ORDER

OF THE MINISTRY OF ENERGY

№ 77  year 2006  30 August  Tbilisi

On Approval of “The Electricity (Capacity) Market Rules”

to the Article 3 paragraph 6, subparagraph b of the Law N3292-IS on “Amendments and Addenda Made to the Electricity (Capacity) Market Rules” dated June 9, 2006” and according to Article 3, paragraph 3, sub paragraph c of the Law of Georgia on “Electric Energy and Natural Gas”, I ORDER:

2. Order be enacted from September 1, 2006

A. Khetaguri
Acting Minister

The Electricity (Capacity) Market Rules”

Chapter I General Provisions

Article 1. Scope of Activity

These Rules regulate:

a) Functioning of Electricity Market and activity of Commercial System Operator of the system
b) Commercial, financial and technical relations, arising from direct agreements and/or electricity purchase and sale, transmission, dispatch, work in parallel regime of electricity system and consumption of electricity worked out by the electricity Generation Licensee for its own needs through Commercial System Operator of the system;
c) Drawing up electricity (capacity) balances and their implementation rules;
d) Terms of execution, enactment, validity and termination of the direct contracts; (25.04.2007 N31)
e) Definition of the categories of electricity sellers for setting up different terms for the sale of electricity. (25.04.2007 N31)

Article 2. Definitions

1. The terms used in this Rules have the same meaning as in Georgian Law “On Electric Energy and Natural Gas”.
2. Other terms have the following definitions
a) “Electricity metering” – electricity metering process including all types of metering carried out by different metering equipment.
b) “Pass through” - except for transmission service, transfer of electricity (capacity) owned by other person to the electricity network belonging to preliminary identified
person through the network of distribution or generation licensee, small hydro plant or direct customer; (25.04.2007 N31)

c) “Own means of electricity generation” – power plant that generates electricity for the units, that alongside with this power plant, are in the direct ownership of the same natural and legal person; (25.04.2007 N31)

d) “Direct contract on electricity transmission or/and dispatch service – commensurate with these rules, bilateral contract between electricity transmission/dispatch licensee on the one hand and qualified enterprise on the other hand on delivery, transmission or/and dispatch service envisaging terms of electricity transmission or/and dispatch service; (25.04.2007 N31)

e) “Home Consumption of a Power Plant” – shall mean amount of electricity consumed by the station for the technological process of electricity (capacity) generation as well as other consumption necessary for operation purposes;

f) “Generation Loss” – shall mean amount of electricity consumed by the power plant, including home consumption, losses on electric and measuring equipment, transformers and transmission lines,

g) “Home Consumption of a Substation” – shall mean amount of electricity consumed by the substation for the technological process and operation of the substation;

h) “Cost of electricity in the power transmission grid – cost of electricity, which includes own consumption of the substation, consumption in the period of activation of the security regime of the power transmission line, also losses in the power transmission lines, at power, voltage and measurement transformers, compensating beams, bypass reactors, synchro-compensators and batteries of condensers, also other technical losses in the operational and idle mode regimes of the power transmission line. (31.10.2007 #88)

i) “Electricity Loss in Electricity Distribution Network” – electricity consumption, including home consumption of substations, losses in overhead and underground distribution network, power and measuring transformers, power restriction reactors, compensating coils, synchro-compensators and self-consumption batteries;

j) “Electricity super normative loss” – positive difference between the actual losses excising in the transmission network and electricity normative (normal) losses set by the GNERC. (25.04.2007 N31)

k) “Electricity Wholesale Metering System” – shall mean a unity of system formed by measuring transformers, connecting cables, meter (meters), accumulating, transforming and transmission equipment for metering of electricity, its parameters and recording it at certain intervals;

l) “Price of Balance Electricity” – shall mean the price of balance electricity sold by the Commercial System Operator, calculated in compliance with Chapter 4 of these Rules;

m) “Wholesale Trading” – purchase and sale of the electricity, among them balance electricity and or system reserve of capacity between the enterprises determined by the law on electricity and natural gas and the present rules. (28.06.2007 N46)

n) “Settlement Period” – one calendar month;

o) Removed (25.04.2007 N31)

p) “Electricity (capacity) Generators” – Production Licensees and small capacity hydroelectric power stations.

q) “Emergency Situation” – situation in the electricity system that causes deterioration of electricity qualitative indicators and putting into operation of system automatic equipment (automatic unloading of frequency, minimum voltage automation, separable automation etc), required for maintaining sustainable operation of the system that may be followed or will be followed by electricity curtailment or cut off; (25.04.2007 N31);
r) “Registration of the Direct Contract” – registration of the direct contract in the registration book by dispatch licensee commensurate with these rules and assigning registration number to such contract. (25.04.2007 N31)
s) “Summarizing Recording Act of Electricity Supplied and Received Through Inter System Line(s)” – a summarizing recording act of the electricity supplied and received through particular inter system line(s) during the relevant settlement period (among them exported, imported and or transit electricity) which reflects total capacity of electricity released and received through the line(s) which is processed by the dispatch licensee and the commercial operator of the system jointly with the relevant authorized legal entity of the foreign country. (31.10.2007 #88)
t) “Act on Distribution of The Electricity Exported (imported) Through The Inter System Line – an act of recording electricity exported (imported) during the settlement period through the particular inter system power transmission line which reflects distribution of volumes of electricity exported (imported) through the line between two or more exporters (importers) if they during the given settlement period export (import) electricity through one inter system line. An act on recording electricity exported (imported) through the inter system line is executed by all relevant exporters (importers) with the authorized representative of the foreign party (parties) of the export (import) agreement and or with the authorized legal entities of the relevant foreign country. One counterpart of the exported (imported) electricity distribution act should be delivered by the relevant exporters (importers) to the dispatch licensee and commercial operator of the system no later than within 5 work days after drawing up an act. (10.11.2008 #98)
u) “Direct Contract on Electricity Export and/or Import” – bilateral agreement between the wholesale buyer and seller (qualified enterprise) on purchasing of electricity designed for import or export that determines quantity, cost, terms and conditions and quality of the electricity to be purchased and that is duly registered by the dispatch licensee (10.11.2008 #98)
v) “Contract on Electricity Export and/or Import” - bilateral agreement on import of electricity generated in the foreign country to Georgia or export of electricity generated in Georgia to the foreign country or on electricity swap duly registered by the dispatch licensee (10.11.2008 #98)
w) Power transmission line for inter system transit (pass through) - power transmission line connecting to foreign country electricity system, included in the list of power transmission lines determined by the Ministry for Georgian electricity system or inter system transit (10.11.2008 #98)

Chapter II Electricity (capacity) Wholesale Trade

Article 3. Registration of the qualified enterprise by the commercial operator of the system for participation in the electricity wholesale trading (25.04.2007 N31)

1. The right to participate in electricity trading is borne by the commercial operator of the system, generation and distribution licensee (for power distribution activities the relevant person should sell no lesser than 120 million kW/h electricity to the retail customer per year – from September through August), direct consumer, small capacity power station, importer and exporter who meet the requirements of these rules and the Law on Electricity and Natural Gas. (31.10.2007 #88)

2. All entities which meet the requirements of the law of Georgia on “Electricity and Natural Gas” and the requirements set by the present Rules for qualified enterprises,
shall apply to the Commercial System Operator to obtain authorization for participation in the electricity wholesale trade

3. In order for Qualified Enterprise to get registered at the Commercial System Operator they shall submit the following documents:

a. Standard application form on the name of the Commercial System Operator for obtaining permission to participate in the electricity wholesale trade;

b. License issued by the Commission (for the relevant Licensee);

c. Extract from the register of entrepreneurs concerning the authorized person (persons);

d. Document confirming registration and, in case of a legal person - the Charter;

e. Technical conditions for connection to the electric grid issued by the owner of the relevant grid (in case of existence of such owner);

f. Description of the connecting and metering points;

g. Information on forecasted annual electricity consumption, generation, transmission and distribution, including the forecasted capacity schedule, specifying maximum and minimum loads.

h. Inspection acts of metering points applied in the wholesale trading, among them those existing at the generators and transformers of own consumption, signed by the commercial operator of the system, dispatch licensee and representatives of the person owning relevant network (31.10.2007 #88)

4. Within 10 days, the Qualified Enterprise shall inform the Commercial System Operator regarding any changes in the data specified in Paragraph 3 and provide the relevant documents.

5. Copies of documents presented by the Qualified Enterprise shall be certified by the authorized persons as it is foreseen by the legislation.

6. The issue of registering or rejecting registration of the qualified enterprise willing to participate in the wholesale trading of the electricity is solved by the commercial operator of the system no later than in two weeks after accepting the application (31.10.2007 #88)

7. The Commercial System Operator is authorized to deny the Qualified Enterprise authorization to participate in the electricity wholesale trade if the Candidate does not meet requirements of the Georgian law on “Electricity and Natural Gas” and Electricity (capacity) Market Rules;

8. The decision of the commercial operator of the system, on registering or rejecting registration of the enterprise willing to participate in the wholesale trading of the electricity should be provided to the applicant no later than two weeks after receiving the application. Thereby, the notification on registering the applicant as a qualified enterprise should also be given to the dispatch licensee (31.10.2007 #88)

8.1 in case the commercial operator of the system registers a qualified enterprise for participation in wholesale trading with the electricity (capacity) which is not reflected in the electricity (capacity) annual balance, it is obliged, other than the dispatch licensee, to notify the Ministry on registering the applicant as a qualified enterprise. (31.10.2007 #88)

9. Removed (10.11.2008 #98)

10. Removed (10.11.2008 #98)

11. Removed (10.11.2008 #98)
Article 4. Revoking the registration of the qualified enterprise by the system commercial operator for participation in the electricity wholesale trade (25.04.2007 N31)

1. The reason for revoking the registration of Qualified Enterprise in the wholesale trade participation is as follows:
   a. Revocation of the license by the Commission;
   b. Decision of an authorized body on the elimination of the entity;
   d. Change of circumstances on the basis of which the Qualified Enterprise was awarded the right to participate in the electricity wholesale trade
   e. Failure to meet consumption (distribution) limit set by these Rules for the qualified enterprise for the period of September-August (10.11.2008 #98)

2. The commercial operator of the system independently makes decision on revoking registration on participation of the qualified enterprise in the wholesale trading. The decision should be immediately provided to the relevant qualified enterprise, dispatch licensee and the Ministry. The decision of the commercial operator of the system on termination of the registration of the qualified enterprise to participate in wholesale trading of electricity represents the basis of terminating power supply to the qualified enterprise consistent with the present rules. (31.10.2007 #88)

Article 5 General Principles of Wholesale Trade Technical Standards

1. Qualified enterprise, transmission and dispatch licensees shall:
   a. For electricity system reliable operation install, build, repair and maintain their own facilities
   b. Put the main assets in the reliable operational condition in the in the earliest possible time period
   c. Provide the requested information to the system commercial operator

2. Qualified enterprise and dispatch licensee shall subordinate their own facilities to the requirements of the dispatch licensee. By meeting this term, qualified enterprise independently defines expediency and quality of this or that facility. Qualified enterprise may withdraw its facilities from subordination of dispatch licensee if such action is permitted by dispatch licensee.

3. Qualified enterprises (other than system commercial operator) shall submit on the daily base to dispatch licensee information on actual data of the meters installed in the delivery and receipt centers

Article 6 Removed (10.11.2008 #98)

Article 7. Electricity Distribution and Direct Consumers

1. Removed (based on the Constitutional Court decision 12/19/2008 #1/2/411)

2. Own consumption of a Direct Consumer shall be no less than 30 million kWh electricity per year (from September through August).
   2.1 Direct consumer also may be represented by the relevant licensee of power transmission for the power transit purposes, to secure recover of losses in the transmission grid. Requirements of article 3 of the present rules and of the remaining clauses do not apply to registration of the transmission licensee acting as a direct consumer to participate in the wholesale trading.

