Georgian National Energy and Water Supply Regulatory Commission

Activity Report of 2023

Tbilisi

2024

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Main Directions and Results of the Commission's Activity

In 2023 the following main events and tendencies took place in energy and water supply sectors:

Electricity

- The Commission approved a new rule for connecting small power plants up to 15 MW to the electricity distribution network. The Rule defined transparent and fair principles for connection of small capacity power plants to the distribution network, conditions for connection and relevant fees. The new regulation provides a non-discriminatory approach to the investors and gives them the opportunity to determine the expenditures in advance and terms for connection to the distribution network;
- According to the decisions made by the Commission, electricity consumption tariffs for household and non-household consumers were reduced by 3 Tetri, both in Tbilisi and in the regions of Georgia. The reduced tariffs are effective from January 1, 2024;
- Electricity generation (Busbar Delivery) was increased slightly, by 1%, compared to the previous year and by 13.6 % compared to 2021;
- Based on the data of 2013-2023, the electricity generation (Busbar Delivery) grew by 3.7% on average annually;
- Domestic electricity consumption in 2023 was reduced by 7.6% compared to the previous year and by 4.3% compared to 2021;
- Domestic electricity consumption in Georgia, based on the data of 2013-2023, has increased by 3.3% annually on average;
- Electricity consumed by direct consumers was reduced by 25.4% compared to the previous year and by 21.8% compared to 2021;
- Electricity delivered to Abkhazia was reduced by 10.8% compared to the previous year and by 8.6% compared to 2021;
- The volume of electricity generated by thermal power plants in 2023 was increased by 2% compared to the previous year;
- In the reporting year, electricity import decreased by 2 times compared to the previous year and by 2.5 times compared to 2021.
- Export rate of electricity was 1.5 times more than that of the previous year and 3.7 times more compared to 2021;
- In the reporting year, 3.445 million kWh of electricity was transited, which was 9% more than the number of 2022 and 3 times more than that of 2021.
- In the reporting year, the actual losses of electricity in the transmission network were 2.06%; In the distribution network the losses amounted to 10.36% for "Energo-Pro Georgia" JSC and 5.82% for "Telasi"JSC;

- In 2023, the amounts of normative losses established for the electricity transmission and distribution system operators are the following: 1.92% in "Georgian State Electrosystem" JSC network; 5.74% in “TELASI” network and 9.8% in "Energo-Pro Georgia" JSC network.
- The total installed capacity of power plants amounted to 4,550.09 MW (hydro - 3,386.19 MW, thermal -1,143.2MW, wind - 20.7 MW).
- The retail electricity supply market is highly concentrated (HHI_{2023}=5,092), where the market share of "EP Georgia Supply" JSC is 56.8%, and the share of "Tbilisi Electricity Supplier Company" LLC is 43.2%;
- The market shares for the three largest electricity producers were distributed as follows: "Enguri HPP" LLC – 25%, "Energo-Pro Georgia Generation" LLC – 12.9% and "Gardabani Thermal Power Plant 2" LLC – 9.2%. The Herfindahl-Hirschman index of the electricity production segment rated HHI_{2023} =916.1;
- In the reporting year, one 20.00 MW power plant and 6 small power plants were commissioned, with the total installed capacity of 28.7 MW.
- In the reporting year, 395 new micro power plants with the total capacity of 30.217 kW were subject to the net- metering regulation. By the end of 2023, 1,143 micro power plants with the total installed capacity of 67,552 kW were subject to the above mentioned regulation;
- In 2023, "Energo-Pro Georgia" JSC improved the SAIDI (average duration of electricity outages per consumer) by 8.3% and SAIFI (average frequency of electricity outages per consumer) - by 17.3%, while SAIDI of "Telasi" JSC improved by 2.7% and SAIFI worsened by 1.4%;

Natural Gas

- Natural gas remains the main source for satisfying the final demand for energy;
- The share of natural gas in the total energy consumption is small, although it is characterized by an increasing trend;
- 99.5% of Georgia's demand for natural gas was met by import. The Republic of Azerbaijan remains the main source of natural gas supply for Georgia;
- In 2023, the demand for natural gas in the country has decreased by 1% and amounted to 2.966 billion cubic meters;
- Consumption of natural gas for household purposes in 2023 amounted to 1,341 million m^3, while consumption for non-household purposes was equal to – 1,625 million m^3, including 766 million m^3 as the consumption of thermal plants;
- In 2023, 28 suppliers operated in the wholesale and retail market of natural gas;
- To meet Georgia's demand, natural gas in Georgia was imported by three suppliers;
- The natural gas available on the Georgian market was traded at the wholesale level by 11 suppliers, among which the share of three largest suppliers was 95%;

- In 2023, compared to 2022, the number of heating degree days significantly has decreased, which means that in 2023, compared to the previous year, buildings needed to be heated by fewer degrees;
- The process of gasification of new settlements persisted in 2023, as a result of which, at the end of the reporting year the number of retail consumers (household and non-household) amounted to 1,554,572.
- As of December 31, 2023, 20 distribution licensees were operating in Georgia. Three of them are the largest licensees ("Tbilisi-Energy" LLC, "SOCAR Georgia Gas" LLC, "SakOrgGas" JSC). The mentioned three large distribution licensees distributed 90% of the total distributed gas;
- With the relevant decisions of the Commission, individually for those enterprises that submitted information on planned investments to the Commission in accordance with the established rules, investment plans to be implemented in 2024-2028 were agreed, with a total value of 267 million GEL;
- In 2023, in accordance with the requirements of the law of Georgia on Energy and Water Supply, two natural gas distribution licensees were reauthorized: "Energokavshiri" JSC and "Inter Gas" LLC. The mentioned licenses shall be effective from the date of determination of the distribution system operator's tariff for the respective companies. Two natural gas distribution licenses were modified, in particular, changes were made in the licenses of "SOCAR Georgia Gas" LLC and "SakOrgGas" JSC and the license areas of the mentioned companies were expanded;
- In 2023, the natural gas distribution tariff was adjusted for the natural gas distribution licensee, "SG Gas Company" LLC. The tariffs for natural gas supply, distribution, wheeling, and consumption were set for "SG Gas Company" LLC for the tariff regulation period of 2024-2027. These tariffs were approved by Commission Resolution №57 on December 21, 2023;
- Throughout 2023, the Commission received one notification related to the sale of 100% of the shares of "Varketilairi" LLC to "Tbilisi Energy" LLC. Pursuant to Commission Decision N52/1 of November 2, 2023, approval was granted for the transfer of 100% of shares of "Varketilairi" LLC to "Tbilisi Energy" LLC;
- In the reporting year, negotiations were conducted in a working format with the licensees of natural gas distribution, namely "SOCAR Georgia Gas" LLC, "Telavgas" LLC, and "SakOrgGas" JSC. As a result, an agreement was reached on presenting the updated separation plan to the Commission, in compliance with the separation model and legislation.

Water Supply and Amelioration:

- As of December 31, 2023, 8 water supply licensees are operating in Georgia's water supply sector.
- Among the licensees in the water supply sector, one enterprise is state-owned, five are operated by municipalities, and two are under private ownership.
- In compliance with the Rule for Appraisal of Investments in the Water Supply Sector, the licensed enterprises submitted their long-term and short-term investment plans to the Commission. Following a thorough review, the Commission approved the investment plans of both “Georgian Water and Power” LLC and “Batumi Water” LLC.

- Two major water supply licensees, “Georgian Water and Power” LLC and “United Water Supply Company of Georgia” LLC, invested a total of 468.7 million GEL in 2023 to ensure proper water service delivery to all customers. These investments covered the rehabilitation of existing infrastructure, construction of new networks, and implementation of individual consumer metering.
- “Georgian Water and Power” LLC was fined 75,000 GEL for the improper operation of the water supply system and for breaching the obligations stipulated by the legislation.
- The Commission investigated applications submitted to “Rustavi Water” LLC for connecting two or more new consumers to the water supply system. The review identified instances where the company did not comply with the established rules. As a result, “Rustavi Water” LLC was fined 40,000 GEL under the Commission Decision N28/1 of June 15, 2023.
- By its Decision N54/5 of November 15, 2023, the Commission granted preliminary approval for Georgian Water and Power LLC to expand its service area under its water supply license.
- The Commission issued a water supply license to Georgian Water and Power LLC as part of the re-authorization process by the Decision N62/1 of December 26, 2023,. The same decision (N62/1 of December 26, 2023) also revoked the water supply license previously held by “Rustavi Water” LLC, following its merger with “Georgian Water and Power” LLC.
- As part of the re-authorization process, the Commission issued water supply licenses to “Kobuleti Water” LLC and “Marneulis Soptskali” LLC, under Decisions N3/2 and N3/1 of January 26, 2023.
- The Commission conducted a review of the tariffs for “Georgian Water and Power” LLC, “Batumi Water” LLC, “Sachkheris Tskalkanali” LLC, and “Sagarejo” LLC. Accordingly, the Commission amended Resolution N17 of August 17, 2010, on Water Supply Tariffs. This amendment established new marginal water supply tariffs valid from January 1, 2024, to January 1, 2027.
- The Commission amended Resolution N47 of December 27, 2017, on Approval of Normative Losses in Drinking Water Supply Systems. This amendment established the normative loss levels for “Georgian Water and Power” LLC, “Batumi Water” LLC, “Sachkheris Tskalkanali” LLC, and “Sagarejo” LLC for the period 2024-2026.
- Commission Decision N16/2 of March 30, 2023, established key performance indicators (KPIs) for licensed water supply companies. These KPIs include lower limits, current performance levels, target benchmarks, and acceptable tolerances.
- The Commission approved the Irrigation Water Supply Rules by Resolution N39, of August 30, 2023 . These rules govern the relationship between primary water users and consumers served by the irrigation system.
- The Commission approved the Methodology for Calculating the Service Tariff Provided by the Primary Water User by Resolution N40, of September 14, 2023. The purpose of this methodology is to establish the rules and principles for determining the tariff for the services rendered by the primary water user.

