Country report

1. Status of the regulatory body
The National Energy and Water Supply Regulatory Commission of Georgia (NEWSRC) was established in 1997. NEWSRC is a body with independent authorities and competence; it deals with the energy policy of the Government of the country. The Commission is a corporate body with separate and independent management. A chairperson and Commissioners (five of them) are appointed and dismissed from their positions by the President of the country. They are appointed for six-year terms. There are 85 staff members at the Commission. The Commission is funded from regulatory fees charged from regulated companies. Commission’s decisions can be appealed in courts.

2. Prospects of generating capacity
Georgia is rich with hydro resources (1943 kWh/km²). Installed capacity of power generators is 3512.2 MW. (The share of hydro generation in terms of installed capacity is 55%, and in terms of generated energy – 82%). Peak load (demand) is 1596 MW (2008). More than a quarter of annual consumption of electricity is generated by Inguri HPP (capacity 1300 MW). At the same time, 2/3 of electricity consumption takes place in the Eastern part of the country, where thermal power plants working on natural gas are located (Tbil SDPP, “Mtkvari-energetika” and Energy-Invest).

14 licensees generate electricity. Small HPPs with design capacity under 13 MW are deregulated and can sell electricity at free prices, also to retail consumers.

3. Cross-border trade
Power grid of Georgia is connected to neighboring countries by the following transmission lines:
- 500 kV: “Kavkasioni” (operating with the RF), “Mukhranis veli” (being rehabilitated – with Azerbaijan);
- 330 kV: “Gardabani” (operating with Azerbaijan);
- 220 kV: “Adjara” (operating with Turkey); “Alaverdy” (operating with Armenia); “Salkhino” (operating with the RF);
- 110 kV: “Java” (with the RF); “Lalvai” (with Armenia); “Ashotsk” (Armenia)

Total transfer capacity of cross-border transmission lines is 1700 MW.

At present, transmission lines are being constructed for 500 kV “Zestafoni – Gardabani – Akhaltsikhe (Georgia) – Borchkh (400 kV - Turkey)”, which would strengthen connections between Georgia, Azerbaijan and Turkey.

At present, (according to data of 2008), volumes of cross-border exchanges is: import – 0.649 TWh; export – 0.679 TWh;

The following are involved in cross-border trade: “Commercial system operation”, JSC “Telasi”, JSC “Energo-pro Georgia”, whose partners are InterRAO (RF) and its subsidiary “Multiplex Energy”, Azerenergy (Azerbaijan) and TETAS (Turkey).

4. Market opening and competition
In Georgia market opening is a gradual process. According to “Main areas of the state policy in the energy sector of Georgia” approved by the Parliament of Georgia, a consumer of electricity can buy electricity from any seller if his (consumer’s) consumption is:
- 2006-2009 – at least 30 million kWh
- 2010-2012 – at least 15 million kWh
2013-2016 – at least 7.5 million kWh
2017-2018 – at least 3 million kWh
2019-2022 – at least 1 million kWh
2023 – 1 kWh.

At the same time, small HPPs (with capacity under 13 MW) are deregulated and can sell electricity at free prices, including also to retail consumers.

The electricity market opening indicator in 2008 comprised 26 %.

From 2006 in Georgia there is a “Commercial system operator”, which trades in balancing power flows and on a monthly basis sets prices for balancing energy.

5. **Renewable energy sources support scheme (RES)**

According to “Main areas of the state policy in the energy sector of Georgia”, legal framework is being elaborated in order to improve energy efficiency, expansion of use of renewable energy sources and development of cogeneration systems.

6. **Issues of unbundling**

In 1996-98, the vertically integrated system (state-owned company “SakEnergo”) was functionally unbundled, and legally and financially independent companies were established. In 2007, “Energo-pro” company purchased assets of two distribution companies and six HPPs and, correspondingly, got licenses for distribution and generation of electricity. At present, due to requirement of the Commission, these two types of activities were financially unbundled.

There are two TSOs in Georgia – Georgian State-Owned Power Grid – GSE and JSC “SakRusenergo”. GSE has also a license for dispatch.

Distribution of electricity (DSO) is done by three private companies: JSC “Telasi”, JSC “Energo-pro Georgia”, JSC “Kakheti Energy distribution”.

14 licensees generate electricity, and out of them only three largest power plants are state-owned. Besides, 36 small HPPs (under 13 MW) are privately owned.

6. **other – at least: involvement in the natural gas crisis - January 2009.**

The natural gas crisis of January 2009 almost did not touch Georgia because of Georgia’s diversified sources, including those of natural gas, and because of the long-term contract with an Azeri supplier.