3. Consumption quantity fixed for the direct customer is calculated commensurate with actual or installed capacity of electricity (capacity) consumption during the previous
year (September- August) from electricity supply centers owned by this customer. (10.11.2008 #98)

4. To identify the predicted installed capacity of operating equipment utilized in the enterprise set forth in the item 3 of this Article, working group is established including commercial operator of the electricity system, dispatch licensee and the owner of the network, connecting this enterprise to the grid and the relevant act is drawn on it. (10.11.2008 #98)

5. Direct customer may be registered to participate in the wholesale trading according with the specific delivery centers from where direct customer purchases system reserve of electricity and capacity. Direct customer shall not not purchase electricity for the above centers for the retail consumption (10.11.2008 #98)

Chapter 3. Direct Agreements

Article 8. Direct Contact Parties (25.04.2007 N31)

1. Direct Contract on purchase or service of electricity (capacity), among them balance electricity (capacity), may be executed between qualified enterprises that are authorized under the Law of Georgia on “Electricity and Natural Gas” and these Rules to participate in the wholesale trading of electricity (capacity).

2. If generation licensee, importer, or/and small HPP and electricity distribution licensee, direct consumer or/and exporter are one and the same person, electricity (capacity) direct agreement is replaced by application for delivery of electricity (capacity); implementation of such application requires complying with the similar terms and procedures as in the case of direct Agreement.

Article 9. Mandatory Registration of the Direct Agreement at the Dispatch Licensee

1. Direct contract shall be submitted to the dispatch licensee for registration at least for 4 days prior to enactment of the contract. (25.04.2007 N31)

2. The list of documents required for registration shall be as follows:
   a. Registration application according to the approved form;
   b. Each page of the direct contract and the relevant annexes should be signed and certified by the relevant representatives of both parties in three copies (31.10.2007 #88)
   c. Consistent with chapter 6 of these rules, documents evidencing securing system reserve of capacity by the distribution licensee and direct consumers – in case such forms exist (31.10.2007 #88)
   d. An Agreement signed with the Distribution Licensee for transit of electricity (capacity) through the Distribution Licensee’s network in case of such delivery and/or receipt of electricity.

3. Direct Agreement shall become valid upon its registration at the Dispatch Licensee.

4. Electricity dispatch licensee shall refuse to registrant direct contact if:
   a. The party to the direct contract does not represent a qualified enterprise (other than electricity import and or export direct agreements, to which the terms envisaged in the purposes of registration do not apply) (31.10.2007 #88)
   b. Direct Agreement registration terms are not observed;
5. Qualified enterprises shall submit to the dispatch licensee application, commensurate with the contract executed by them, on electricity (capacity) delivery and consumption for the upcoming day, month, quarter and year in compliance with these rules, among them by observing the rule set forth in the Chapter 31. (25.04.2007 N31)

6. If electricity dispatch licensee fails to send the notification on refusal of the registration of the contract to the Parties within 4 days after submission of the Agreement, the Agreement is deemed as registered and the licensee shall immediately register the contract and assign a registration number to it. (25.04.2007 N31)

7. Requirements stipulated for registration of Direct Agreements shall be valid for registration of any amendments made to the Direct Agreement.

**Article 10. Direct contract or Termination of the Registration (25.04.2007 N31)**

1. Application on the termination of the Direct Agreement before its expiration date shall be presented for registration to the Dispatch Licensee not later than 15 days before the agreement termination date;
2. Termination of the registration of the direct contract by the dispatch licensee causes termination of the direct agreement.
3. Removed (25.04.2007 N31)
4. In the event of Parties mutual request concerning termination of the direct contract, dispatch licensee shall notify the Parties of the date of direct contract termination which shall be at least 75 calendar days from the submission of the application. (25.04.2007 N31)
5. Dispatch licensee shall suspend registration of the direct contract if a Party or Parties of the Contract fail to meet the terms set forth in the Article 9, Clause 2, sub clause d and clause 4 of these Rules, (10.11.2008 #98)
6. Dispatch licensee shall notify the contract Parties of termination of the direct contract at least 5 days earlier, indicating the reasons of termination (10.11.2008 #98)

**Article 11. Information Publicity (25.04.2007 N31)**

1. The qualified enterprises shall disclose the information as deemed public by these rules and effective legislation, except for the cases, when the law holds a condition of nondisclosure of this information to the third parties.
2. The Dispatch Licensee and the Commercial Operator shall post (announce) public information at a publicly accessible place (including the official website). Announced information has to be updated shortly, showing the time and date of the latest update”.
3. Consistent with these rules, the following shall be deemed as public information:
   a) Volumes of purchased and sold electricity during the settlement period, indicating the prices;
   b) Actual losses in the transmission network during the settlement period (indicating the voltage levels);
   c) Volumes and prices of purchased balance electricity;
d) Volumes of un-contracted electricity in the energy system and prices proposed by the buyer (if such exist).

Chapter 4. Trade with Balance Electricity

Article 12 Trade with Balance Electricity through Commercial Operator

1. For sale of balance electricity through Commercial System Operator a Direct Agreement is concluded between the Commercial Operator and Qualified Enterprises.

2. According to the Direct Agreement concluded pursuant to Paragraph 1 and registered by the Dispatch Licensee, Qualified Enterprises send to the Commercial Operator applications completed according to the accepted standards for participation in the trade with balance electricity. An application for participation in the sale and purchase of balance electricity shall be presented no later than 3 working days before the delivery date of the balance electricity. (25.04.2007 N31)

21. Removed (11.09.2007 N67)

3. If it is technically impossible to implement the provisions of an application on the balance electricity purchase, the Electricity Dispatch Licensee shall be authorized not to include the above electricity (capacity) volume into the consumption plan in which case the Dispatch Licensee shall immediately notify the Commercial Operator and provide the grounds.

4. Upon agreement with the Dispatch Licensee, in order to allow participation in balance electricity trade, the Commercial System Operator shall select the received applications in compliance with the following rules:

   a) The Commercial Operator shall review the sale applications according to the increase of prices, while in case of equal prices according to the order of submission of the application.
   b) The Commercial Operator shall review Purchase applications according to the order of their submission

5. Based on the selected applications, Commercial Operator makes the list of sellers and buyers and relevant balance electricity deliver-consumption schedule (capacities) and informs the trade participants and dispatch licensees at least 24 hours earlier before electricity delivery. (25.04.2007 N31)

6. Based on the concluded transactions the sellers shall be liable to supply the full volume of sold electricity in compliance with the supply-consumption schedule and the buyers shall be liable to consume the volume purchased in compliance with the supply-consumption schedule.

7. Within 12 days after the expiration date of the settlement period the Commercial System Operator shall send notifications to the trade participants regarding the trade, transactions, balance electricity price and sold/purchased electricity volumes.

8. The volume of electricity proposed for sale during the trade shall be free from any contractual liabilities, including liabilities arising from bilateral fixed term agreements.

9. If 5 days after the expiry of the payment term a Qualified Enterprise still fails to pay for electricity (capacity) purchased through the Commercial System Operator during the previous month the Commercial System Operator shall have a right to request a Qualified Enterprise to provide a bank guarantee for fulfillment of liabilities arising from agreements of the Qualified Enterprise. The amount of such bank guarantee shall equal the value of electricity purchased by the Qualified Enterprise through the Commercial System Operator during the previous month.
**Article 13 Direct Agreement with Standard Terms**

1. The System Commercial Operator shall register at the Dispatch Licensee standard Direct Agreements on the purchase and sale of balance electricity. Requirements given in Chapter 3 do not affect registration and modification of these agreements.
2. Direct Agreements given in Paragraph 1 are used for purchase and sale of the volumes of balance electricity for which the Qualified Enterprises did not have registered Direct Agreements (25.04.2007 N31).
3. The Qualified Enterprise, which supplies or consumes the electricity, which is not covered by the Direct Agreement shall considered as a party of the Direct Agreement stipulated in Paragraph 1.
4. In case of nonpayment of the cost of balance electricity, commercial operator of the system is entitled to request termination or curtailment of power supply to non paying qualified enterprise consistent with article 25 of these rules, unless otherwise envisaged in the relevant agreement executed between the commercial operator of the system and the qualified enterprise. (31.10.2007 #88)
5. Removed (31.10.2007 #88)
6. Direct agreement with standard terms represents preliminary developed contractual terms for multiple usage (model agreement) made by system commercial operator for the Qualified Enterprise indicate in the clause 3 of this Article (10.11.2008 #98)

**Article 14. Formation of the Price of Electricity Purchased and Sold by the Commercial Operator of the System** (10.11.2008 #98)

1. In the scope of the balance electricity purchase direct contract (signed bilaterally), commercial operator of the system makes settlement when purchasing balance electricity from electricity producers and importers at the price indicated in the application.
2. In the scope of the standard direct contract, commercial operator of the system makes settlements when purchasing balance electricity from electricity producers and importers:

   a. commensurate with the tariff established by the Commission for the power station owners having adjustable fixed tariff (other than clause c and d of this article) and importers.
   b. in case of the owner of the power station having adjustable upper marginal tariff (other than clauses c and d of this article)
      b.a From September 1 till May 1 - commensurate with the electricity generation upper marginal tariff set by the Commission; but if this enterprise has executed an agreement with the commercial operator of the system on selling balance electricity, and for this particular settlement period has produced an application indicated in clause 1 of this article, which reflects the price lower than upper marginal tariff – at this price;
      b.b From September 1 till May 1 the tariff should be commensurate with the adjustable fixed tariff of the thermal power plant that has the lowest tariff set by the Commission.
   c. in case of the owner of the source of the reserve, at the tariff (upper marginal tariff) of reserve electricity generation applied in terms of securing system reserve of capacity or while testing.
d. in case of the owner of the thermal power plant, which is not the source of reserve or in case of the source of reserve (other than electricity envisaged in clause c of this article) at the tariff of electricity generation (upper marginal tariff);
e. in case of owner of the deregulated small capacity power plant, commensurate with clause 1 of article 36.1 of these rules.

3. Within the period when according to electricity (capacity) forecast balance, electricity generation at the thermal power plants is not envisaged, commercial operator of the system sells the balance electricity to electricity producers, distribution licensees, direct consumers and exporters for the particular settlement period at the average weighted price of the balance electricity purchased on the basis of clause 1, 2, 5 and 6 of this article.

4. System Commercial operator is entitled to execute the direct contract on purchase of electricity (signed bilaterally) on purchase of electricity designated for export. The price of electricity purchased in the scope of this contract does not take part in formation of the price indicated in clause 2 of this article.

5. Electricity imported by Commercial operator of the system of its price participated in the average weighted price of the balance electricity, excluding the exceptions envisaged under this item.. commercial operator of the system is authorized to sell electricity imported by it directly to any qualified enterprise(s) on the basis of the direct contract on purchase of electricity (signed bilaterally) at the tariff established by GNERC for import of electricity

6. Sale of balance electricity by the qualified enterprise (other than commercial operator of the system) should be exercised:
   a. From September 1 till May 1 within the scope of the direct agreement made in compliance with Standard Conditions at the highest tariff of electricity sold to System Commercial Operator
   b. From May 1 till September 1 - at the adjustable fixed tariff of the thermal power plant that has the lowest tariff established by GNERC

7. Sale of balance electricity (capacity) by the qualified enterprises indicated in clause 6 of this Article is exercised at the bus bar owned by the same producer where it was purchased.

Chapter IV Electricity Import and export (10.11.2008 #98)
Article 14.1. General terms of electricity import and export

1. Conduct of import and export of electricity is possible per volume established for the electricity (capacity) balance, in the period and towards the particular country, in case of emergency situation, import and export can be conducted without consideration in the electricity (capacity) balance

2. for the purpose of sound and reliable functioning of the electricity system, the dispatch licensee is authorized to make a decision on substitution of sources according to the neighbor country in the scope of the overall capacities per settlement period of electricity import or export envisaged in the electricity (capacity) balance only on the basis of the relevant statement of the importer or the exporter.

3. In case electricity import or export is conducted during one settlement period by the dispatch licensee through the power transmission line designated for the particular inter-system transit, in excess of the capacity outlined in the electricity import and/or export agreement and or application of the importer/exporter, persons who conduct import or export through particular inter system transmission line during the this settlement period, will be deemed as importers or exporters of the indicated electricity (only during the effective term of the particular statement of export/import
implementation). Excessively exported or imported electricity is distributed according to clause 2 of article 14.6.