Miscellaneous:

- A Memorandum of Cooperation was signed between the Georgian National Energy and Water Supply Regulatory Commission and the National Energy Regulatory Agency of the Republic of Moldova.
- A Memorandum of Cooperation was signed between the Georgian National Energy and Water Supply Regulatory Commission, the Levan Mikeladze Diplomatic Training and Research Institute of the Ministry of Foreign Affairs of Georgia, and the Elizbar Eristavi Energy Training Center existing with the Commission.
- The Parliament of Georgia, with the majority votes, elected Davit Tvalabeishvili to the vacant position of the member of the Georgian National Energy and Water Supply Regulatory Commission for 6 years. He will occupy the position of the Commission member for the first term.
- A Memorandum of Cooperation was signed between the Georgian National Energy and Water Supply Regulatory Commission, Zurab Zhvania School of State Administration and Elizbar Eristavi Energy Training Center.
- The Chairman of the Georgian National Energy and Water Supply Regulatory Commission Davit Narmania, the member of the Commission, Giorgi Pangani and Senior Adviser to Chairman on strategic issues, Maia Melikidze participated in the VIII World Forum on Energy Regulation (WFER VIII), held in Lima, Peru. During the same Forum, a decision to host the IX World Forum on Energy Regulation (WFER IX) in Georgia in 2026 was made.
- Maya Melikidze, the Chair of Energy Regulators Regional Association (ERRA) and the Senior adviser to Chairman on strategic issues of the Georgian National Energy and Water Regulatory Commission, was elected as the Co-Vice Chair of the International Confederation of Energy Regulators (ICER).
- The Parliament of Georgia, with the majority votes, elected Davit Narmania to the vacant position of the member of the Georgian National Energy and Water Supply Regulatory Commission for 6 years.
- Elections for the Chairman of the Commission were held in the Georgian National Energy and Water Supply Regulatory Commission. Members of the Commission voted for the chairman candidate by secret ballot. According to the voting results, the Commission will be led by Davit Narmania.
- The Parliament of Georgia, with the majority votes, elected Givi Sanikidze to the vacant position of the member of the Georgian National Energy and Water Supply Regulatory Commission, for 6 years. He will occupy the position of the Commission member for the first term.
- A Memorandum of Cooperation was signed between the Elizbar Eristavi Energy Training Center existing with the Commission and the Georgian Renewable Energy Development Association (GREDA).

1. Development of regulatory framework and harmonization with Energy Community acquis

In 2014, Georgia signed the Association Agreement with the European Union, which included the commitment to harmonize Georgian legislation with the EU Energy Acquis. Furthermore, in 2016, Georgia signed the "Accession Protocol to the Treaty Establishing the Energy Community", which outlined the specific terms and conditions for the adoption of Energy Community legislation within Georgia. By signing the aforementioned Protocol, Georgia committed to incorporate the Energy Community Acquis into its national legislation.

On December 20, 2019, the Parliament of Georgia passed the "Law of Georgia on Energy and Water Supply", initiating a transformative reform in the energy sector. This reform resulted in an expanded role and increased responsibilities for the Commission, requiring drafting of several new regulations and by-laws. To achieve this objective, following the enactment of the law, the Commission adopted number of normative by-laws between 2020 and 2023 regulating energy, based on the best European practices and the experience accumulated in the Commission over decades.

2. Electricity Sector

2.1. Electricity Market Transformation

- General Design of the Market and Liberalization Phases

In 2023 the new legislative base was formed and improved. It should be noted that the mentioned process is fully harmonized with the Directives and Regulations of the 3rd European Energy Package, as well as with the Accession Protocol to the Energy Community. The existing market structure is depicted in Figure 2.1.

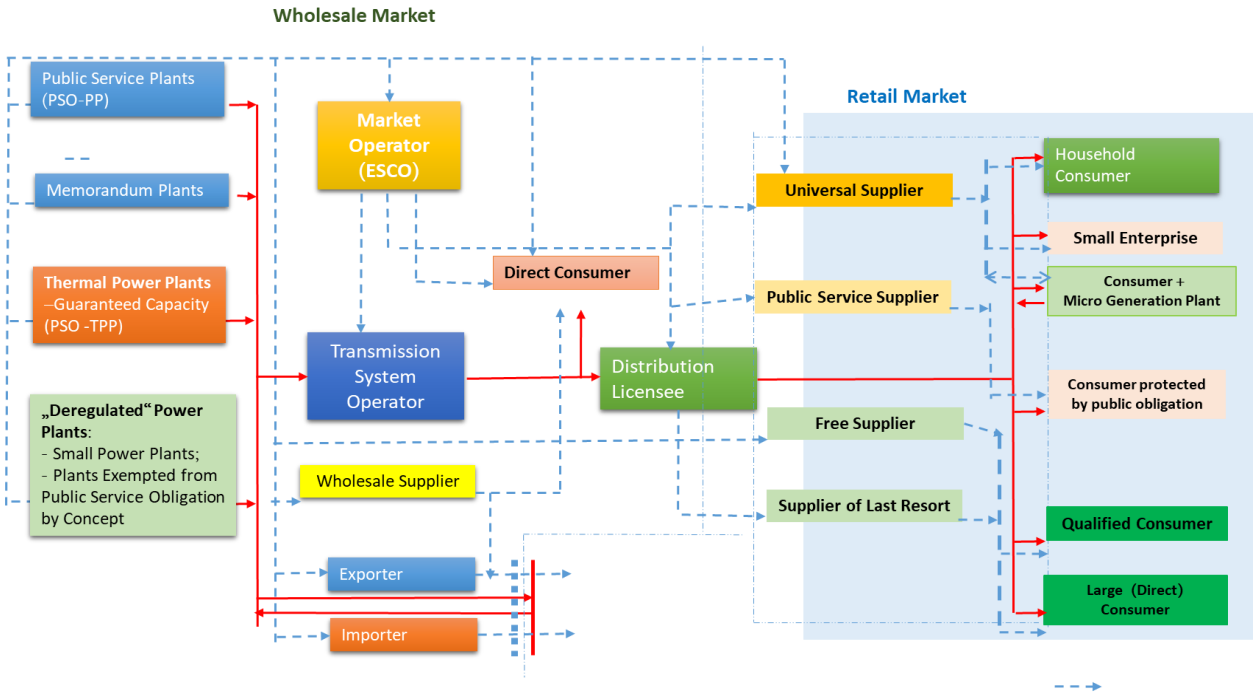


Figure 2.1. Electricity Market Structure

On the wholesale market, electricity is mostly traded through bilateral contracts. The sale of electricity is carried out by electricity producers, importers, wholesale suppliers, electricity system commercial operator (ESCO), and the purchase is carried out by suppliers, direct consumers (who, in accordance with the new legislation, have been granted the status of large consumers since 2021), exporters, electricity producers (for station costs), by ESCO, electricity distribution system operators and transmission system operator (in order to cover losses in the network in the part of electricity purchase).

Electricity producers, due to regulation purposes, are of different categories, in particular:

a) ***Regulatory power plants,*** for which the Commission sets fixed tarrifs;

b) ***Partially deregulated power plants:*** power plants built before August 1, 2008, the installed capacity of which is not more than 65 MW. For such power plants the Commission sets marginal (upper limit) tariffs;

c) ***Deregulated power plants,*** built after August 1, 2008, as well as small power plants (up to 15 MW of designed capacity) which operate on the market without a tariff defined by the Commission;

d) ***Guaranteed capacity sources (thermal power plants),*** for which the Commission sets the fee for guaranteed capacity and the marginal (upper limit) tariff for electricity generation.

For those power plants, designed capacity of which exceeds 15 MW, the Commission issues electricity generation licenses, while those power plants whose designed capacity is up to 15 MW (small power plants), are exempt from the electricity generation license.

As for the guaranteed capacity sources, they are used for ensuring sustainability, safe and reliable functioning of the whole electricity system of the country and are individually defined by the government of Georgia, based on guaranteed capacity and the period of providing the system with guaranteed capacity.

The function of the ***wholesale supplier*** of electricity is to purchase electricity from the generation licensee, small power plant, importer and supply of electricity to direct consumer and exporter;

As per electricity **import** and **export** activities, they are deregulated and can be carried out without a license. It is also possible to carry out electricity exporter activity at free (without a tariff) price.

In the reporting year 2023, the direct consumers on the electricity market were the consumers, who received electricity (capacity) for their own needs from the network(s) owned by the generation, transmission or distribution licensee(s), small power plant or other consumer.

The ***market operator*** in the part of buying and selling electricity shall be authorized to buy and/or sell electricity based on bilateral contracts or standard conditions of bilateral contracts on balancing electricity, for the purpose of satisfying (balancing) requirements of qualified enterprises. ESCO also organizes trade in guaranteed capacity, registers enterprises as participants of wholesale electricity trade, amends registration data and cancels registration. Market operator possesses and operates the automated system of commercial metering (ASCM) which forms a unified database for buying and selling electricity and automatically receives metering data from Automated Meter Reading (AMR) systems. Its purpose is to receive, check, collect, group and aggregate the data for settlement of wholesale electricity trade.

Network and system services are provided by the ***transmission system operator (TSO)*** and the distribution system operator. TSO mainly manages the system using SCADA (Supervisory Control and Data Acquisition) system and, at the same time, uses upper-level Automatic System of Capacity Control and Metering (upper -level AMR system).

Distribution system operator provides network services using the networks existing in their ownership and also in ownership of third persons. Costs of wheeling service through the distribution network are compensated to distribution system operators in accordance with the tariff set by the Commission.

Electricity supply on the electricity retail market is carried out by the universal service supplier, electricity public service supplier and the supplier of last resort, based on the tariffs set by the Commission. Also, in compliance with the new structure of the retail market, any interested person can carry out electricity supply activities based on a free, deregulated price. During 2023, no competitive supplier was registered in the retail market.

As for ***retail consumers***, ***household*** and ***non-household*** consumers are represented on the market. Also, since 2016 a retail consumer, which possesses micro-generation power plant utilizing renewable energy sources has been added to the mentioned categories.

Target structure of the electricity market is given on Figure 2.2. based on the **Electricity Market Concept Design**, market liberalization began in 2020 and will be carried out through 2026. It implies opening both the **supply** and **consumption** sides and entry to both wholesale and retail competitive markets.

