GNERC, adopted by the TSO.	TSO, GNERC		<u>31-Mar-20</u>	ECS, (in progress) not completed
42	Contract for the Possession of Natural Gas Transmission System Assets	Contract between Independent System Operator (ISO) and Transmission Network Operator (TNO) regarding the possession of natural gas transmission system assets. Shall be concluded under the legal title allowed by Georgian laws (e.g. lease or usufruct). Shall be drafted by and agreed between ISO and TNO and, before conclusion (signing), approved by GNERC.	ISO / TNO, GNERC		To be in place before the designation and certification of the ISO by GNERC.	Drafting: ISO and TNO in consultations with GNERC.

#	Action	Description of Action	Institution (s) in Charge / Beneficiaries	Assistance donor support (actual/requested)	Deadlines	Comments
43	Compliance Programme of the Natural Gas DSO	Unbundling and independence requirements of the DSO, Managerial independence, Operational independence, provisions ensuring non-discriminatory behaviour, measures to ensure equal access to the electricity distribution system, cases for refusal to grant access to the electricity distribution system, commercial and financial relations with other participants of electricity market and third parties, avoidance of conflict of interests, brand policy, provision of information, confidentiality of information, monitoring and reporting on the implementation of the Program.	TNO, DSO, SSO	ECS (after indications by and consultations with GNERC)	<u>To be in place before the designation and certification of the ISO by GNERC.</u>	Drafted by ECS under the EU4Energy Programme. Initial draft provided to GNERC in April 2018.
44	Standard Natural Gas Storage Facility Contracts and Procedures	Standard contracts and procedures establishing common terms and conditions of the services provided by the SSO, including connection and access services. The scope and contents of such services will depend on the determined access regime to natural gas storage facilities. Standard contracts and procedures shall be prepared and adopted by the SSO, published, and notified to GNERC.	SSO	ADB (Fichtner)	To be in place before the designation (licensing) of the SSO by GNERC.	Drafting: SSO.
45	Rules on Unified System of Accounting	In order to ensure accessibility to accurate and objective data necessary for setting tariffs and monitoring energy markets, GNERC sets uniform accounting rules for all regulated undertakings.	GNERC	USAID Energy Program		drafted and submitted to GNERC
Unbundling of Networks						
46	Unbundling of DSOs	DSOs as required by the draft energy Law and Directive 73/EC/2009 have to be legally unbundled	MoESD / GNERC			Adopted
47	Adopt the Uniform System of Accounts (USoA) for transmission and distribution network owners and operators (TSO and DSOs) and Rules on USoA	Transparent, fair and consistent accounting and regulatory reporting by the network owners and the corresponding operators will ensure that the basis for network tariffs are reasonable and that the network operators are funding investments in accordance with their approved network investment plans. In order to ensure accessibility to accurate and objective data necessary for setting tariffs and monitoring energy markets,	GNERC			Drafting after elaboration USoA

#	Action	Description of Action	Institution (s) in Charge / Beneficiaries	Assistance donor support (actual/requested)	Deadlines	Comments
		GNERC sets uniform accounting rules for all regulated undertakings.				
Development of Transmission System Operator						
48	Establish TSO	Model of the TSO unbundling has to be chosen in line with EU energy acquis.	MoESD, GNERC, GOGC, GGTC			General draft is elaborated by GOGC and GGTC. Model should be submitted to GNERC
49	TSO IT platform and communication system	Establishing TSO E-platform System, allowing users to have access to electronic platform; TSO publishes user rules and guidelines on its Web page; IT Platform has be equipped for supporting Nomination of monthly and re-nomination of daily quantities, allocation and balancing	GGTC	Donor assistance is needed	Dec-19	As defined under Natural Gas Network code, adopted by GNERC
50	Congestion Management and Capacity Allocation Mechanisms	Develop operational procedures for Congestion Management and Capacity Allocation Mechanism	GGTC / GNERC			
Development of Market Operator						
51	Establish Gas Market Operator	According to the draft Energy Law: The natural gas market operator shall be responsible for the organisation of the day-ahead natural gas market in Georgia, when established, for trade in natural gas as well as for its connection and integration with other organised natural gas markets. Organisation of the natural gas market shall be regulated by the Natural Gas Market Rules.	Selected entity / GNERC / MoESD			Decision has to be made who will perform MO functions, taking into account capabilities, accountability and cost-efficiency. Set-up main functions roles and business process for the newly established gas MO
52	Establish Natural Gas Day-ahead and Balancing Markets	Organized natural gas markets has to be established, providing trading optimization opportunities in addition to bilateral (forward markets)	GNERC / MoESD			2023
Infrastructure Development						
53	Develop a plan to upgrade the metering and communications system	The accuracy and reliability of the metering, communications and metering database management systems are extremely important for a transparent gas market. Absolutely no intervention by human hands should be allowed in any part of the flow of information. Redundant systems must be a part of the installations to ensure data is always available on almost real-time basis. These systems should be evaluated	MoESD, GNERC, GGTC			Mentioned obligation shall be considered on the basis of Market Concept Design, after natural gas market model is established

#	Action	Description of Action	Institution (s) in Charge / Beneficiaries	Assistance donor support (actual/requested)	Deadlines	Comments
		by an independent consultant and recommendations by the consultant should be followed in accordance with good international practices.				
54	Develop software for clearing and settlement of balancing gas	As the gas market moves from a monthly settlement to a daily balancing market, calculations of market positions and the need for increasing margins would be unworkable using a manual process. Software will be needed to manage all the clearing for 1000's of transactions each day in the Georgian market.	GGTC, GMO, MoESD, GNERC			Mentioned obligation shall be considered on the basis of Market Concept Design, after natural gas market model is established
55	Underground Gas Storage (UGS) in Samgori	The feasibility Study for UGS was completed by GEOSTOCK in 2016 Design, construct and operate storage facility	GOGC / International Financial Institutions (IFIs)			SSO established
Regional Market						
56	Establish high level working group for Gas transit corridor and regional market development (i.e. White Stream, Liquefied Natural Gas (LNG) terminal) etc.	Georgia is located in the heart of the bridge linking gas producing and consuming nations. North-South Pipeline is Connecting Russia to Armenia, while East-West pipeline connects Azerbaijan to Turkey. However, there are more possibilities to expand transit volumes- involving rich resources of Turkmenistan. High- level working group should be established for studying these opportunities.	GoG			Optional. GoG is responsible of establishing high level working group for gas transit corridor if the need may arise.
57	Review tariff methodology for Transit of North-South Gas Transit Line	The next round of the negotiations between GoG and Gazprom Export is scheduled at the end of 2018.	MoESD / GNERC / GGTC			EU4Energy has commenced the drafting.

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