4. Importers and exporters of electricity are bound to submit electricity import and or export statements to the dispatch licensee 4 days prior to each settlement period. excluding the cases envisaged in the item 5 of this article. This requirement does not apply to the import and export of electricity in emergency terms. Regulation of submitting such statements is provided in the relevant agreement.

5. In case of necessity and in case of presence of deficit in the domestic consumption of electricity or in case of generating surplus energy domestically the qualified enterprise on the basis of relevant statement is authorized to submit agreements (amendments) and relevant statement outlined in u and v sub clauses of clause 2 of article 2 of these rules no later than 1 business day ahead, the dispatch licensee is entitled to register them above the capacities approved by the balances and 1 day ahead prior to commencement of import (export) of electricity (capacity) to the direction not envisaged in the balance in terms of performance of all other requirements of article 9 of these rules, notwithstanding term indicated in clause 4 of this article. The fact of electricity deficit or excessiveness is determined by the dispatch licensee independently relying on the principles provided in clause 6 of this article and posts at its web-page (www.gse.com.ge). In this regard, it shall immediately notify the ministry and within ten days submit adjusted balance for the purpose to make amendments and modifications in the electricity (capacity) balance.

6. The dispatch licensee is obliged to develop the electricity (capacity) balance in a manner to ensure maximum utilization of export potential taking into account the requirements of the energy system sustainability requirements.

7. The fact of registration of the agreement indicated in sub clause v of clause 2, article 2 of these rules creates the obligation on behalf of the dispatch licensee to provide for implementation of terms in the technical part of the agreement according to the legislation and or agreement executed by and between the dispatch licensee with the technical implementing entity of the energy system of the foreign country. In case if the legislation does not directly regulate the particular issue and there is no agreement with the technical implementing entity of the neighbor country or such agreement does not directly regulate particular issue, the dispatch licensee adheres to the electricity import and or export agreement.

8. Relevant transmission licensees and dispatch licensees by the time of overflow of electricity between Georgia and neighbor countries are obliged to prioritize electricity import and or export agreements performance in terms of other types of overflows, taking into account that domestic energy resources of the country are effectively used. Priority of exporting electricity is conferred to the electricity produced locally.

9. Relevant transmission licensees are authorized, in agreement with the dispatch licensees, taking into account the priorities outlined in clause 8 of this article, per own discretion, to use the throughput reserve for the purpose of overflow of electricity between Georgia and neighbor countries. The transmission licensee is obliged to take into account and reflect priorities outlined in clause 8 of this article in the relevant agreements with regard to the other types of overflows.

Article 14.2. Electricity Import and Export in the Emergency Situations

1. Agreement on electricity import and or export which aims at import and or export of electricity in the emergency situations, the propriety is given to exchange of electricity only in case if during the emergency situation the electricity export and/or import agreement does not satisfy the requirements of eradication of emergency situation.
2. For the purpose of ensuring energy system stability, in the state of emergency the right to execute import and export agreements is borne only by the commercial operator of the system. When concluding this type of agreement, or amending or modifying it, the commercial operator of the system should agree with the dispatch licensee in advance that part of terms of the agreement, which deals with the stability, safety and reliable functioning of the energy system (technical part).

3. During the effective term of the state of emergency, export or import agreement executed by the importer or the exporter in terms of compatibility with the requirements necessary for eradication of the emergency situations is evaluated by the dispatch licensee and in case of making poor evaluation of agreement on requirements on eradication of emergency situation, terminates implementation of the regular agreement on export and import instead will implement an agreement of the commercial operator of the system on import and export during the state of emergency.

Article 14.3. Exchange of Electricity

1. exchange of electricity is prioritized versus other export – import, only in case the amount of electricity imported to Georgia as a result of exchange will not be less than 80% of exported electricity. Electricity exchange agreement has the same power as simultaneous submission of electricity import and export agreement by the qualified enterprise.

2. the procedure of selection of statements envisaged in article 14.4 of these rules does not apply to electricity exchange. In case there are several agreements on exchange of electricity executed in compliance with the requirements of clause 1 of this article, the priority will be given to the exchange of electricity (export and import) which has the higher coefficient of relativity between the costs of electricity exported and imported from and to Georgia.

Article 14.4. Other import and export of electricity (capacity)

1. other than those envisaged by 14.2 and 14.3 of these rules, the dispatch licensee is obliged to prioritize:
   a. when importing electricity, the lowest cost of imported electricity
   b. when exporting electricity, the highest export price under the term that generation of the power station of the electricity producer during the export period is envisaged in the electricity (capacity) balance.

2. in case two or more bidders submit the same price, satisfaction of the requirements of the parties is done on the basis of equal distribution between bidders of the existing power transmission line designated for the particular inter system transit. In case, if electricity volume declared by any of the bidders in the statement is less than the volume of electricity given in terms of equal distribution, the difference will be equally divided between other bidders.

3. the dispatch licensee is obliged to notify the relevant persons on adopted decision 2 business days ahead before commencement of the settlement period.

Article 14.5. Electricity Importers and Exporters

1. implementation of electricity import and export can be exercised by that qualified enterprise which has the agreements envisaged in clause 2,article2, sub clause u and v, in case of export – sub clause d, clause 2,article 2.
2. in case of commercial operator of the system the agreement envisaged in sub clause v, clause 2, article 2 of these rules is deemed the standard terms of direct agreement.

3. the requirements of registering direct agreements, established requirement and procedure for termination of registration and agreement apply to the import and export agreements, outlined in chapter 3 of these rules, taking into account those requirements and procedures which are outlined in this chapter.

4. if the import and export agreement or amendment does not regard commencement, completion of power supply, volume, terms, conditions (other than electricity price, cost payment, dispute resolution, change of contact information of the agreement participants) and qualitative indicators, and in case envisaged in sub clause a, of clause 1, of article 14.2, increase of cost of electricity designated for import, their submission to the dispatch licensee for the registration purposes should be done within one year after enforcement of the agreement or the amendments thereto.

5. the direct agreement on electricity export should envisage (other than the agreement executed by the commercial operator of the system) that capacity of electricity envisaged in the agreement which will be fully reimbursed by the exporter in case this electricity is not generated by the producer. Exporter is exempt from the liabilities stated in this clause if the power generation failed for the reason of the producer or dispatch or transmission licensee, also due to breakdown or other force majeure conditions.

Article 14.6. Rights of Electricity Importers and Exporters and Accounting-Settlement of Relevant Electricity

1. Accounting of the imported or exported electricity is done in compliance with these rules. An act summarizing supplied and received electricity (among them imported, exported, and or transit electricity) through particular inter-system transmission line is drawn up jointly by the dispatch licensee, transmission licensee operating relevant line, and the commercial operator of the system with the technical operator of the foreign country.

2. If two or more importer (exporter), during one settlement period imported (exported) electricity through one inter system line, the particular act on distribution of electricity imported (exported) through particular inter system line is drawn up, which reflects distribution of electricity to each participant importer (exporter). Joint act on distribution of power imported (exported) through inter system line is processed jointly by all relevant importers (exporters). Each copy of such act should be produced by relevant importers (exporters) to the dispatch licensee and commercial operator of the system no later than in 5 days after completion of the settlement period, in the opposite case the dispatch licensee no later than 10 days after completion of the settlement period distributes imported (exported) volumes of electricity to the importers (exporters) of electricity outlined in this clause proportionate to the volumes addressed in statements provided in clause 4, article 14.1.

Article 14.7.A person liable for declaration of electricity passing across Georgian customs border without an agreement on electricity import or export

1. If during the settlement period of passing electricity across the customs border of Georgia, there is no effective agreement on export and or import of electricity through relevant inter system line designated for overflow of electricity and the relevant statement of the importer or exporter on liability to declare about overflow of electricity, the responsibility is borne by the dispatch licensee, unless otherwise stated in clause 2 of this article.
2. In the period of enforcement of the power transmission line protection or synchronization regime, the obligation to declare about electricity passing across the customs border of Georgia is borne by the transmission licensee operating such line. Enforcement of the power transmission line protection or synchronization regime is permitted only in case of consent of the transmission licensee operating this line.

Chapter 5: System Commercial Operator

Article 15 Functions of the System Commercial Operator
1. The Commercial Operator shall carry out the activity stipulated in the Law of Georgia on Electricity and Natural Gas. The sphere of Commercial Operator’s functions and rights shall be defined by the Georgian legislation, the Commercial Operator’s Charter and these Rules.
2. The Commercial System Operator’s functions shall be:
   a) Purchase and sale of balance electricity (capacity) (including medium and long term agreements on import and export). For this purpose the System Commercial Operator shall:
      a.a Conclude direct agreements with Qualified Enterprises for balance electricity trade and register direct agreements at the Dispatch Licensee;
      a.b Define balance electricity volume through comparison of amounts specified in agreements with actual amounts of generated, supplied and consumed electricity recorded in the acceptance statements;
      a.c Calculate balance electricity price in compliance with these Rules; (25.04.2007 N31)
      a.d Settle accounts with Qualified Enterprises for balance electricity purchased and sold by System Commercial Operator.
      a.e. when executing average and long term agreement with the relevant entities of the foreign country on electricity import and export (exchange), for this purpose, commercial operator of the system is entitled to sell and or purchase imported and or exportable electricity both through direct contracts as well as in any other form envisaged in these rules for purchase-sale of balance electricity (standard terms of direct contracts). (31.10.2007 #88)
   b) Provision of electricity system with reserve capacities according to the law of Georgia on “Electricity and Natural Gas” and the present Rules. Including but not limited to: (28.06.2007 #46)
      b.a) Revealing most cheap and effective undeveloped capacities in the system and submitting relevant information to the dispatch licensee.
      b.b) Execution and or registration of the agreements on purchase-sale of the system reserve of capacity with qualified enterprises purchasing system reserve of capacity and sources of guaranteed reserve as envisaged by these rules. (31.10.2007 #88)
      b.c) Monitoring of the use of the system reserve capacity
      b.d) billing the cost of the system reserve capacity and settlements with the qualified enterprise.
   c) Setting up united database on wholesale purchase-sale, including united register of metering and its supervision. Including but not limited with:
      c.a Setting up and maintaining united database of metering points;
      c.b Setting up united database of meter readings according to settlement periods;
      c.d Gathering of necessary information and systematization on the production means, substations and customers.
   d) On the basis of processing relevant information provided by dispatch licensee and qualified enterprises, determination of actual volumes of electricity received (consumed) and or purchased by power sellers and buyers and submission of information for final settlement, also jointly with the dispatch licensee, executing the summarizing recording
act on electricity supplied and received during the settlement period (among them exported, imported and or transit electricity) to the direction of the particular power transmission inter system line(s) with the authorized legal entity of the foreign country. (31.10.2007 #88)

e) Pre agreement on the contract on operation in the parallel regime, executed by the electricity dispatch licensee with the relevant enterprises of the Georgian neighbor electricity systems and for the purpose of its proper implementation, exercising monitoring and other authorities as provided by the legislation and in this contract. (25.04.2007 N31)

f. Inspection of the meters used in Wholesale metering process

g. In the event of super normative losses in the transmission network, based on request of the interested party, determine volume and price of electricity purchased as a result of super normative loss. (25.04.2007 N31)

3. Ensuring transparency of the activity and availability of the public information; for this purpose: (25.04.2007 N31)
   a) Posts information at publicly accessible places; (31.10.2007 #88)
      aa Regarding electricity capacities existing without prior execution of direct contracts for each upcoming settlement period;
      a.b With indication of volumes and prices (tariffs) of electricity purchased and sold on the basis of direct agreements for each settlement period.
      a.e With reference to volumes of balance electricity purchased and sold on the basis of standard provisions of the direct contract for each settlement period and average weighted tariffs;
      a.d Amount of actual losses in the transmission grid;
      a.e For each settlement period, on the basis of direct contracts, also regarding purchase and sale of the system reserve of capacity in other forms envisaged in these rules, with reference to the sources of guaranteed reserve, volume of the secured system reserve of capacity and established tariffs.
   b) During 30 days after completion of each settlement period sends monthly information to the Commission on actual tariffs formed in electricity market

4. Commercial operator of the system is entitled to execute the memorandum of intentions on purchase of power with the power plant under construction or reconstruction. Cost of such power should be agreed with the commission prior to signing the memorandum; thereby, when determining the presumptive cost, the average cost of balance electricity (lower and higher margin taking into account the seasonal fluctuations) purchased by the commercial operator of the system in the post deregulation period should be considered. (28.06.2007 N46)

5. Commercial operator of the system must execute relevant agreement with that newly constructed power station (generation licensee and or small capacity power plant) generation of which is subject to full or partial mandatory purchase commensurate with effective legislation. Such agreement requires the same terms and procedures as set forth for the direct agreement, among them registration with the dispatch licensee. (28.06.2007 N46)

**Article16. Compensation of service provided by Electricity System Commercial Operator** (28.06.2007 N46 enacted from October 1, 2007)

1. Compensation of the cost of service of the System Commercial Operator of the system is mandatory for the qualified enterprises purchasing electricity (capacity) commensurate
with the costs borne by the commercial operator of the system for the service. (31.10.2007 #88)

2. Service provided by the commercial operator of the system is compensated consistent with the full volumes of system reserve of capacities purchased by the qualified enterprises from the commercial operator of the system, also power purchased (consumed), exported and transmitted by the qualified enterprises as a result of its operations, under the tariff established by GNERC. (31.10.2007 #88)

3. Removed (31.10.2007 #88)

4. Qualified enterprises are required no later than 25th date of completion of each settlement period to compensate cost of service of the commercial operator of the system billed to them.