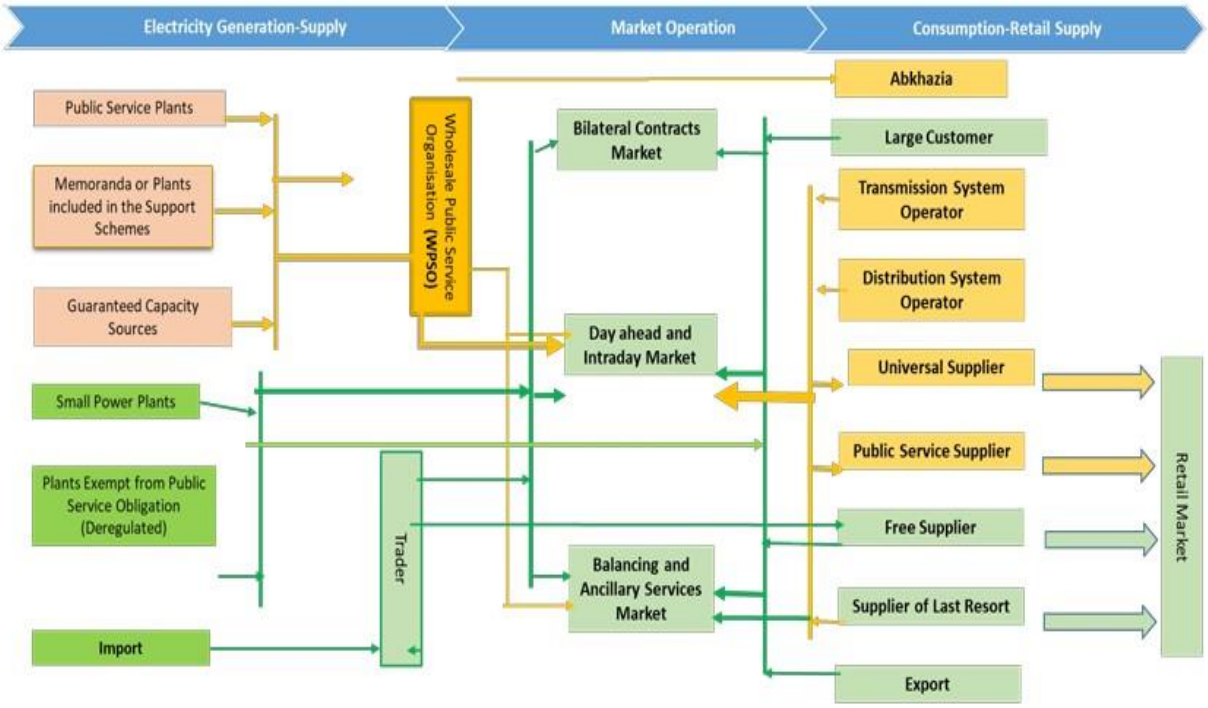


Figure 2.2. Electricity Market Target Structure

The segments of the new wholesale electricity market are: the day-ahead and intraday market, the market for bilateral contracts and the market for balancing and ancillary services, and the main entities are (Figure 2.2): electricity market operators, transmission system operator, distribution system operator, electricity producer, trader, supplier, large consumer, organization providing wholesale public services.

The operator of day-ahead and intraday electricity markets provides: operation of day-ahead and intraday markets; keeping the registry of participants of day-ahead and intraday markets; Establishing a

transparent, accessible and reliable financial settlement system for the relevant segment of the organized market.

The operator of the balancing and ancillary services market ensures: operation of the balancing and ancillary services market; purchase of balancing and ancillary services market products; calculation of imbalance fee; Determining the amount of financial guarantee to ensure payment of balancing and ancillary services market products and imbalance fees, as well as financial responsibility for products purchased on this market and establishing a transparent, accessible and reliable settlement system for the relevant segment of the organized market.

Day-ahead and intraday, as well as balancing and ancillary services markets are monopolised licensed activities, while **the bilateral contracts market,** as a platform for bilateral contracts, does not require a license and can be operated by different persons. In addition, , market participants are authorized to conclude agreements through direct negotiations on the market of bilateral contracts.

An important subject on the wholesale market structure is the **organization of wholesale public service**. The objectives of the wholesale public service are: supporting renewable energy producers and participating in the guaranteed purchase agreement and facilitating the integration of the electricity produced by them on the organized market; Support of the universal service provider by providing a stable cost of purchased electricity and promoting integration on the organized market; Security of supply to consumers in the occupied territory of Georgia (Autonomous Republic of Abkhazia) by purchasing electricity on the organized market.

The transmission system operator provides: determination of the forecast volume of products on the balancing and ancillary services markets; managing the electricity system applying the principle of self-dispatch, as well as carrying out other measures necessary for balancing, including activation of the relevant capacity based on the results of the balancing market; organization of the cross-border balancing mechanism, which, among others, includes the management of the provision of emergency assistance between electricity systems; registration of persons responsible for balancing, including balancing service providers, and assignment of relevant codes; The management and development of the electricity metering system necessary for the operation of wholesale markets, the availability of hourly metering data. The transmission system operator will purchase electricity on the organized wholesale market to compensate the losses in the transmission network.

Distribution system operator is a subject of the organized electricity market which insures electricity purchase for compensating the losses in the distribution network and, at the same time, ensures management and development of the electricity metering system needed for retail market operation, as well as accessibility of hourly metering data and/or relevant load profiles to relevant retail supplier.

The most important participants of the wholesale market are **electricity producers**, who are structured as plants which have the public service obligation under the renewable energy support scheme (including the plants using guaranteed purchase contracts and the schemes supporting generation and use of energy

from renewable sources), deregulated plants (including small power plant with the capacity of up to 15 MW and plants with the capacity up to 65 MW built before August 1, 2008). The **Electricity Market Concept** Design defines the schedule of exemption from public obligation of electricity generating stations (Figure 2.3). Plants with public obligations are mandatorily traded on the organized market and the positive difference between the market price and the tariff set by the Commission is returned to the fund existing with the wholesale public service organization. This Fund subsidizes the consumption of Abkhazia and the plants enjoying the support scheme benefits, and also ensures that the universal service provider and the public service provider are compensated at the organized market price through a contract for difference mechanism.

	01.05.2022	01.05.2024	01.05.2026	01.01.2027	01.01.2031
Total	Plant - 1 Capacity- 51 MW	Plant- 2 Capacity - 117.8 MW	Plant - 3 Capacity - 197.8 MW	Plant - 6 Capacity- 537.5 MW	Plant- 10 Capacity - 2371.5 MW
120 < (MW)					Plant - 4 Capacity - 1834 MW
90-120 (MW)				Plant - 3 Capacity - 339.7 MW	Plant - 3 Capacity - 339.7 MW
75-90 (MW)			Plant - 1 Capacity - 80 MW	Plant - 1 Capacity - 80 MW	Plant - 1 Capacity - 80 MW
66-75 (MW)		Plant - 1 Capacity - 66.8 MW	Plant - 1 Capacity - 66.8 MW	Plant - 1 Capacity - 66.8 MW	Plant - 1 Capacity - 66.8 MW
50-65 (MW)	Plant - 1 Capacity - 51 MW	Plant - 1 Capacity - 51 MW	Plant - 1 Capacity - 51 MW	Plant - 1 Capacity - 51 MW	Plant - 1 Capacity - 51 MW
	01.05.2022	01.05.2024	01.05.2026	01.01.2027	01.01.2031

Figure 2.3. Schedule of Exemption from Public Obligation of Generating Power Plants

The so-called **Traders** also participate in the wholesale electricity market they buy and sell electricity to wholesale market participants. The trader is authorized to trade with electricity both within the country and abroad, including **import** and **export**.

According to the existing version of the **Electricity Market Concept Design**, consumers connected to the 35-110 kV voltage, with a monthly consumption of more than 0.4 million kWh, are mandatorily transferred to the free market from July 1, 2021, as for all other consumers (except household consumers and small utilities), they are entitled to receive electricity at the consumer tariff regulated by the Commission until July 1, 2026 as a **public service obligation**. In accordance with the legislation, the status and criteria of a large consumer have been defined. **Large consumer** status entitles the consumer to trade on the wholesale, bilateral contracts, day-ahead and intraday markets, for which it must be duly registered as a member of the balancing group, on the balancing and ancillary services market, as well as a participant on the day-ahead and/or intraday market and/or bilateral contracts market. It also has the right to trade on the retail market and choose several suppliers.

On the consumption side, the wholesale market also includes independent suppliers who are authorized to buy electricity both in the organized and bilateral market. The organized market also includes

suppliers of universal service, public service and last resort, which supply electricity to the respective segments of the retail market.

As for the retail market, along with **large consumers, qualified consumers** will purchase electricity from independent suppliers. **The universal service supplier** and public service supplier on the retail market supplies electricity to small utilities and household consumers as a public service obligation at a tariff regulated by the Commission. The same supplier is obliged to purchase the electricitysupplied to the network by micro generation power plants.

2.2. Main Characteristics of the Electricity Market

The main characteristics of the electricity sector of Georgia in 2023 (supply and consumption indicators) are given in Figure 2.4.

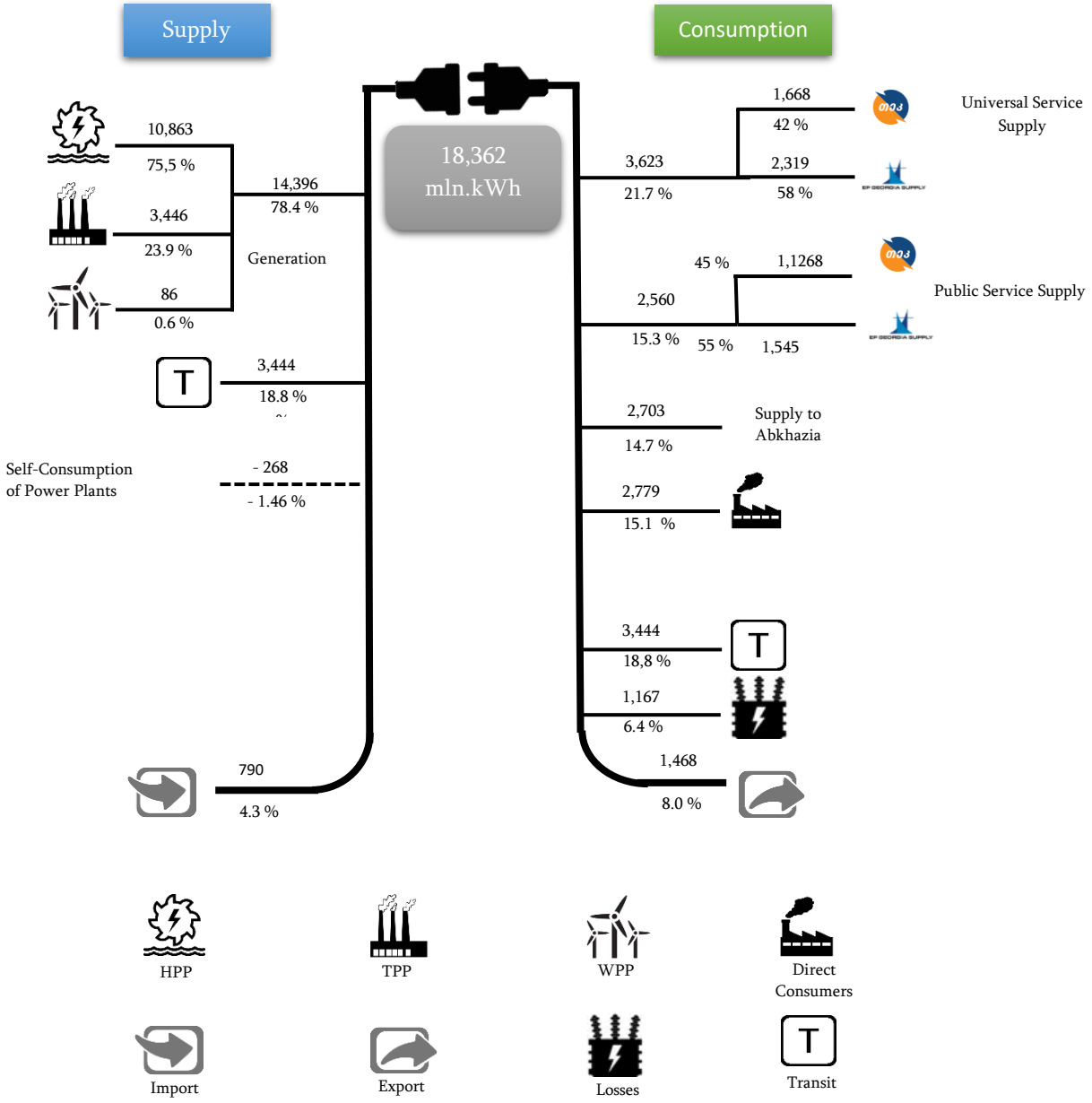


Figure 2.4. Electriricty Balance

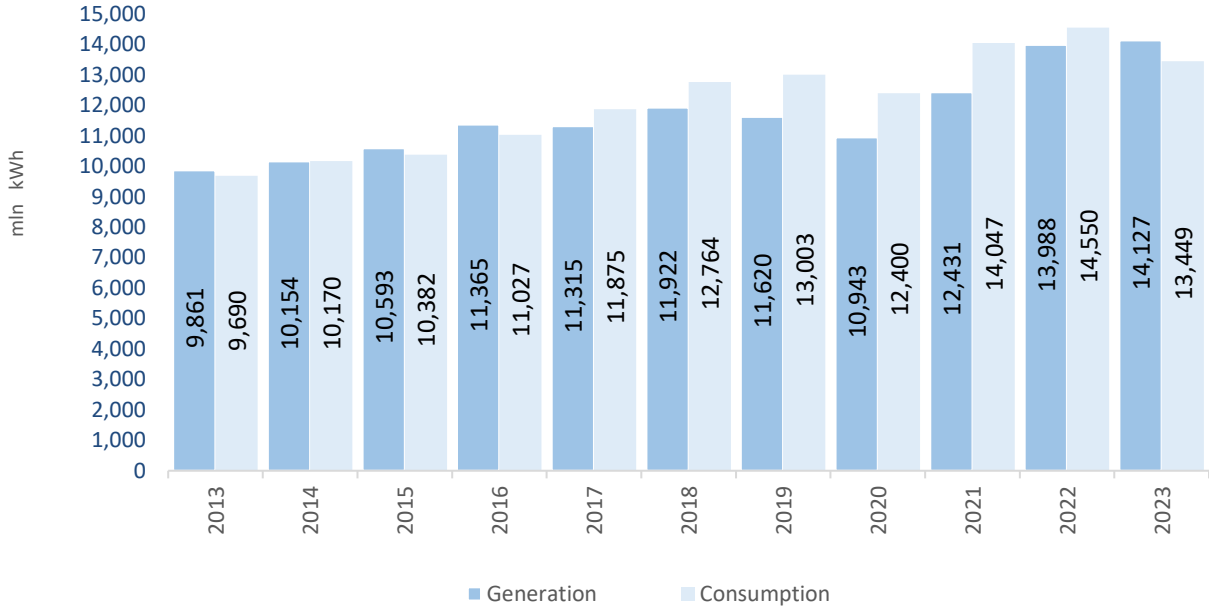


Figure 2.5. Electricity Generation (busbar delivery) and Consumption

In 2023, electricity generation (busbar delivery) has insignificantly increased by 1% compared to the previous year, and by 13.6% compared to 2021. It should be noted that one 20.3 MW and 6 small power plants with a total installed capacity of 8.7 MW were commissioned, the total installed capacity of the power plants put into operation in the reporting year amounted to 29 MW. Based on the data of 2013-2023, the generation of electricity in Georgia increases by an average of 3.7% every year, which, in addition to hydrology, is due to the electricity generated by power plants put into operation and renovated in the current years.

As for electricity consumption, in 2023 in Georgia it decreased by 7.6% compared to the previous year, and by 4.3% compared to 2021. Electricity consumption in Georgia increased by an average of 3.3% annually in 2013-2023 (see Figure 2.5).

In the structure of electricity generation, the share of electricity generated from thermal power plants (busbar delivery) insignificantly increased by 2% compared to 2022, and 1.5 times - compared to 2021, and the share of this in the total electricity generated amounted to 23.4%. The share of electricity generated from hydropower plants in the mentioned structure reached 76%, the mentioned data has not changed compared to the data of 2021 and it is 6.2% lower than the corresponding data of 2020. At the end of 2016 the share of electricity generated by the wind power plant put into operation was 0.6% (see Figure 2.6).

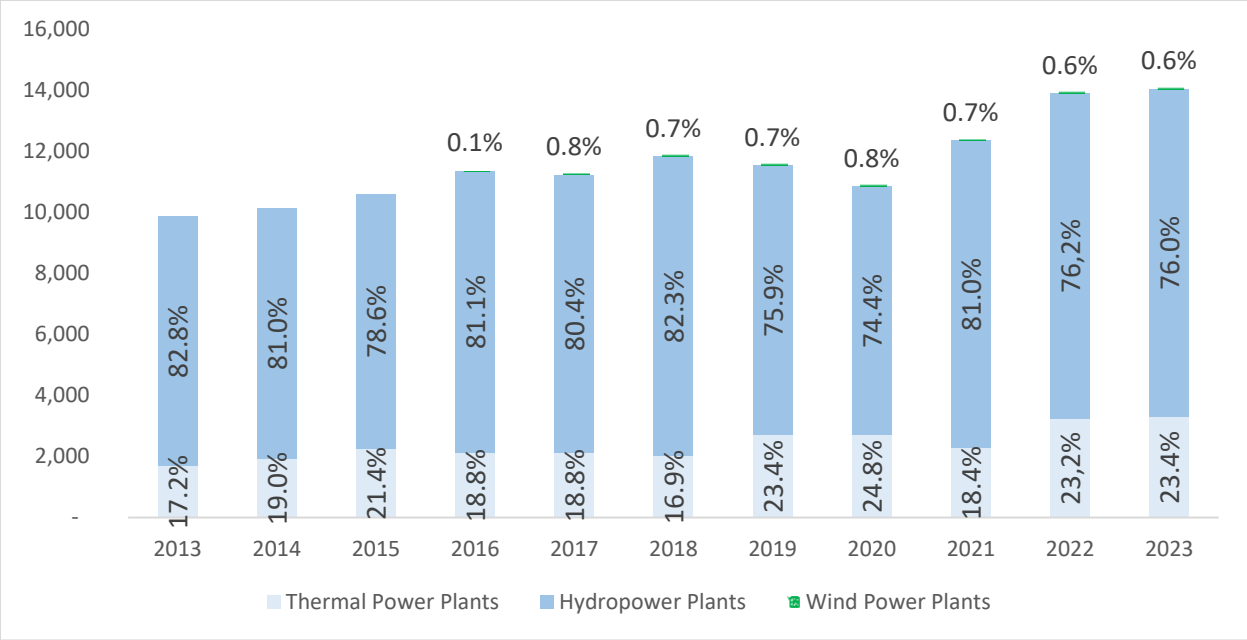


Figure 2.6. Structure of Electricity Delivered by Power Plants to the Busbar

In 2023, the share of electricity generated by regulated public service hydropower plants in the total electricity generated by hydropower plants amounted to 39%, the share of electricity generated by other partially deregulated producers was 27.3%, the share of deregulated hydropower plants amounted to 33.5%, in which the share of generated electricity (busbar delivery) by the power plants with a capacity of more than 15 MW was 71.2%, and the share of small power plants constituted 28.8% (see Figure 2.7).

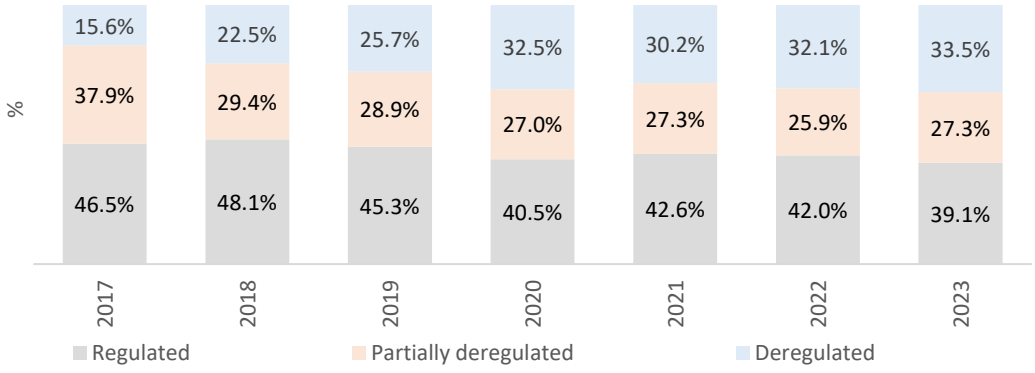


Figure 2.7. Structure of Electricity Generation from Hydropower Plants

In 2023, regulated electricity supply companies (universal service supplier and public service supplier) are present with a significant share (51%) in the structure of electricity delivered to consumers, it should be noted that the corresponding data was 46% in the previous year. The share of direct consumers decreased from 26% to 21%, and the share of electricity supplied to Abkhazia was 21%. Despite the fact, that more and more companies are moving from the regulated supplier service area to the free market in parallel with the market liberalization process, in 2023 the share of electricity consumed by public electricity suppliers has increased and the share of direct (large) consumers has decreased, which is caused by a sharp reduction in the electricity consumption of some of the largest consumers. The rate of self-consumption (hereinafter - S/C) of power plants and losses of network companies have increased sharply from 2% after 2020, to 5% in 2021, to 8% in 2022 and further to 9% in 2023. This is caused by adding indicators of distribution companies to that of transmission company after unbundling of activities (See Figure 2.8).