5. Upon request of the commercial operator of the system, the qualified enterprises are required, commensurate with the request, to present guarantees for covering the cost of service of the commercial operator of the system envisaged by the legislation and or make advance payments.

6. Commercial operator of the system is authorized to exercise the measures envisaged by the law against the qualified enterprises which do not pay the service fee or breach the payment timelines.

7. Non payment of the service fee by the qualified enterprises or systematic breach of timelines of payment represents basis for terminating or curtailing power supply to them (and to their consumers as well) on which the commercial operator of the system makes relevant decision. Curtailment or termination of power supply should be exercised by the commercial operator of the system by notifying the parties involved in this matter at least 20 days earlier (other than the distribution licensee).

8. Termination of the registration of participation in the wholesale trading or power supply to the qualified enterprise does not exempt it from payment of the cost of service of the commercial operator of the system rendered prior to termination of the registration or power supply (31.10.2007 #88)

Chapter V¹. Dispatch Licensee
(25.04.2007 N31)

Article 16¹. Main Responsibilities of the Dispatch Licensee

1. The Dispatch Licensee is obliged to

   a. provide reliable operation, safety and sustainability of the electric power system, also meet requirements of all respective licensees, importers, exporters and direct consumers so that to satisfy the direct contracts registered by them.

   b. develop regimes promoting implementation of the direct contracts and supporting effective operation of the electric energy system. To achieve this purpose he may use administrative leverage provided by the legislation, including the drafting of respective operational dispatch instructions and minutes.

   c. at the request of a qualified enterprise and/or at his own discretion, according to the needs of the electric power system (for the sustainability and stability purposes), to use balance electricity and reserve capacity under the minimum value principle.

   d. The Dispatch licensee shall at any time give access to the Commercial Operator of the system to records on any instructions and guidelines, which it issued during a day, also, on every change which was made in the electricity supply and consumption plan designed in advance.
e. The dispatch licensee shall record its unwarned limitations, determined by the need to maintain reliability and safety of the power system in the operative log of the central dispatch office.

f. The Dispatch Licensee is obliged to deliver to the Commercial Operator of the System the processed information on the amounts of electricity for sale as set forth in the direct contracts and actually sold (including the information envisaged by Paragraph 7 of Article 31 of these Rules) in accordance with the following procedure:

f.a). Deliver on a daily basis: records of all directions and instructions, issued by him the previous calendar day, indicating all changes in the schedules of electric energy (capacity) generation and/or supply drafted (agreed) beforehand; information on electric energy (capacity) generated, transmitted and/or consumed within the whole day (including information on unused and used reserve and/or balance electric energy (capacity)), indicating respective qualified enterprises; information on the status of direct contracts implementation, indicating violation or observance of schedules set forth in any of the contracts.

f.b After the end of each month, under the terms envisaged by this rules, deliver actual data about supplied or released electricity (capacity); the amount of actual losses electricity recorded in the network of an appropriate transmission licensee in the settlement month by voltage levels; Information reflected in supply and consumption schedules and actually registered by the meters (on supply and/or consumption, indicating faults). Also, information it possess on performance of direct contracts.

g. During 30 calendar days after completion of the each settlement month, shall send to the Ministry actual balance of electricity generated in the energy system per each qualified enterprise, electricity received and released at the supply and delivery points, with indication of losses in the transmission gird.

h. The Dispatch Licensee is obliged to register direct contracts through the observance of these Rules and/or cancel their registration for definite or indefinite term.

h. The Dispatch Licensee is obliged to locate the most effective sources of reserve capacity in the system and provide appropriate information to the qualified enterprises. He shall also implement control over the usage of reserve capacities by the qualified enterprises under these Rules. (28.06.2007 #46)

i. The Dispatch Licensee is obliged to make the information on purchased and free capacities (indicating qualified enterprises and capacities) available.

j. Shall maintain single list of direct contracts, according to the set rule announce information on existing and available capacities in the power system (among them system reserve of capacity, with reference of relevant qualified enterprises) also post relevant decree on using load reserve at the publicly accessible place. Such information may be also posted at the official web page (31.10.2007 #88)

k. Without prior notice, the dispatch license shall not curtail capacity supplied to the qualified enterprise on the basis of the direct contract other than system emergency, force majeure, these rules or other occasions envisaged by the direct contract.

l. Commensurate with these rules, the dispatch licensee shall perform requests of the qualified enterprise on termination or resumption of power supply.

2. Key functions of the dispatch licensee are:
a. at any time shall balance power supply and consumption;
b. shall plan and dispatch the entire energy system, so that electricity parameters (frequency, voltage etc) match with the established standards;
c. secure stability, sustainability and reliable functioning of the power system;
d. for the purpose to provide service in a due manner, shall import, export electricity and or connect to the power system of neighbor countries in a parallel regime commensurate with the legislation and principles and procedures established in these rules.
e. during the relevant settlement month, shall determine actual losses in the transmission grid.

3. Authorities of the Dispatch License
   a. the dispatch licensee shall request and receive without hindrance the information on conditions and the degree of readiness of the technical means owned by the qualified enterprises.
   b. at own discretion, shall inspect meters used in wholesale filing;
   c. in case of non payment, incomplete payment and or violation of the payment deadlines, under these rules, shall terminate or limit power supply to the qualified enterprise;
   d. in case the qualified enterprise exceeds the limit of the established electricity, the dispatch licensee shall request curtailment of consumption capacities, in case of failure to perform this requirement, shall act consistent with present rules;
   e. shall issue relevant dispatch instructions, in order to secure uninterrupted supply of power to the qualified enterprise under the agreed schedule and capacity;
   f. shall request the qualified enterprise to present a bank guarantee of the commercial bank for the purpose of ensuring full compensation of the service envisaged by the agreement commensurate with these rules;
   g. in case of emergency, for the purpose to secure operative management and sustainability of the electricity system, shall curtail delivery of electricity to the qualified enterprises as determined under the direct contracts without prior notification;
   h. by the time of deficit of electricity and capacity in the country, and or in contingency situations when introducing curtailment schedule, shall supply power to the qualified enterprise under the mutually agreed schedule consistent with power (capacity) balance adjustments, in case of absence of such schedule, shall act at own discretion.

4. The Dispatch licensee is obliged to adhere to other requirements set forth by these rules when providing service, so that the prior performance of the principles addressed in this Article is guaranteed.

Chapter VI System Reserve of Capacity (28.06.2007 N46)

Article 17 Balancing of supply – consumption of the electricity and unloaded capacity
1. For the purpose to maintain sustainability of the power system and technical parameters of the electricity, supply-consumption of electricity may be balanced by using the following unloaded capacities (regimes) existing in the energy system:
   a. Load reserve – unused capacity existing in the system, realization time of which makes up no longer than 60 seconds, also system reserve (such load is allowed only for 1 hour).
   b. System reserve of capacity – available regime of the guaranteed source of reserve the time of full realization of which makes up not more than 25 minutes and maintains load for not less than 1 hr.
   c. Cold reserve – available regime of the guaranteed source of reserve, the time of full realization of which requires from 1 hr to 12 hr-s.

Article 18 Unloaded capacity and using system reserve of the capacity (28.06.2007 N46)

1. Load reserve, system reserve of the capacity and the cold reserve are at the disposal of the dispatch licensee and are used for balancing electricity (capacity) supply-consumption.
2. For maintaining sustainability of the power system and relevant technical parameters of the electricity, the dispatch licensee is authorized to independently make a decision to use the load reserve and issue a relevant order on loading the unused capacities existing in the power system, maintaining load for not more than 1 hour. This order is registered at the operative journal and under the established rule should be notified to the commercial operator of the system.
3. For the purpose to secure implementation of schedules and parameters envisaged in direct contracts, dispatch licensee shall substitute the capacity used as a result of using load reserve with the system reserve of the capacity or cold reserve in one hour after loading.
4. Following the effective legislation and the terms provided in these rules, the decision on substitution of used capacity with other sources and loading is made by the dispatch licensee commensurate with the principle of safety of the power system and least cost principle.
5. Following the principle of safety of the power system and least cost principle, dispatch licensee is authorized, for longer than 1 hour to load the qualified power generating enterprise which has not used the capacities provided in prior determined power supply schedules in the scope of direct contracts and loading of this facility shall not cause violation of the direct contract executed in advance. Terms provided in this clause does not exempt the dispatch licensee from obligation to secure performance of the direct contract.
6. Guaranteed source of the reserve, in the available regime of cold reserve shall deliver the power system the demanded capacity in the period after releasing dispatch licensee’s order to the technical parameters of the relevant unit, which shall not exceed 12 hours after releasing the order. When being in the available regime, failure to deliver the demanded capacity by the relevant guaranteed source of reserve during the term of releasing technical parameters of relevant unit shall be construed as voluntary withdrawal from the available regime of generation facilities. In such case the dispatch licensee is required to exercise relevant measures and notify the stakeholders and relevant administrative bodies on such fact.

Article 19 Ensuring reserve capacity of the system (28.06.2007 N46 be enacted from September 1, 2007)
1. For normal functioning of the energy system of the country and securing energy security, power receiving qualified enterprise (consumer) (except for the power export based on the agreement entered with the relevant legal entity of the foreign country for emergency situation) is obliged to keep forecasted reserve of the system reserve of capacity no lesser than its consumption: (31.10.2007 #88)
   a). 2006-2015 – 10%
2. The agreement on securing system reserve of capacity should include the term of full sale of reserved capacity and volumes taking into account normative losses in the power transmission grid. (31.10.2007 #88)
3. The responsibility on securing the system reserve of the capacity is borne by the guaranteed source of the reserve and is regulated by the present rules and relevant agreements.
4. In case the agreement terms on securing the system reserve of the capacity are not performed, the guaranteed source of reserve is obliged, to search for the necessary capacity itself. In the opposite case, the qualified enterprise being a recipient of the service envisaged in the agreement on securing the system reserve of the capacity shall be provided with the system reserve of the capacity from the System Commercial Operator (in terms of relevant compensation) and/or will be subject to curtailment
5. Under the agreement on securing system reserve of capacity, the parties are entitled to agree on purchase of electricity at full capacity generated as a result of loading reserved capacity. Enforcement of this term requires execution of relevant direct contracts and registration following terms of these rules with the dispatch licensee.
6. If the agreement on securing system reserve of the capacity does not state otherwise, guaranteed source of reserve is not authorized to sell power generated as a result of loading reserved capacity through other direct contracts without consent of the party to the agreement receiving service.
7. If this chapter does not state otherwise, purchase-sale of the electricity generated by the guaranteed source of reserve is exercised commensurate with the terms established by the present rules on sale of electricity.

Article 19 Registration of the agreement on securing system reserve of the capacity with the Dispatch Licensee (28.06.2007 N46)

1. Securing system reserve of the capacity is possible only by means of the agreement executed with the guaranteed source of reserve and registered by the dispatch licensee.
2. The requirements applied to registration of the direct contract apply to the agreement on securing system reserve of the capacity and its amendments, unless otherwise provided by this chapter.
3. Dispatch licensee is obliged to refuse registration of the agreement on securing system reserve of the capacity if the system reserve of the capacity envisaged by the present agreement does not have the structure and the relevant degree of availability for dispatchers set forth by these rules.
4. If the application on registering the agreement on system reserve of capacity does not envisage reserving the available capacity other than the one already reserved by the System Commercial Operator (excess capacity) or making reservation of the capacity in the period other than the period of making reservation by the commercial operator of the system, the dispatch licensee is obliged to temporarily suspend the process of registering the agreement on securing system reserve of capacity if the mandatory share of the system reserve of capacity of the purchaser qualified enterprise envisaged in these rules is already reserved by the System Commercial Operator. Registration of
the agreement may be deferred for not more than 40 days after submitting application (31.10.2007 #88)

5. Electricity dispatch licensee is authorized to check any time the readiness of the system reserve of capacity (among them by means of testing) and based on the results of testing confirm or disprove the readiness of the system reserve of capacity (31.10.2007 #88)

6. If by the time of loading the guaranteed reserve source or checking the system reserve of capacity the relevant degree of readiness of the system reserve of capacity is not proven, (among them in case of thermal station, documents on securing relevant fuel) the dispatch licensee is obliged, prior to eradication of shortcomings and or repeated checking of the system reserve of capacity, suspend registration of the relevant direct contract on securing the system reserve of capacity on which it shall immediately notify the parties of the agreement and the commercial operator of the system (31.10.2007 #88)

7. In case of suspending or terminating the registration of the agreement on securing availability of system reserve of the capacity, the qualified enterprise being a service recipient envisaged by the indicated agreement will be supplied by the commercial operator of the system consistent with the standard terms.

Article 20. Purchase and Sale of the System Reserve of the Capacity under the Standard Terms (28.06.2007 N46 be enacted from September 1, 2007)

1. Mandatory capacities needed for balancing supply-consumption of the electricity (capacity) and the reliable functioning of the uniform electricity system of the country which were not reserved by the relevant qualified enterprises, are reserved by the System Commercial Operator of the system consistent with the effective legislation and these market rules.

2. For the purposes envisaged in clause 1 of this article, commercial operator of the system registers with the dispatch licensee agreements on securing system reserve of capacity drawn up in standard forms– both with the qualified enterprises purchasing system reserve of capacity, as well as with the guaranteed sources of reserve. Requirements of chapter 3 on registration and modification of these agreements are not applicable. The relevant qualified enterprise is capable to receive standard terms through executing separate direct contract with the commercial operator of the system subject to registration with dispatch licensee. Standard terms of the direct agreement indicated in clause 2 of this article apply to the qualified enterprises purchasing system reserve of capacity, those indicated in clause 6 – to the guaranteed sources of reserve. Unless otherwise envisaged by this article, terms established by chapter VI of these rules apply to the relations regulated by this article. (31.10.2007 #88)

3. Unless otherwise envisaged by this article, terms established by chapter VI of these rules apply to the relations regulated by this article.

4. Agreements referred in clause 2 of this article are used for securing system reserve of the capacity for which the power purchaser (consumer) qualified enterprise does not have a registered agreement on securing system reserve of the capacity set forth by the legislation and these rules.

5. The qualified enterprise, which has not fully utilized its mandatory share and capacities of the system reserve as envisaged by these rules, is deemed as the party to the agreement indicated in clause 1.

6. For the purposes of this article system, commercial operator registers with the dispatch licensee the agreement on securing system reserve of capacity drawn up in standard forms, based on which the power system in each settlement month will be provided with the system reserve of capacity from the guaranteed sources of the reserve.
Agreement drawn up in standard form should secure reservation of the system taking into account normative losses of the power transmission grid. Requirements of chapter 3 do not apply to registration and modification of this agreement. (31.10.2007 #88)

7. Volumes of the forecast capacities to be reserved by the commercial operator of the system as envisaged in the agreement (standard terms) addressed in clause 6 of this article, are calculated based on the difference between the volumes to be mandatorily reserved by the qualified enterprises (according to the electricity (capacity) balance) and those reserved through direct contracts registered with dispatch licensee on securing system reserve of capacity. (31.10.2007 #88)

8. Commercial operator of the system reserves needed forecast volumes of the capacity based on the information provided by the dispatch licensee 10 days earlier before the settlement month begins, which should address:
   a. capacities reserved by the qualified enterprises through direct contracts, also forecast capacities not reserved by them, reservation of which is mandatory for the upcoming settlement period according to the approved balance of electricity (capacity)
   b. sources of generation which express readiness to provide unreserved capacities of the system reserve of capacities to the commercial operator of the system, according to the forecast capacities available for reservation announced by each generation source and the electricity (capacity) balance approved during the upcoming settlement period with indication of forecast periods of electricity generation. (31.10.2007 #88)

8.1. Those sources of generation, which may be ready to supply the unreserved capacities of the system reserve of capacity to commercial operator of the system prior to no lesser than 15 calendar days before the settlement month begins, shall submit to the dispatch licensee an application on availability of system reserve of capacity which should include:
   a). needed time (hour/minute) from idle mode (cold condition) until synchronization with the power system;
   b). needed time (hour/minute) from synchronization with the energy system until reaching technical minimum, with reference to the corresponding capacity of the technical minimum.
   c). need time (hour/minute) from reaching technical minimum until reaching maximum forecast capacity with reference to the maximal forecast average capacity;
   d). needed time (hour/minute) for the relevant settlement period from the capacity to be generated per approved balance of electricity (capacity) until reaching maximal forecast average capacity;
   e). those specific sections of the future settlement period during which the system reserve of capacity will not be secured, among them due to repair and or preventive works; (31.10.2007 #88)

8.2. for the purposes envisaged in clause 8.1. of this article, the application form of the generation source on availability of the system reserve of capacity is drawn up and approved by the dispatch licensee. (31.10.2007 #88)

8.3. in case of necessity, the dispatch licensee is obliged to check the data of that source of generation on availability of the system reserve of capacity, whose generation of power for the upcoming settlement period is not envisaged per approved electricity (capacity) balance. The dispatch licensee is entitled at any time to request and receive exhaustive technical documentation, which served as basis for the data declared by the generation source on availability of the system reserve of capacity. Refusal of the guaranteed source of reserve on exercising measures or submitting data (within the timeframes set forth by the dispatch licensee) as envisaged in this clause, serves as sufficient basis for the dispatch licensee to exclude such source of generation from the list of generation sources providing the system reserve of capacity designated for submission to the commercial operator of the system or
remove such source of generation from such list already submitted to the commercial operator of the system, on which it shall immediately inform the commercial operator of the system and relevant qualified enterprises. (31.10.2007 #88)
8.4. for making reserve of the needed forecast volumes of capacities, the dispatch licensee submits to the commercial operator of the system information only on that source(s) of generation (with indication of the free capacities subject to reserve) whose declared data on availability of the system reserve of capacity correspond to the established specifications and requirements of the system reserve of capacity. Along with such information, the dispatch licensee also notifies the commercial operator of the system the date and time of accepting applications from the relevant generation sources on availability of the system reserve of capacity. (31.10.2007 #88)

9. Commercial operator of the system, selects the source(s) of generation out of the list of the sources of generation, submitted by the dispatch licensee, whose declared data on availability of the system reserve of capacity correspond to the established specifications and requirements of the reserve, which will provide the forecasted capacity not reserved by the relevant qualified enterprises for the upcoming settlement period. The commercial operator of the system sends relevant notice on above indicated to the dispatch licensee, relevant qualified enterprises (who do not have reserved capacities in needed volumes) and selected generation source(s) no later than 3 calendar days before the commencement of the settlement period. Commercial operator of the system selects sources of generation first of all according to the degree of availability, and the price escalation, in case of equal prices – according to the date of submission of applications by the generation source. After the generation source(s) selected in accordance with this clause receive the notification of the commercial operator of the system, they assume the obligation to secure system reserve of capacity (31.10.2007 #88)

9.1. Dispatch license by each settlement period by means of testing (testing may be held during the settlement period at any time) checks actually supplied capacities of the system reserve from the source of generation selected by the commercial operator of the system, by means of which the unreserved capacity was ensured for forecast by the qualified enterprises. In case of exceptions, when the generation source(s) selected by the commercial operator of the system violate the obligation to secure system reserve of capacity during the settlement period or it will be impossible to secure system reserve of capacity, (among them as a result of system collapse), it is possible that by the time of shortcomings of supply on behalf of the forecast source of the system reserve of capacity, the dispatch licensee check by means of testing actually ensured volume of the system reserve of capacity from other sources of generation, who were loaded during such period, represented the guaranteed source of reserve for the commercial operator of the system and had the relevant degree of availability of the system reserve of capacity. (31.10.2007 #88)

9.2. The source(s) of generation, the actually secured capacity of the system reserve of capacity is verified and checked by the dispatch licensee by means of testing, during the relevant settlement period will be deemed as the party of the agreement made in a standard form envisaged in clause 6 (on securing system reserve of capacity). Technical instruction on establishing and testing the actually secured system reserve of capacity by the generation source is approved by the dispatch licensee taking into account the suggestions of the generation sources. (31.10.2007 #88)

9.3. During 4 calendar days after completion of the settlement period, the dispatch licensee, informs the commercial operator of the system about the actually secured capacities of the system reserve of capacity (identified by means of testing) during the settlement period per generation sources outlined in clause 9.2 of this article. Total of the actually secured capacities of the system reserve of capacity identified by the dispatch licensee
by means of testing represents the full volume of the system reserve of capacity secured by the commercial operator of the system for the relevant settlement period. (31.10.2007 #88)

10. Relevant distribution licensee, direct consumer and the exporter (other than export (exchange) of electricity on the basis of the agreement entered with the relevant legal entity of the foreign country for emergency cases) are obliged to compensate the commercial operator of the system the cost of the system reserve of capacity (actually identified volume of the reserve) provided by the commercial operator of the system during the past settlement period (proportionate with the electricity (capacity) consumed (received) by them). (31.10.2007 #88)

11. For the purpose of this article, commercial operator of the system exercises billing and settlement for the cost of the system reserve of capacity with the distribution licensee, direct consumer and exporter. Commercial operator of the system if necessary is entitled to exercise relevant measures of securing payments as provided by these rules and the legislation.

12. Removed (31.10.2007 #88)

13. Removed (31.10.2007 #88)

14. Removed (31.10.2007 #88)

15. Commercial operator of the system is authorized to terminate effectiveness of the agreements indicated in Article 1 in case of notification of the relevant qualified enterprise at least 20 calendar days earlier, unless otherwise determined by the agreement executed between them.

16. If the commercial operator of the system fails to secure reserve of the system reserve of capacity due to various objective reasons, the fee for securing system reserve of capacity and service shall be proportionally reduced for the qualified enterprises, taking into account the capacities reserved for them by the commercial operator of the system and the electricity capacity (consumption).

17. Commercial operator of the system is not responsible for failure to deliver system reserve of capacity from the relevant source, also, in cases, when it was impossible to reserve such capacity due to other objective factors. The issue of raising the responsibility of the commercial operator of the system is incurred only in case the failure to deliver the system reserve of capacity is determined for the reason of violating terms envisaged in these rules.