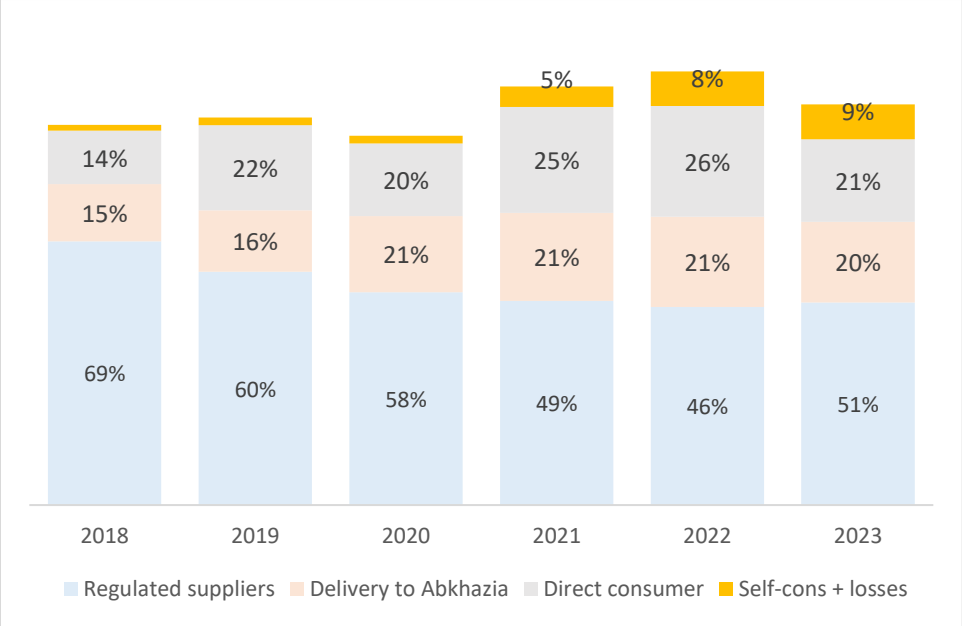


Figure 2.8. Structure of Domestic Electricity Consumption

In 2023, the volume of electricity import has decreased by approximately 2 times compared to the same data of 2022, while export in the same period has increased by approximately 1.5 times and amounted to 1,468 GWh (See Figure 2.9).

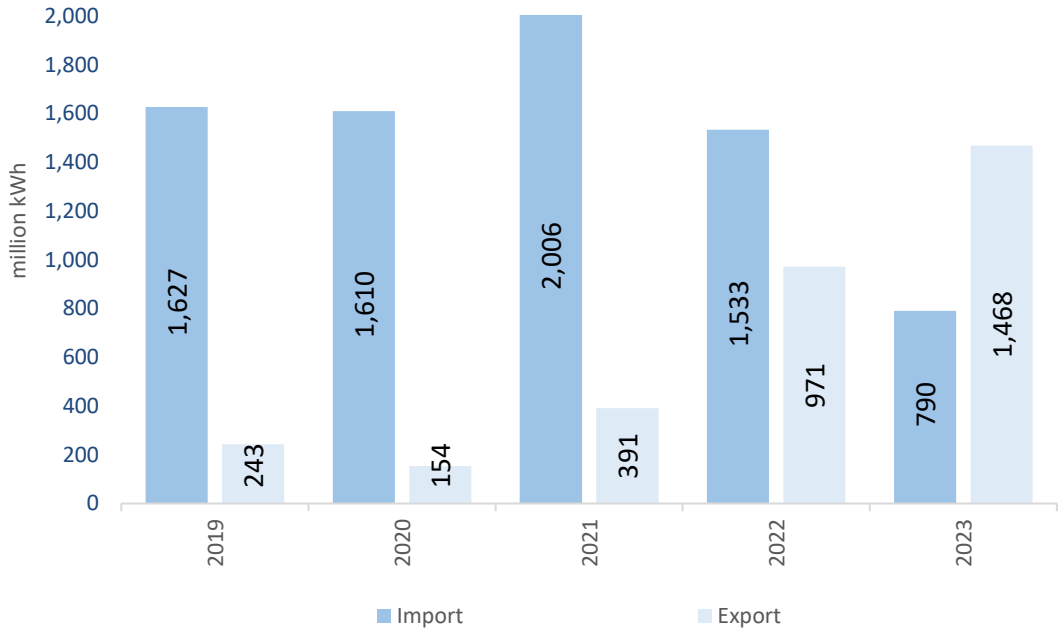


Figure 2.9. Electricity Import and Export

As for the import and export of electricity in the reporting year by countries, it is presented in Figures 2.10 and 2.11. More than 1% of electricity was imported from Azerbaijan, and 98% of total imported electricity from Russia was supplied to Abkhazia. 89% of electricity exports were made to Turkey, 5% to Armenia, and 6% to Azerbaijan.

Figure 2.10. Import of Electricity by Countries

Figure 2.11. Electricity Export by Countries

The main feature of energy security in the electricity sector is the continuity of electricity supply. It can be ensured by meeting the demand for electricity in the country, by making maximum use of own resources. This, in its turn, will contribute to the substitution of import in the short term and thermal generation in the long term period.

Dynamics of generation and consumption of electricity according to the months of 2023 is given on Figure 2.12. As it can be seen from this Figure, during the autumn-winter period satisfaction of the demand for electricity through the existing capacities of hydro and thermal generation cannot be managed. In order to satisfy the demand on electricity, electricity import is needed. As for the second half of spring and the summer period, surplus water resources provide the opportunity to satisfy the demand for electricity and to export the remaining electricity.

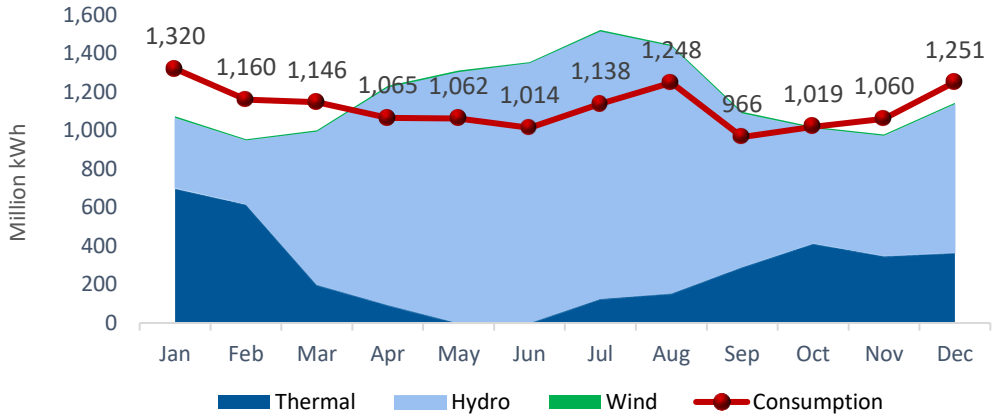


Figure 2.12. Electricity Generation-Consumption By Months (busbar delivery)

Electricity supply and consumption in Georgia is characterized by seasonality. In general in Georgia, electricity consumption is higher in winter than in summer, and electricity supply is characterized by the opposite trend of seasonality.

Accordingly, in terms of electricity load, Georgia was a winter peak country until 2023, however, as shown[1] in Figure 2.13, the mentioned situation changed in the reporting year and Georgia became a summer peak country.

Considering the above-mentioned, in the near future it will be possible to reduce the share of electricity import, due to the fact that the peak demand for electricity will be shifted to the summer period, when it will be possible to satisfy it using the existing local resources. On the other hand, by launching new generation facilities in the country's energy system, it will be possible to reduce the share of imported electricity to meet the electricity demand in winter period.

[1] In order to forecast consumption of electricity in Georgia during the summer and winter periods, the Compound Annual Growth Rate (CAGR) is used, which is 3.4% for the winter period and 4.4% for the summer period. Based on the data of 2011-2021, the summer period is defined as April-September, while the winter period is defined as October –March.

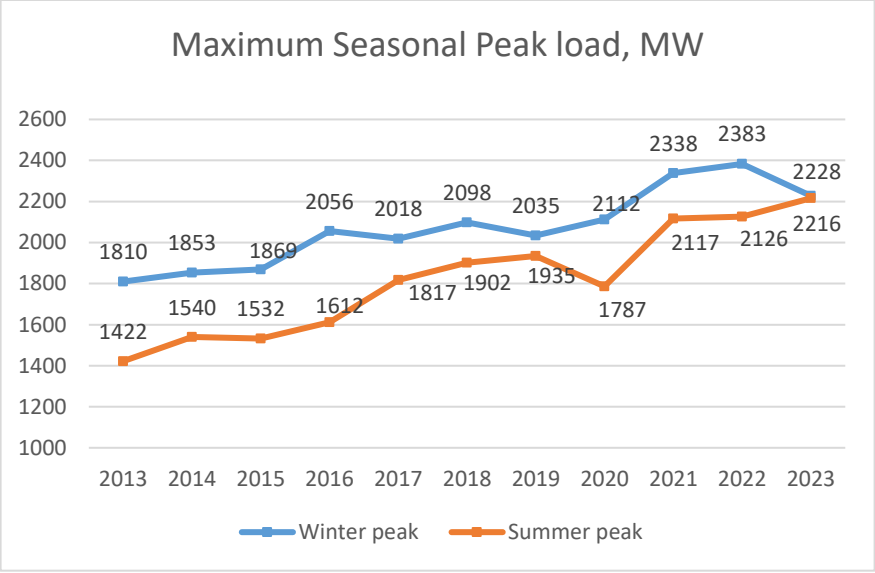


Figure 2.13. Peak Load in Summer and Winter Periods

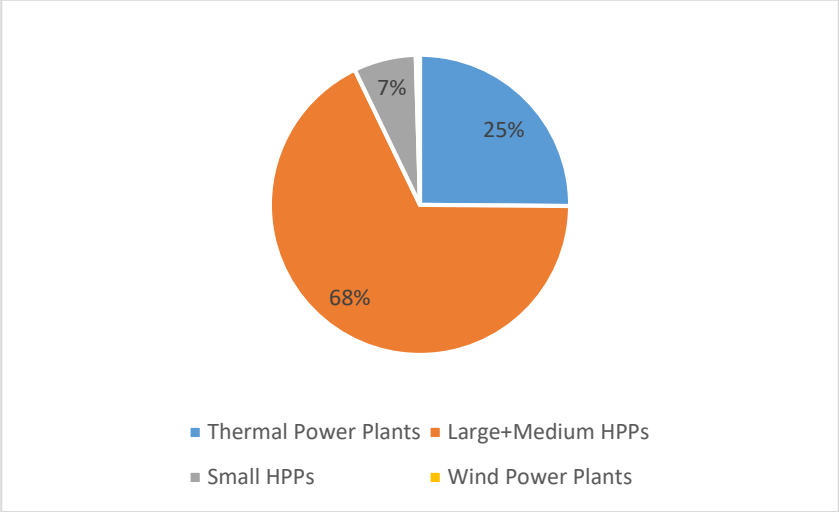


Figure 2.14. Structure of Generation Capacities

Based on the analysis of the results of electricity consumption and supply balance in 2023, it can be mentioned that significant attention should be paid to the construction of new generation capacities using local energy resources. Accordingly, along with hydro resources, other local hydrocarbon and renewable resources should be utilized as much as possible, including, first of all, wind and solar energy resources.

2.2.1. Retail Market

Several amendments were introduced to the “Electricity Retail Market Rules”, approved by the Commission Resolution N47 of August 13, 2020 throughout the reporting year to comprehensively regulate some issues related to relations between suppliers and consumers on the retail market, with a focus on informing consumers and protecting their rights. In particular, the procedures for entering into a supply contract was clarified and precisely regulated. Consequently, in order to terminate the supply contract with a person registered as a consumer based on a lease/rental agreement on real estate, it became necessary to determine his/her will, if a third party requests registration as a consumer on the same real estate, with the consent of the owner. In addition, co-owner of real estate was empowered to enter into supply contract without submitting consent from other co-owners.

According to the amendment introduced to the “Electricity Retail Market Rules”, the obligation of the universal service provider to have at least one service center in all self-governing cities, in the area of universal service provision, and to have at least two service centers in the region/territory, considering the location and referral of consumers (instead of all administrative centers), was clarified. This will help the electricity supplier to present the consumer's application/claim/appeal in a place more accessible to him/her, with minimum efforts and costs.

The Commission has prolonged the settlement period for the excess electricity generated by the micro-generation power plant owner until April 30, 2024. Throughout this period, the consumer retains the complete right to net the generated and consumed electricity. At the conclusion of the reporting period, the universal service provider will purchase any excess kWh reflected as a positive balance on the consumer’s account.

In Georgia, the activity of supplying electricity on the retail market is carried out by a universal service supplier for household consumers and small enterprises, and for other categories of consumers - a supplier of electricity as a public service: in the license area of "Telasi" JSC - "Tbilisi Electricity Supplier Company" LLC (Telmico) and in the license area of "Energo-Pro Georgia" JSC - "Ep Georgia Supply" JSC.

The electricity retail market in Georgia is highly concentrated (HHI = 5,092), where the share of “EP Georgia Supply” JSC is 56.8% and the share of Telmico is 43.2%.

The Herfindahl-Hirschman Index (HHI) is used to assess the level of competition on a particular market. It is calculated as the sum of the squares of the market shares (%) of the participants in the market. The HHI index can have a value between 0 and 10,000, where 0 means low market concentration (perfect competition) and 10,000 means perfect monopoly. According to the European Commission, if the HHI is greater than 1,000, then the market is concentrated, and if the index value is greater than 2,000, then the market is highly concentrated.

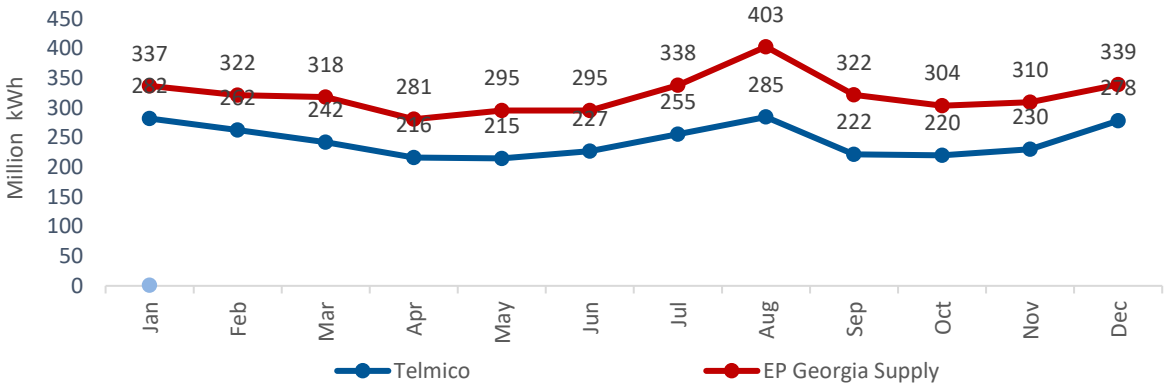


Figure 2.15. Consumption of Regulated Suppliers

Figure 2.15 shows the volume of electricity consumed by regulated electricity suppliers by months in 2023. The Figure shows that the maximum consumptions of "Tbilisi Electricity Supplier Company" LLC and "EP Georgia Supply" JSC are fixed in January-December and July-August. This trend is due to the seasonality of electricity consumption in Georgia, where the increase in demand for electricity by household consumers in winter and summer periods plays an important role, tourism is added as well.

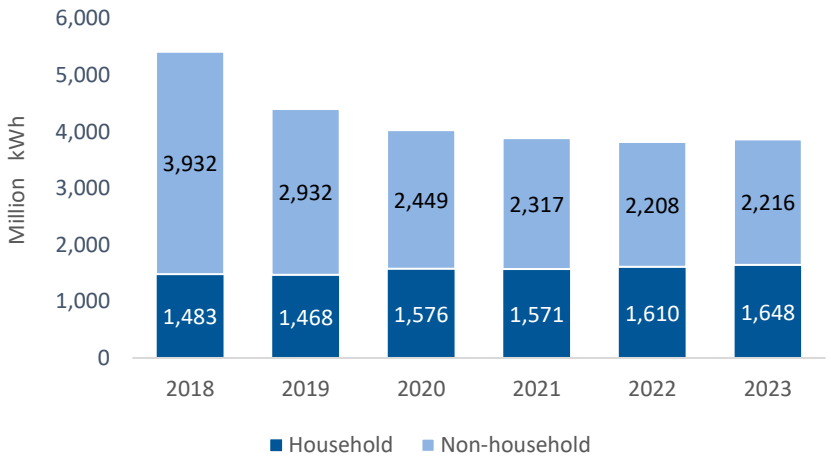


Figure 2.16. Consumption in the Area of "Energo-Pro Georgia" JSC by Consumer Categories

In the area of "Energo-Pro Georgia" JSC, the consumption of household consumers made up 42% of the total consumption in the reporting year, and the consumption of non-household consumers was 58%. In the reporting year, the mentioned proportion did not change compared to 2022 (see Figure 2.16).

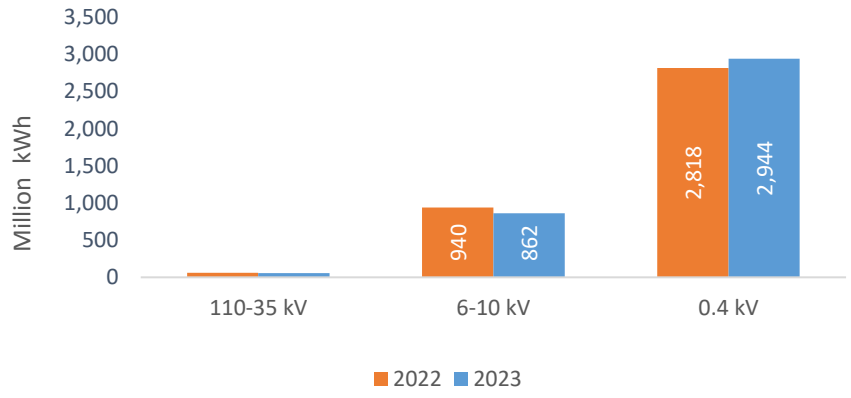


Figure 2.17. Consumption of "Energo-Pro Georgia" JSC by Voltage Levels

As for the volume of electricity supplied to retail consumers by "EP Georgia Supply" JSC according to voltage levels, 76.2% of the total distributed electricity was consumed by consumers connected to the 0.4 kV network, 1.5% by consumers connected to the 110-35 kV network, and 22.3% by consumers connected to the 6-10 kV network. (See Figure 2.17).

In 2023, 62% of the consumption in area of Telmico is non-household, and 38% falls with household consumers.