**Article 21. Termination of the agreement on securing system reserve of capacity**

1. Bilateral application on termination of the agreement on securing system reserve of capacity prior to date, consistent with the approved form, is mandatory to be submitted to the dispatch licensee 15 calendar days earlier before termination of the agreement;
2. Registration of termination of the agreement on securing system reserve of capacity by the dispatch licensee causes termination of this agreement.
3. Dispatch licensee is obliged to terminate the process of canceling registration of the agreement on securing system reserve of capacity in case such termination does not make the relevant qualified enterprise secure mandatory share from other sources and or other terms envisaged by these rules are violated. In such case, dispatch licensee shall, for the safety purposes of the energy system, determine the date of revoking the agreement registration, which should not exceed the period of revoking registration of the direct contract determined by these rules.
Article 22. Securing system reserve of the capacity by own generation means (28.06.2007 N46 be enacted from September 1, 2007)

1. When securing the system reserve of capacity by own generation means, relevant qualified enterprise is authorized to secure own consumption with system reserve of capacity.
2. In case of securing the system reserve of capacity from the guaranteed source of reserve through own means of generation, relevant qualified enterprise should address the dispatch licensee for registration of the application.
2.1 By the time of securing system reserve of capacity by means of own generation such generation facilities should have the relevant degree of readiness of the system reserve of capacity. (31.10.2007 #88)
2.2 In case, the system reserve of capacity secured by the qualified enterprise by own generation means does not meet the relevant degree of availability of the system reserve of capacity, the qualified enterprise is deemed as the party of the agreement drawn up in a standard form envisaged in clause 2, article 20 of these rules, regardless of the registration of the relevant application with the dispatch licensee. (31.10.2007 #88)
3. Requirements set forth for registration of the agreement on securing system reserve of capacity also making amendments and terminating effectiveness also apply to submission and registration of application indicated in clause 2 of this article, taking into account specifications of this article.

Article 22¹. Curtailment of the qualified enterprise in case of absence of the mandatory volume of the system reserve of capacity (28.06.2007 N46 be enacted from September 1, 2007)

If the distribution licensee, direct consumer or exporter fail to reserve the mandatory volume of the system reserve of capacity in a form envisaged by the legislation, electricity dispatch licensee must, consistent with the current deficit of the electricity (capacity) in the system, first of all curtail power supply to such qualified enterprise.

Chapter 7. Electricity Losses in the Transmission Network (Electricity consumed for technological process)

Article 23. Electricity purchase and indemnification for losses in the network (25.04.2007 N31)

1. Electricity (capacity) is purchased by a qualified enterprise at the busbar owned by electric energy (capacity) producer, and in case of import – at the appropriate receiving point of connection with the system of a neighboring country.
2. Actual average losses of energy are calculated by a Dispatch Licensee for each settlement period, actual losses are calculated based on the difference between the total volumes of electricity (capacity) registered at the receipt and delivery points, which are connected to the transmission network and for the purpose of rules represent the actual loss at the transmission network. In the total volume is not represented electricity volume consumed in the intersystem transit power line(s) protection regime and also electricity inflow and leakage in line synchronization regime. Electricity volume consumed in the intersystem transit power line(s) protection regime and also electricity inflow and leakage in line synchronization regime will be represented in the actual average loss. Data on the actual average loss among them electricity volume consumed in the intersystem transit power line(s) protection regime and also electricity inflow and leakage in line synchronization
3. In order to comply with the provisions of Paragraph 1, by qualified enterprises purchasing (excluding system commercial operator) through relevant direct contracts, including electricity purchased and received using standard terms of the direct contract, is calculated considering electricity volumes registered at initially identified delivery points and actual average losses (excluding electricity volume consumed in the intersystem transit power line(s) protection regime.

4. Standard losses in the distribution network shall be compensated by retail customers and those Qualified Enterprises that receive electricity from a distribution grid. The value of electricity losses is included into the relevant tariffs by the Commission.

5. Above norm losses, other than normative losses, also losses during the power (capacity) transit in the transmission grid are reimbursed by the licensee(s) owning electric grid commensurate with the legislation. (31.10.2007 #88)

Article 231. Electricity purchase by production licensee or small power plant for the plant consumption (25.04.2007 N31)

During the period of disconnection of the electricity generation facility, Generation Licensee or Small Power Plant, provision for overall utility consumption is carried out by another qualified enterprise through appropriate agreements on purchase, transmission/dispatch and transit services.

Chapter 8 Settlement

Article 24. Contractual Obligations (25.04.2007 N31)

1. Parties of a direct power purchase agreement are authorized to agree that the Buyer shall fully pay for the whole amount of electricity specified in the Agreement, if generated, regardless the fact whether the Buyer actually consumed such electricity.

2. If, in the process of performance of a direct contract on power purchase at the end of the settlement period it appears, that the amount of electricity consumed (received) by the Buyer is less than the amount of electricity generated and purchased by the Seller within this contract, the Buyer of electric power shall be deemed to be a party to the agreement registered on standard terms with a Dispatch Licensee by the Commercial Operator of the System, and shall be treated as the Seller of this electricity to the Commercial Operator.

3. If electricity supplied by a generation company is not sold under a direct contract and at the end of the settlement period it appears, that the amount of electricity consumed (received) by the Buyer is more that the amount of electricity generated by the Seller, the Buyer of electricity shall be deemed to be a party to the agreement registered on standard terms with the dispatch licensee by the System Commercial Operator and shall be treated as the Seller of electricity to the Commercial Operator.

4. For the purpose of timely resolution of disputes that may arise between the parties, upon the request of one of the parties a representative panel shall be formed, in which the System Commercial Operator and the Dispatch Licensee shall appoint one or more representatives (if the parties so require). The rule specified in this paragraph does not apply to the creation of a task force and its activity under the Articles 26 and 27 of these Rules.
5. In case of non-delivery of electric power (capacity) under the direct contract on power purchase (if the contract does not provide for otherwise), the supplier shall reimburse to the Buyer, upon relevant request, the losses occurred due to such non-delivery through his fault.

Article 25. Presentation of financial guarantees
1. If a qualified enterprise delays payment of cost of purchased electricity (capacity) or/and transmission, dispatch and passing through fee for more than 5 days, electricity (capacity) seller or transmission, dispatch and relevant distribution licensee are authorized to request bank guarantees from the relevant qualified enterprise for ensuring payment of the cost of the electricity (capacity) and transmission, dispatch or/and passing through service fee for the upcoming settlement period (25.04.2007 N31)
2. If a Qualified Enterprise fails to present a financial guarantee, the Commercial Operator is fully authorized to prevent participation of such Qualified Enterprise in balance electricity trade, while the Generation Licensees, small power plants, Transmission and Distribution Licensees shall have a right to terminate supply of electricity (capacity) and/or provision of services to such customers in compliance with these Rules.
3. If qualified enterprise, purchasing electricity (capacity) or/and transmission, dispatch and passing through services (among them balance electricity), delays paying cost of purchased electricity (capacity) or service fees, this enterprise is obliged to reimburse the damage related to such delay. (25.04.2007 N31)
4. Within 27 days after completion of settlement period (if not otherwise defined in the direct contact) in case of nonpayment by the qualified enterprise of the cost of electricity or service fees within a defined time period or in case of failing to present bank guarantees, commensurate with this Article, qualified enterprise, selling electricity (capacity) or any relevant licensee, providing service are authorized to demand termination of the relevant direct contract from electricity dispatch licensee, (25.04.2007 N31)
5. Immediately upon receipt of such a request the Dispatch Licensee shall notify the relevant buyer regarding complete or partial termination of power supply, 72 hours prior to disconnection. If during this period the relevant Qualified Enterprise or Licensee does not change the application sent to the Dispatch Licensee, the Dispatch Licensee terminates the Agreement validity and fully or partially stops electricity supply to the Qualified Enterprise.

Article 26 Data Collection
1. All Qualified Enterprises shall use the equipment owned or managed by them to meter electricity generated, delivered at the buss-bar, transmitted, consumed or distributed in compliance with these Rules – Chapter.
2. The Qualified Enterprises shall ensure access of the Dispatch Licensee, Commercial Operator and the counter-agent party to the above data.
3. Registers for recording readings of settlement meters and technical meters shall be kept at the receipt and delivery points located at stations and substations and the data shall be signed by the parties, Dispatch Licensee and the Commercial System Operator. The register shall contain hourly readings of settlement meters and technical meters.
4. At stations and substations where taking hourly meter readings is impossible meter readings shall be taken and recorded in the register at least once in 10 days. The list of such stations and substations shall be developed by the Commercial System Operator.
5. At the end of each settlement period the Qualified Enterprise shall elaborate the acceptance report (reports) in the presence of the authorized representatives of all parties, based on meter readings recorded in the register (according to voltages) and in compliance with the set format.

6. The number of original copies of the acceptance report depends on the number of the Qualifies Enterprise’s counter agent parties; two originals will be submitted to the Commercial Operator and Dispatch Licensees (for each)

7. Persons responsible to control metering at stations and substations are appointed by the Qualified Enterprises and Transmission Licensees based on an order. This person shall systematically control accuracy of meter readings, records made in the register and development of balances at stations and substations.

8. Data, stated in the relevant operational data statement, shall be passed to the commercial operator of the electricity system and dispatch licensee upon completion of the reporting period and the statement, appropriately executed and approved by the qualified enterprise, shall be submitted to the dispatch licensee not later than 2 days after completion of reporting period; such licensee checks it and submits to the commercial operator of the electricity system not later than 2 days after receipt of this statement. (25.04.2007 N31)

9. In case of a failure to submit such Reports within the defined timeframe the Qualified Enterprise shall pay penalty in compliance with the agreement signed with the Commercial operator.

10. Amendments to the acceptance reports of generated, delivered and consumed electricity shall be carried out in accordance with the same rules valid for issuing acceptance reports.

11. If dispatch licensee disagrees with the data, indicated in the submitted handover act, it shall immediately notify of the above commercial operator of the electricity system by indicating valid reasons of disagreement. Working group, including commercial operator of the electricity system, dispatch licensee and relevant qualified enterprise is established to resolve the disagreement. The group shall make the decision commensurate with item 4, Article 27 of this Rules. (25.04.2007 N31)

Article 27 Meter Reading Register and Data Management

1. The Commercial Operator shall enter the electricity generation, supply and consumption data from the Acceptance Reports into the integrated data base of wholesale sale and purchase.

2. The Commercial Operator of the system within 7 calendar days develops actual data submitted by the dispatch licensee through their comparison with the contractual volumes and submits qualified enterprises and transmission-dispatch licensees information on performance of the agreements registered by them during the settlement month, also information on use of reserve, balance electricity and capacities received and delivered through the energy system (28.06.2007 N46).

3. If Qualified Enterprises disagree with the information processed by the Commercial Operator they shall, within 2 days, notify the Commercial Operator about their disagreement specifying well-grounded reasons. A task force shall be formed to resolve the dispute with participation of the Commercial Operator, Dispatch Licensee and the relevant Qualified Enterprise.

4. Working group makes final decision by simple majority of votes within two working days. Decision made by the working group shall be executed as minutes. If a party disagrees with the decision made by the working group, it may file an appeal against this decision, commensurate with the Georgian legislation. (25.04.2007 N31)
5. Handover acts of generated, transferred, delivered and consumed electricity and official information presented by the commercial operator of the electricity system commensurate with the Article 15 of these Rules serve as a basis for exercising the final settlement between the Parties, among them for adjusting the settlement, based on the information indicated in the log book.  
(25.04.2007 N31)

6. Within 20 days after completion of the reporting month, commercial operator of the electricity system presents to the qualified enterprise final information for settlement which is based on proper processing (analysis) of the relevant information submitted by the dispatch licensee  
(25.04.2007 N31)

Chapter 9. Electricity (Capacity) Transmission and Dispatch Services

Article 28. Electricity (capacity) transmission, dispatch and pass through service  
(28.06.2007 N46)

1. Electricity transmission, dispatch and transfer service is exercised only through a relevant agreement on electricity transfer, dispatch and purchase of transfer service.
2. Compensation of the cost of service of the dispatch licensee by the qualified enterprises is exercised per each kW/h electricity received (metered) at the delivery points as a result of operations performed by them, as for the service of the transmission licensee, commensurate with the service rendered through the transmission network in the capacity of electricity transmitted at the delivery points, according to the tariff set forth by the commission for such service.
3. When the power is transmitted by the qualified enterprise and received (consumed) by distribution licensee through its network, in such case cost of transmission service is paid by the network owner distribution licensee from the difference of the electricity obtained by using transmission network by the qualified enterprise and the volumes of electricity delivered at delivery points from the transmission network. The qualified enterprise pays the transmission service cost from the total volume of electricity received (consumed) by it at its own network through the transmission network.