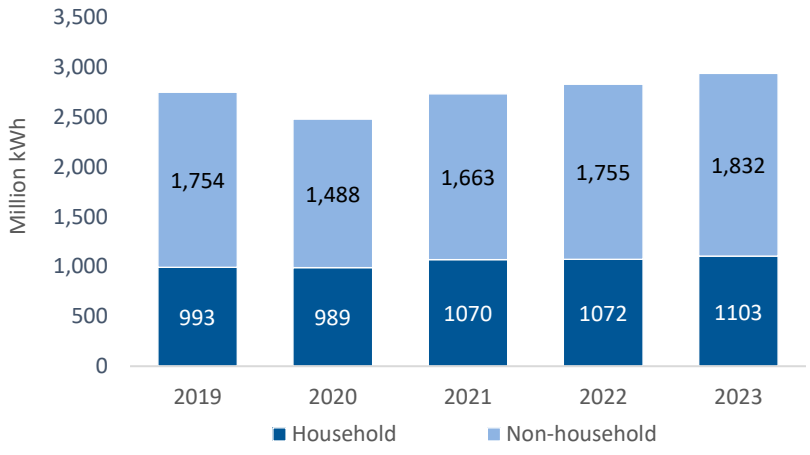


Figure 2.18. Consumption of "Telasi" JSC by Consumer Categories

The volume of electricity consumed by non-household consumers has increased by 4.4% compared to the previous year, and by 10% compared to 2021 (see Figure 2.18).

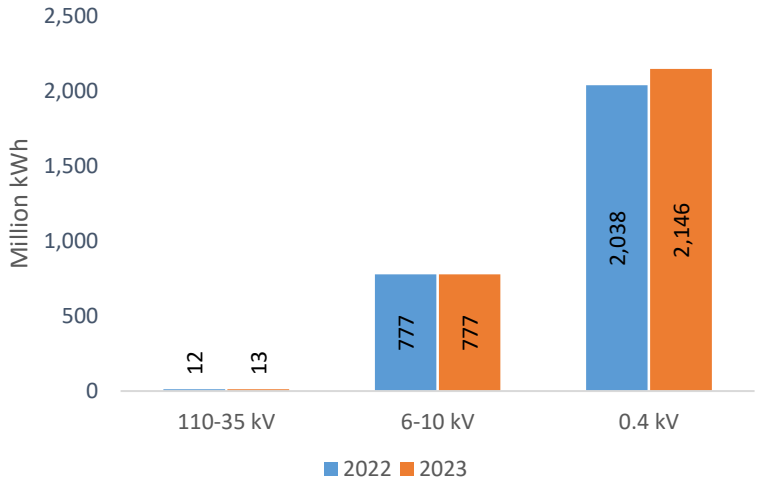


Figure 2.19. "Telasi" JSC Consumption by Voltage Levels

Electricity distributed to consumers connected to the 0.4 kV voltage network in "Telasi" JSC network has a significant share (73%) in the total volume of distributed electricity. The share of consumers connected to the 6-10 kV network was 26.5%, and the share of consumers connected to the 110-35 kV network was 1% (see Figure 2.19).

2.2.2. Wholesale Market

In the reporting year, 106 producers of electricity were registered on the wholesale market, among them: 5 thermal power plants[2] , 2 regulatory[3] , 8 partially deregulated[4] , 16 deregulated[5] and 83 small (deregulated) power plants[6].

In 2023, market shares for the three largest producers of electricity were distributed as follows: for "Enguri HPP" LLC - 25%, for "Gardabani Thermal Power Plant 2" LLC - 9.2% and for "Energo-Pro Georgia Generation" LLC - 12.9%, while the Herfindahl–Hirschman Index of the generation segment constituted HHI_{2023} =916.1[7] . Consequently, we can evaluate the generation segment as a concentrated market. The mentioned indicators are given in the Table 1, according to years.

[2] Thermal power plants: Gardabani 9th energy block ("Mtkvari Energy" LLC), air turbine („G power" LLC), Tbilsresi 3 rd and 4th blocks, Gardabani Thermal Power Plant ("Gardabani Thermal Power Plant" LLC), Gardabani Thermal Power Plant 2 ("Gardabani Thermal Power Plant 2" LLC)

[3] Regulatory power plants: Enguri HPP and Vardnili HPP

[4] Partially deregulated power plants: Khrami 1, Khrami 2, Dzevrula, Zhinvali, Vartsikhe, Gumati, Rioni and Lajanuri HPPs

[5] Deregulated (design capacity of over 15 MW) power plants with an electricity production license: Shaori HPP, Ortachala HPP, Zahesi HPP, Chitakhevi HPP, Khadori HPP, Atshesi HPP, Larsi HPP, Paravani HPP, Dariali HPP, Khelvachauri 1 HPP, Shuakhevi HPP, Kirnati HPP, Old Energy HPP, Mestiachala HPP 1 and Mestiachala HPP 2, Kartli wind power plant.

[6] Small power plants (power plants with the design capacity of less than 15 MW) without an electricity production license: the total of 83 power plants.

[7] The ownership of different power plants by the companies is considered in calculating the HHI index of 2023

Name/Year	2018	2019	2020	2021	2022	2023
"Enguri HPP" LLC	33.4%	28.53%	24.8%	28.1%	26.6%	25%
"Mtkvari Energy" LLC		7.28%				
"Vartsikhe HPP" LLC	6.96%					
"Gardabani Thermal Power Plant" LLC	9.76%	11.32%	18.52%			
"Gardabani Thermal Power Plant 2" LLC				7.9%	8%	9.2%
"Energo-Pro Generation" LLC			12.75%	13.3%	12.2%	12.9%
HHI	1,512.2	1,596	1,516	1,226.7	1,129.3	916.1

Table 1. Market Shares of the Largest Producers and HHI

Trading of electricity on the wholesale market is carried out by direct contract and on the balancing market operated by the Electricity Market Operator (ESCO), trade is carried out based on the standard conditions of the direct contract for the purchase and sale of balancing electricity, approved by the Commission.

In 2023, electricity sold under direct contracts amounted to 12,425 GWh and electricity sold on the balancing market – 2,492 GWh. Accordingly, the share of electricity trade through direct contracts made up 86% of the total electricity supplied to the network, and the share of balancing electricity - 14%. As for the mentioned characteristics by months, they are shown in Figure 2.20.

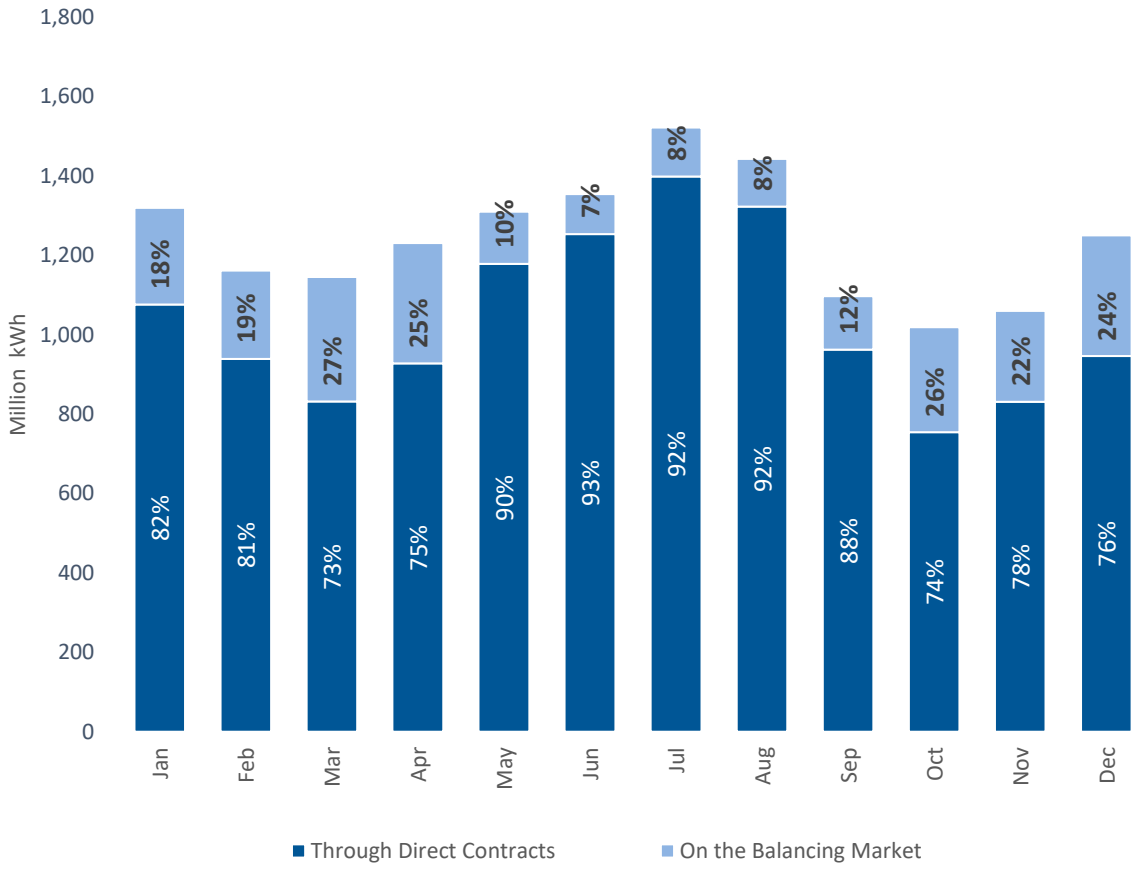
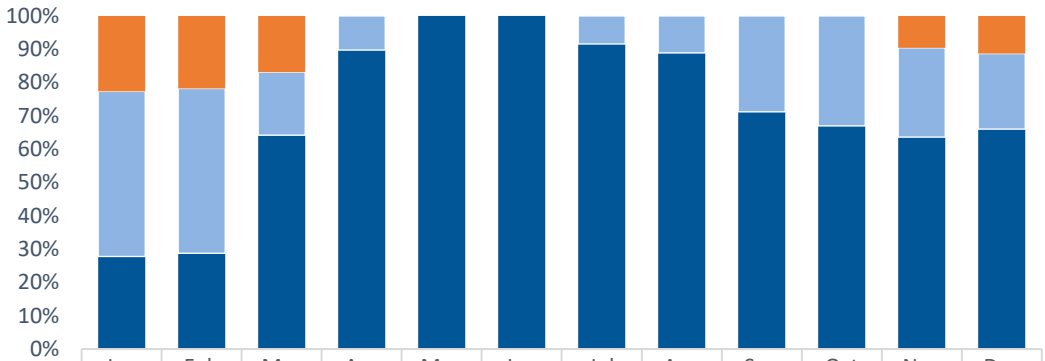


Figure 2.20. Electricity Trading on the Balancing Market and through Direct Contracts