Article 29. Purchase Agreement on electricity (capacity) transmission, dispatch or/and pass through service  
(25.04.2007 N31)

1. Direct Agreements for Purchase of Electricity (Capacity) Transmission, Dispatch and Transit Services shall be submitted to the Dispatch Licensee for registration.
2. Any amendments/additions to the Direct Agreement shall be made in writing. Such amendments shall be submitted to the Dispatch License for registration.
3. All Qualified Enterprises are obliged to have a Direct Agreement on purchase of electricity transmission and dispatch services.
4. Qualified enterprise is authorized to refuse passing electricity (capacity) through their own network to the interested party, except for the cases when the refusal is due to nonpayment of relevant fee for passing though or network capacity. Except for transmission network, relevant authorized person may request electricity (capacity) passing through the networks of generation or distribution licensee and small hydro power plant (SHP) or direct customer.  
(25.04.2007 N31) In such cases:
   a) if an interested entity requests to transmit electricity (capacity) through a network owned by the Generation or Distribution Licensee, small power plant or direct consumer, such transit of electric power (capacity) does not oblige the owner of the network to supply the power (capacity) required to balance the actual consumption (if the power transit agreement does not provide for otherwise). Consequently:
a.a) if there is no agreement for the supply of electricity (capacity) required to balance actual consumption, and there occurs an unauthorized use of the electricity (capacity) of the owner of the network, the owner of the network is entitled to claim the compensation for the incurred losses and request the payment of the amount of electricity (capacity) used without permission in the appropriate settlement month at the highest price of electricity (capacity) purchased by him;

a.b) Above-standard losses in the electric network shall be reimbursed by the owner of the electric network at the highest price of electric power (capacity) purchased to satisfy the needs of actual consumption of the consumer (receiver).

b) If the service of requested transit involves a distribution network, according to the effective legislation, the transit fee is determined by the commission;

c) If the service of requested transit involves such network, which is not owned by the distribution licensee, the owner of the network under the Civil Code of Georgia is obliged, in order to ensure proper connection, to tolerate the use of his network and receive appropriate compensation for such use (transit of electricity (capacity)) on the basis of mutual agreement between the parties;

5. Generation licensee or SHPP, based on the relevant request are authorized to deliver electricity (capacity) to the direct customer or/and other qualified enterprise through their own network. In this case electricity supplier shall undertake the obligation of delivering electricity (capacity) needed for balancing consumption, if not otherwise defined in the agreement executed between them. (25.04.2007 N31)

6. For the purpose to collect service fees of power transmission and dispatch, also the service fee of the commercial operator of the system from that retail consumer, who has executed power purchase agreement with the small capacity power plant, the power distribution licensee, to whose distribution network such a consumer is connected, is obliged (without requesting any additional payments) to request from the retail consumer the total cost of service of transmission and dispatch and of commercial operator of the system, and fully pay to the transmission and dispatch licensees and the commercial operator of the system accordingly. (31.10.2007 #88)

7. Cost of service rendered by the transmission and dispatch, commercial operator of the system as envisaged in clause 6 of this article, will be received by the distribution licensee together with the cost of transmission from that retail customer, who has executed the power purchase agreement with small capacity power plant. (31.10.2007 #88)

Chapter 91. Operation in the parallel regime of the Electricity System
(25.04.2007 N31)

Article 291 Management, Performance and Settlement of Operations in Parallel Regime

1. The agreement for operation in parallel regime entered by the dispatch licensee based on the preliminary agreement with the Commercial Operator shall serve for the sustainability and stability of power systems of both Georgia and its neighboring countries on the basis of bilateral balance (interchange) of existing capacities in the connected electrical systems.
2. The actual demand of qualified enterprises is satisfied by the electricity (capacity) flowing into the Georgian energy system in parallel regime, at the expense of the electricity (capacity) flowing from the energy system of a neighboring country.

3. The operation of the Dispatch Licensee in parallel regime (connection) with the neighboring energy systems requires cooperation between the Dispatch Licensee and the Commercial Operator (this can be specified in detail in the memorandum of collaboration).

4. The Dispatch Licensee technically controls the inflow and outflow of electric power in the Georgian energy sector, and the final analysis of the information provided by the Dispatch Licensee for the purpose of it being reflected in the settlement information is carried out by System Commercial Operator.

5. In parallel regime, the outflow of power (capacity) from the Georgian power sector to the power sector of a neighboring country is carried out at the expense of the returned (supplied) power (capacity) by relevant generation, distribution and/or direct consumers.

6. In parallel regime, the inflow of power into the energy system of Georgia and the return of power consumed (received) by a qualified enterprise shall be carried out by the same volume of power, according to the schedule agreed with the Commercial Operator of the System and the Dispatch Licensee or/and while operating in parallel regime for the energy system of the neighboring country in case of need for this energy or at their request.

7. The qualified enterprises are obliged to return to the Dispatch Licensee the received or consumed power (capacity) in parallel regime in the same volume of energy purchased or generated on the basis of direct contract, this request with the relevant qualified enterprise, which is defined by Commercial Operator of the System in advance.

8. If a qualified enterprise has no relevant sources of electric power (capacity) purchased or generated under a direct contract, the return (offset) of the consumed (received) power will be carried out on standard terms by purchase of balance electricity.

9. The actual losses of electric power originated in Georgian system as a result of interflow of electric power (capacity) during validity period of the contract while operating in parallel regime will be covered at the receiving point, individually by those qualified enterprises, which received (consumed) inflow of electric power for ensuring their actual need.

10. While billing qualified enterprises for inflow of electric power (capacity) in parallel regime, billing rules and characteristics as well as calculation of actual losses of electric power (capacity) in transmission network specified by the present Rules are applied.

11. Along with the contract of operation of electric power systems in parallel regime other power import or and export contracts may be in force in the same electric power system of the neighboring country.

12. In contrast to power (capacity) import and export activities the operation of electric power systems in parallel regime (interflow of electric power (capacity), is not an economic activity.

13. If it is necessary to cancel the contract on operation in parallel regime, the decision is made only by mutual agreement of the Dispatch Licensee and System Commercial Operator, so as to meet the legal requirements of qualified enterprises in the system. The same condition shall be observed when the term of the contract on parallel operation is expiring.

14. After termination of the contract on parallel regime balance – interflow of power (except zero balance) is considered as power export or import. Likewise in the part of balance electricity the Dispatch Licensee is an importer or exporter, where, in case if:
a) The balance-interflow of electric power from Georgia is above zero and the amount paid by the neighboring country to the Dispatch Licensee does not meet legal requirements of qualified enterprises in the electric power system of Georgia, the difference shall be compensated by the Dispatch Licensee.

b) The balance-interflow of electric power to Georgia is less than zero and the qualified enterprises must return to the Dispatch Licensee electric power (capacity) received during the parallel regime and consumed by them, they are obliged to pay to the Dispatch Licensee at the price established for balance-inflow of the relevant contract on operation in parallel regime (or at the constructed value specified by this contract).”

Chapter 10. Electricity (capacity) Balance

Article 30 Electricity (capacity) Annual Balance
1. For drawing up annual forecast of electricity (capacity) balance, no later than July 1 of each calendar year, the Dispatch Licensee receives from Qualified Enterprises standard format applications on electricity (capacity) delivery-requirement for the period of September 1 of the relevant year till September 1 of ensuing year not later than August 31 of each calendar year.

2. Not later than July 20 of each calendar year the Dispatch Licensee based on the received applications and taking into account actual balance of the electricity (capacity) for the previous year develops and approves projected balance of electricity (capacity) for the next year.

3. No later than August 1 of each year the Ministry shall approve forecast electricity (capacity) balances submitted by the Dispatch Licensee. Annual electricity (capacity) balance shall cover the period from September 1 of the current year through August 31 of the next year.

4. While requiring dispatch license qualified enterprise shall additionally submit the application for correction of annual balance. (25.04.2007 N31)

Article 31 Supply and Consumption Schedules

1. The Dispatch Licensee shall carry out daily and hourly planning of generation and supply sources, within the approved electricity (capacity) balance and in compliance with the Direct Agreements signed between Qualified Enterprises. Daily planning of generation and supply sources shall be carried out to ensure stability of the Georgian power system.

2. for this purpose, the parties of the direct contract are obliged to provide the dispatch licensee with the consumption and hourly supply schedules in the scope of the agreement 4 days earlier before commencement of the each settlement period. The party(parties) should notify the dispatch licensee and other parties to the agreement on changes in the indicated schedules no less than 2 days in advance. In case of inconsistency in the consumption and supply schedules submitted to the dispatch licensee, the dispatch licensee immediately notifies parties on such and suggests to correct inconsistency with indication of reasonable time. In case the parties fail to reach agreement or cause delay, also fail to submit consumption and hourly supply schedules for the upcoming settlement period or the application of next day consumption and supply as envisaged in clause 5 of Article 9 of these rules, the dispatch licensee is entitled to exercise balancing of consumption and supply and prepare electricity (capacity) supply and consumption plan at own discretion and or according to the statistical data on supply and consumption of analogous period of the previous balance year. (31.10.2007 #88)
3. Electricity Dispatch Licensee shall officially inform the Qualified Enterprises regarding generation and supply source schedules immediately upon approval of such schedules.

4. Implementation of the generation and supply source schedules developed by the Dispatch Licensee shall be mandatory for all the persons involved in electricity generation, export, import, transmission, dispatch, consumption and transit. These schedules impose specific obligations and responsibilities upon each of them.

5. Qualified enterprises shall unconditionally fulfill active requests of dispatch licensee, except for the cases envisaged by the legislation. (25.04.2007 N31)

6. The Commercial System Operator shall ensure constant monitoring over the implementation of generation and supply schedules by Qualified Enterprises.

7. The Dispatch Licensee shall:
   a. Pan and dispatch the integrated electricity system in such a way that ensures correspondence of its parameters (frequency, voltage etc.) with the set standards;
   b. Balance electricity supply and consumption at any time;
   c. By observing the terms of these rules, deliver on the daily basis to the commercial operator of the electricity system the available information on electricity (capacity) received or delivered in the delivery and receipt points, electricity represented in the delivery and consumption schedules and actually metered electricity (delivered or/and consumed) and also information on implementation of the direct contract and in addition dispatch licensee shall supply on the daily basis records of these guidelines and instructions issued in the previous day by indicating all the changes made in the preliminary planned electricity (capacity) generation or/and delivery. schedules (25.04.2007 N31)

8. In case if terms of this or that agreement is failed to be appropriately fulfilled due to the technical problems existing in the power system, and this non fulfillment will clearly influence implementation of the contract within the reporting month, dispatch licensee shall immediately notify the Parties of the above and at the request of one of the contractual Parties shall prepare written confirmation indicating the reasons causing non fulfillment of direct contractual terms. (within the terms defined in the item 9 of this Article) (25.04.2007 N31)

9. Well-organized notifications, requests, or/and assignments of the dispatch licensee shall be registered by the both sides. Registration may be conducted both in writing and by audio recording. Efficient notifications, requests, or/and assignments of the dispatch licensee is a publish information. Records of efficient notifications and requests shall be issued by the dispatch licensee within 3 working days after the request made by the interested qualified enterprise. (25.04.2007 N31)

Chapter 11. Wholesale Metering of Electricity

Article 32 Goal of Electricity Metering in Electric System

1. The aim of electricity metering in energy system is to receive reliable information about electricity import, export, transit, generation, transmission, distribution and consumption in order to carry out settlement between Qualified Enterprises with regards to electricity (capacity) transactions.

2. The metering system shall provide for evaluation of average electricity volumes and capacity:
   a. generated by the power plant units;
   b. consumed for the need of power plants and substations, also for economic needs; (separately)
   c. used for production needs in energy sector;
   d. delivered directly from power plant bas bars to the customers via transmission lines;
e. delivered to the network of other owner or received from them;

f. delivered from electric network to the customers;

g. exported and received by import;

h. passing through transit from one country to another (through Georgia).

i. Consumption of electricity at the electricity transmission lines in voltage safety regime (25.04.2007 N31)

j. definition of losses in the transmission network according to the voltage (25.04.2007 N31)

3. Metering of the active electricity (capacity) shall be organized in the way enabling to solve the following tasks: (25.04.2007 N31)

   a) Determining the volume of released electricity delivered to the electric energy system at different stages of voltage;

   b) Producing the electricity (capacity) balance and determining actual electricity (capacity) losses at different stages of voltage of electric energy system;

   c) Control of protection of established consumption regimes and electricity (capacity) balances by the qualified enterprises.

4. Metering of reactive electricity shall provide for:

   a) Identify reactive capacity delivered to the qualified enterprises or delivered by such enterprises; (25.04.2007 N31)

   b) Meter reactive electric energy generated by compensating equipment;

   c) Control over the transmission of reactive electricity through intersystem lines.

   d) Identify reactive capacity produced by the generator. (25.04.2007 N31)

5. Metering equipment, also electricity quality controlling appliances shall satisfy the rules for operation of technical equipment, their arrangement and their operation rules and the rules and requirements for “Supply of electricity and its Consumption” and shall be included in metering equipment register. These electric appliances shall be installed according to the manual for electric appliances.

Article 33. Principles of Electricity Metering

1. The Qualified Enterprise and Transmission and Electricity Dispatch Licensee shall meter at the points of delivery full amount of transmitted electricity and capacity according to established standards, acting norms and requirements. All the metering data shall be submitted to the System Commercial Operator and the Dispatch Licensee and in case of requirement make this information available for any contractor or a party physically connected with the matter under review. The Commercial Director is authorized to inspect metering system of any Qualified Enterprise and licensee.

2. Any individual connection shall have a place for meter where electricity meter shall be installed and metering system arranged;

3. Qualified Enterprise, Generation, Transmission, Electricity Dispatch Licensee is responsible for installation of metering system at its metering point, its normal functioning according to the requirements of the present Rules;

4. The Commercial Operator shall provide Qualified Enterprises and licensees with the list of priorities based on which the Qualified Enterprises and licensees shall bring into correspondence their metering systems with the “Rules for operation, arranging and use of energy objects and other technical facilities”, during 6 months after these rules come into force;

5. All the expenses connected with the installation of electricity metering equipment at the metering points or their upgrade, adjustment and putting into operation, maintenance and service shall be assumed by Qualified Enterprise, Licensee;
6. The electricity metering system and appliances shall be protected from unauthorized interference into the work of the meter;
7. Qualified Enterprises and Licensees have right to receive that sort of information from metering database, which refers to the generated, transferred and consumed electricity and/or capacity;
8. Metrological control over the electricity metering method is carried out according to the acting legislation.

**Article 34. Data Keeping**

1. Metering data should be maintained in the metering database;
   a) During 13 months in the available format;
   b) During 6 year in the archive.
2. In case of errors made in metering electricity, re calculation of the metering data will begin from the previous period when the last technical inspection of the device was held, other than cases when the electric metering equipment (database transferred by it) allows making re calculation for more specific time. (31.10.2007 #88)

**Article35. Responsibility for Metering**

1. Those Qualified Enterprise, licensees are responsible materially as well as legally for the protection of balancing equipment security, for the protection of the seals applied to them, from any damage caused by individual persons, also violation of the metering circuits.
2. Each component of the metering device (covers of current and voltage transformer, meter covers, test blocks, meters) should be labeled by the meter owner which should correspond to the registration data available at the Commercial operator;
3. Qualified Enterprises and Transmission Licensees shall ensure free 24 hour access of the Commercial System Operator’s representative to the metering devices used for settlement.

**Article 36. Metering Data Register**

1. The Commercial Operator shall carry out and maintain integrated register for metering data, including complete information from metering points of all wholesale sale/purchase transactions.
2. The register shall include:
   a) Registration of metering points;
   b) Data on inspection of the metering points

**Chapter 11¹. Deregulated Power Plants (25.04.2007 N31)**

**Article 36¹. Small Capacity Power Plants (10.11.2008 #98)**

**Article 36¹. Small Capacity Power Plants**

1. If the electricity released by small capacity power plant at receipt point has not been purchased (totally or partly), based on direct contract signed in advance, small
capacity power plant is considered a seller of electricity to the System Commercial Operator by direct agreement made in compliance with Standard Conditions.

2. Within the scope of the direct agreement made in compliance with Standard Conditions, System Commercial Operator shall make settlement when purchasing balance electricity from the deregulated small capacity power plant:
   a. From September 1 till May 1 within the scope of the direct agreement made in compliance with Standard Conditions at the highest tariff of electricity sold to System Commercial Operator
   b. From May 1 till September 1 - at the adjustable fixed tariff of the thermal power plant that has the lowest tariff established by GNERC

3. Small capacity power plant may purchase electricity for the purpose of ensuring relevant execution of the agreement on electricity generated by these plants; the volumes should not exceed the framework of forecasted volumes proposed in electricity (capacity) forecasted balances

Chapter 12. Resolution of Disputes

Article 37. Resolution of Disputes

All disputes that may arise in connection with the Rules shall be resolved according to Georgian Legislation

Article 371. Temporary Rule on Securing System Reserve of Capacity (28.06.2007 N4 till September 1, 2007)

1. For the purpose to secure system reserve of capacity to the electricity system, commercial operator of the system on the basis of the contract executed with the guaranteed source of reserve purchases (makes reserve of) system reserve of capacity at relevant volume.

2. Commercial operator of the system should secure the energy system of Georgia with the system reserve of capacity not less than 10% of the forecast consumption of electricity.

3. System reserve of capacity is at the disposal of the dispatch licensee and is used for balancing supply-consumption of the electricity (capacity). Thereby, selling of electricity by the guaranteed source of reserve (relevant power generator), in the scope of the direct contract executed in advance, may be exercised only upon prior agreement with the commercial operator of the system.

4. Distribution licensee, direct consumer and exporter shall compensate the commercial operator of the system the full cost of securing system reserve of capacity. Commercial operator of the system, if necessary, may apply the legislation and the means on imposing payment envisaged by these rules.

5. Commercial operator of the system collects the cost of the system reserve of the capacity from the distribution licensee, direct consumer and exporter and makes compensation to the relevant qualified enterprise.

6. Commercial operator may terminate effectiveness of direct contracts outlined in Article 1 against the power generating qualified enterprise in case of warning 20 calendar days earlier, unless otherwise envisaged by the agreement executed between them.

7. Expiration of the effective term of this Article does not exempt parties from performing financial liabilities.

Article 38. Issues to be Regulated for the Transitional Period with Regards to these Rules

1. Removed (28.06.2007 # 46)
2. Supply of power in the territory of Abkhazia is exercised from Enguri HPP and Vardnili cascade HPP per established forecast balance volumes. HPP-s of Enguri and Vardnili cascade out of their generation deduct the volume supplied to Abkhazia territory for the relevant settlement period proportionate with their generation and record them according to the present rules and the established tariff. In case power supply to Abkhazia territory is exercised at the expense of the electricity purchased by the commercial operator of the system, Enguri HPP amd Vardnili cascade HPP are obliged to supply the commercial operator of the system electricity in equivalent volumes for the upcoming settlement periods. Commercial operator of the system is entitled to sell the indicated electricity at the price of the electricity purchased by it and supplied to Abkhazia territory. When exporting this electricity by the commercial operator of the system, the price formation is done consistent with the agreement executed on export and or exchange of electricity. Clause 6 of article 14 does not apply to these cases. (31.10.2007 #88)
3. In case of a failure to pay for electricity purchased by the Buyers from the Union (Association) Wholesale Electricity Market and membership fee in July and August 2006 the Wholesale Electricity Market is authorized to demand from the Dispatch Licensee to terminate electricity supply to such buyers of the Union (Association) Wholesale Electricity Market.
4. Removed (31.10.2007 #88)
5. According to this rule information is delivered in written. In addition, it may delivered by e-mail fax, telephone message or otherwise if it is preliminary agreed upon (25.04.2007 N31)
6. Prior to improvement of metering systems technical equipment, among them prior to improvement of metering systems technical equipment needed for distribution among transmission licensees, amounts to be paid to system commercial operator or amounts to be received from this operator, be used the same ratio as set by the Commission and existing between the normative losses in the transmission network of JSC “Sakrusenergo” and “Georgian State Electricity System LLC. In addition this item is effective till July 2007. (25.04.2007 N31)
7. Upon the improvement of metering systems technical equipment or/and appearance of fulfillment options of the terms set forth in the sub item b, item 3, Article 32 of these rules within the scope of relevant transmission network, dispatch licensee shall notify the Ministry on the above and indicate the results achieved though this improvement, among them options related to improvement of accurate metering of delivered and transmitted electricity (capacity) in the transmission network. (25.04.2007 N31)
8. Paragraph 5 of Article 13 and paragraph 8 of Article 31 shall be enforced from 1 July 2007.
9. Before the Generation licensee or small capacity power plant puts in order the electricity metering system (within the period envisaged by Paragraph 6 of the Article herein), in the even of outage of electricity generation facility for less than one settlement period, in case of positive difference between the received and generated electricity during this period, settlement of received residue shall be carried out based on the direct contract on electricity (capacity) purchase and service except when utility consumption is fully compensated by the direct contracts signed on electricity (capacity) purchase and service with other qualified enterprises.
10. For the settlement period if November 2007, forecast capacities to be reserved under the agreement registered in a standard form with the dispatch licensee, shall not be calculated, those sources of generation, which will secure the capacities not reserved by the qualified
Article 39 Special Rule of Allocation of System Reserve of Capacity in the Electricity System

1. For the purposes of this Article guaranteed source of reserve also includes the thermal power plants not envisaged as guaranteed source of reserve within the validity term of the electricity (capacity) forecast balance.

2. From May 1 till September 1 cost of system reserve of capacity will be reimbursed to the thermal power plants identified in the item 1 of this Article according to the annual generation volume (delivered at the buss-bar) but not more than 10% of supply volume (excluding electricity supplied to Abkhazia) envisaged by the electricity (capacity) forecast balance and of total annual export volume. Actual electricity volume delivered at the buss-bar by the thermal power plant during the current year will be subtracted from this volume.

3. Not later than May 1, 2009 guaranteed sources of reserve (thermal power plants) identified in the Item 1 of this Article shall submit to the Dispatch Licensee the application for guaranteed system reserve of capacity.

4. Within three calendar days after the receipt of the application for guaranteed system reserve of capacity, Dispatch Licensee shall register the volume of system reserve of capacity calculated as the difference between the volume indicated by the source in the application for guaranteed system reserve of capacity and its actual generation (delivered at the buss-bar) for each source indicated in this Article.

5. Equitable sharing of guaranteed system reserve of capacity among the Qualified Enterprises, purchasing system reserve of capacity shall be conducted from May 1, 2009 till August 31 2009

6. Not later than May 5, 2009 Dispatch Licensee shall submit the information indicated in Item 3 of this Article to the System Commercial Operator and guaranteed sources of reserve. Based on the obtained information System Commercial Operator within May – August 2009, not later than 10th day after each settlement month allocates the volume of system reserve of capacity (according to the specific source of system reserve of capacity) to each Qualified Enterprise, purchasing system reserve of capacity proportionally according to the share of the corresponding Qualified Enterprise’s actual consumption (during the same settlement period) in the total actual consumption of the Qualified Enterprises, purchasing system reserve of capacity. System Commercial Operator submits this information to the corresponding Qualified Enterprises.

7. Information envisaged in Item 6 of this Article represents the basis for settlement between the sources of system reserve of capacity and System Commercial Operator, and also between the Qualified Enterprises, purchasing system reserve of capacity and System Commercial Operator. Qualified Enterprises, purchasing system reserve of capacity reimburse the cost of system reserve of capacity taking into account according the tariff (upper margin) of system reserve of capacity set for the relevant source under the legislation and volume of system reserve of capacity to be purchased by them, envisaged by the Item 6 of this Article, based on the direct contract with standard terms on securing system reserve of capacity.

8. This Article applies solely to the sources of system reserve of capacity envisaged under Item 1 of this Article, that submit application to the Dispatch Licensee, drawn up according to the rule set by this Article.