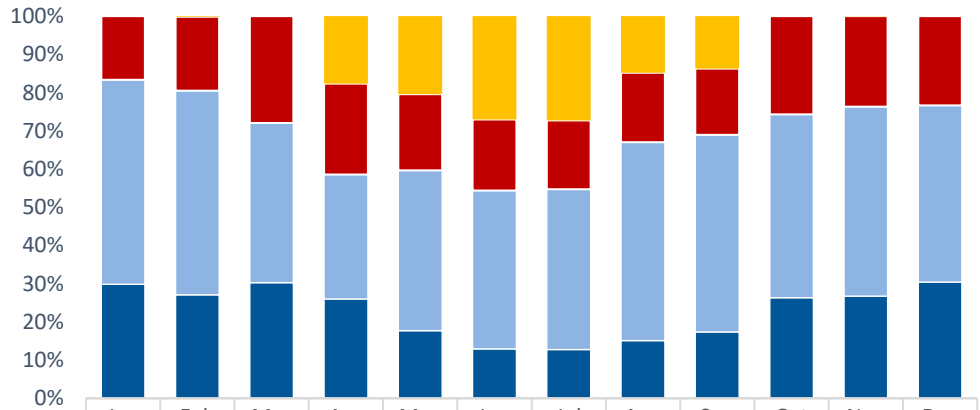
As for the structure of electricity suppliers through direct contracts on the wholesale market by months, it is depicted in Figure 2.21.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Import	22.6%	21.8%	16.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	9.6%	11.4%
Thermal Power Plant	49.6%	49.5%	19.0%	10.2%	0.0%	0.0%	8.4%	11.1%	28.8%	33.1%	26.8%	22.6%
Hydropower Plant	27.8%	28.7%	64.2%	89.8%	100.0%	100.0%	91.6%	88.9%	71.2%	66.9%	63.6%	66.0%

Figure 2.21. Structure of Electricity Suppliers through Direct Contracts

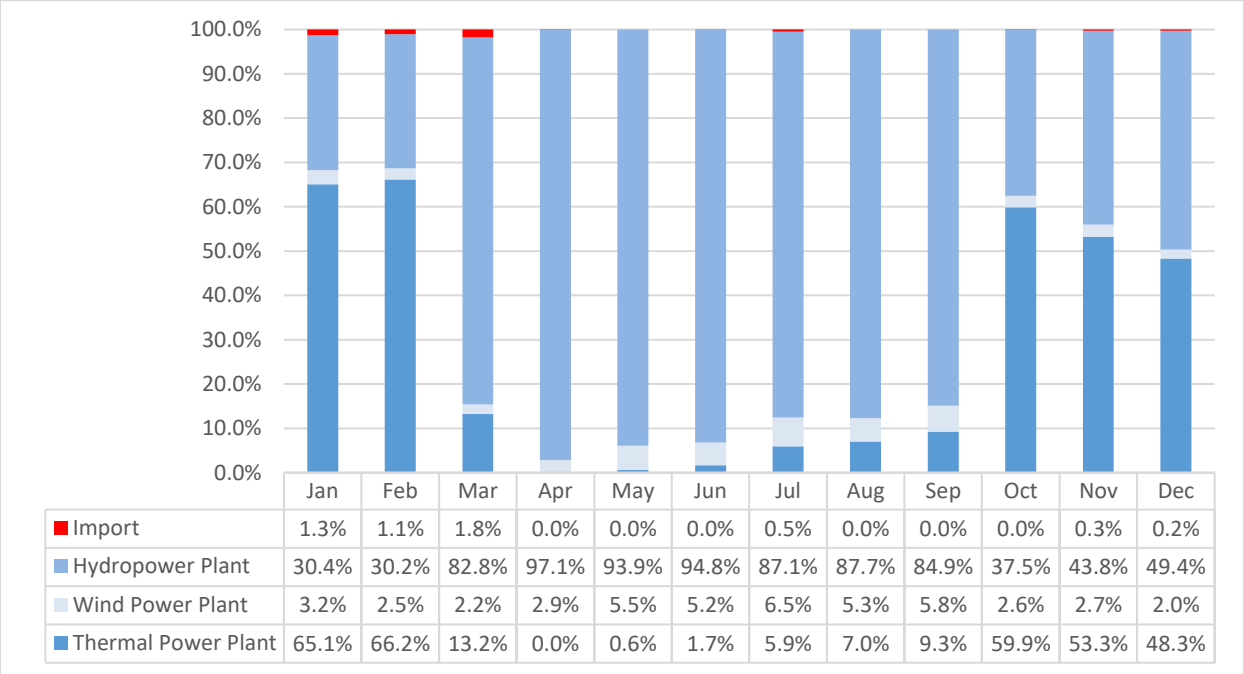
Structure of the electricity purchasers based on direct contracts according to months is shown on Figure 2.22.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Export	0.0%	0.1%	0.0%	17.7%	20.4%	27.0%	27.3%	14.8%	13.7%	0.0%	0.0%	0.0%
Direct consumers	16.7%	19.3%	27.9%	23.7%	20.0%	18.6%	18.0%	18.2%	17.3%	25.7%	23.7%	23.4%
Public Suppliers (USS+PSS)	53.5%	53.4%	41.8%	32.6%	42.0%	41.4%	42.0%	51.9%	51.6%	47.9%	49.5%	46.2%
Abkhazia	29.8%	27.1%	30.3%	26.0%	17.7%	12.9%	12.7%	15.1%	17.4%	26.3%	26.8%	30.4%

Figure 2.22. Structure of Electricity Purchasers through Direct Contracts

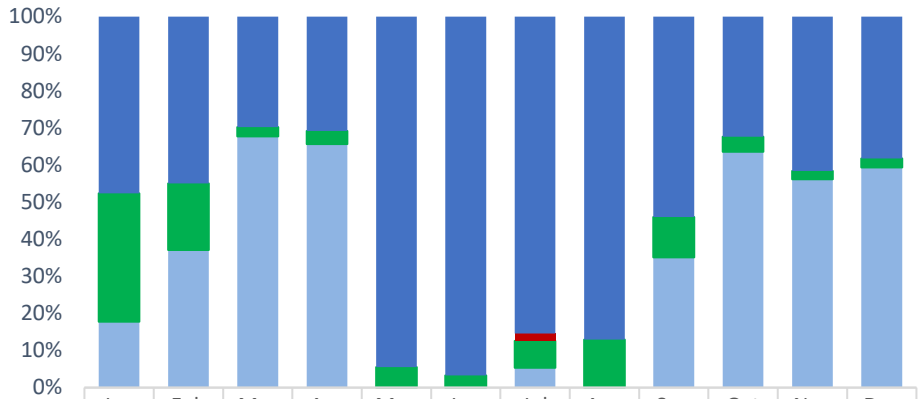
The structure of the balancing electricity purchased by the market operator by months is depicted in Figure 2.23.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Import	1.3%	1.1%	1.8%	0.0%	0.0%	0.0%	0.5%	0.0%	0.0%	0.0%	0.3%	0.2%
Hydropower Plant	30.4%	30.2%	82.8%	97.1%	93.9%	94.8%	87.1%	87.7%	84.9%	37.5%	43.8%	49.4%
Wind Power Plant	3.2%	2.5%	2.2%	2.9%	5.5%	5.2%	6.5%	5.3%	5.8%	2.6%	2.7%	2.0%
Thermal Power Plant	65.1%	66.2%	13.2%	0.0%	0.6%	1.7%	5.9%	7.0%	9.3%	59.9%	53.3%	48.3%

Figure 2.23. The Structure of the Balancing Electricity Purchased by the Market Operator

The structure of the balancing electricity sold by the market operator in 2023 by months is presented in Figure 2.24.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Self-Consumption + GSE+Distribution	47.6%	44.9%	29.8%	30.8%	94.5%	96.7%	85.4%	87.0%	54.0%	32.4%	41.6%	38.2%
Export	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Direct Consumers	34.6%	18.0%	2.6%	3.6%	5.5%	3.3%	7.3%	13.0%	10.9%	4.0%	2.3%	2.4%
Public Suppliers (USS+PSS)	17.7%	37.1%	67.7%	65.6%	0.0%	0.0%	5.3%	0.0%	35.1%	63.6%	56.1%	59.4%
Abkhazia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Figure 2.24. Structure of the Balancing Electricity Sold by the Market Operator

Mainly electricity distribution companies and direct consumers will purchase balancing electricity from the market operator.

The cost of the balancing electricity to be sold by the market operator is formed every month, based on the principle of weighted average of the electricity costs purchased by it from different categories of generation facilities and importers. In the reporting year, compared to the previous year, the cost of the balancing electricity for sale (13.6 Tetri.kWh) has decreased by 13.6% compared to the same data of 2022 (see Figure 2.25). As for the cost of balancing electricity sold by deregulated power plants to the market operator in the reporting year, it has increased by 12.2% on

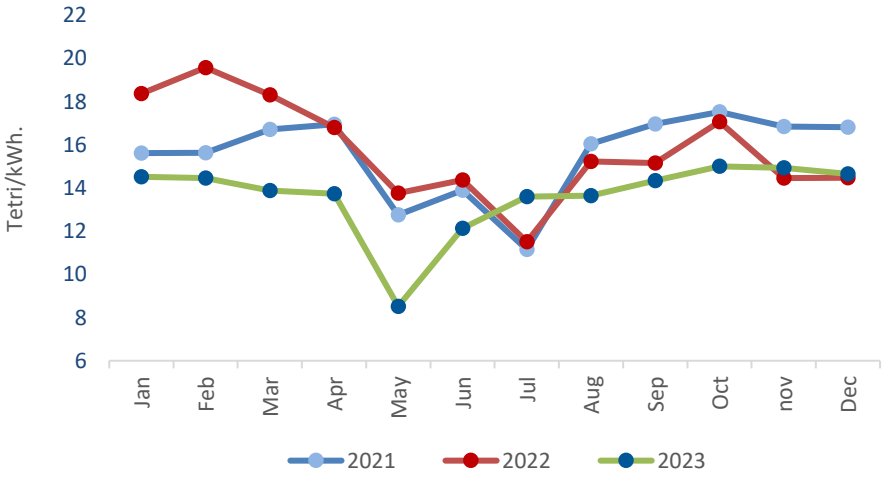


Figure 2.25. Weighted Average Cost of Balancing Electricity to be Sold by the Market Operator

average compared to 2022 (see Figure 2.26).

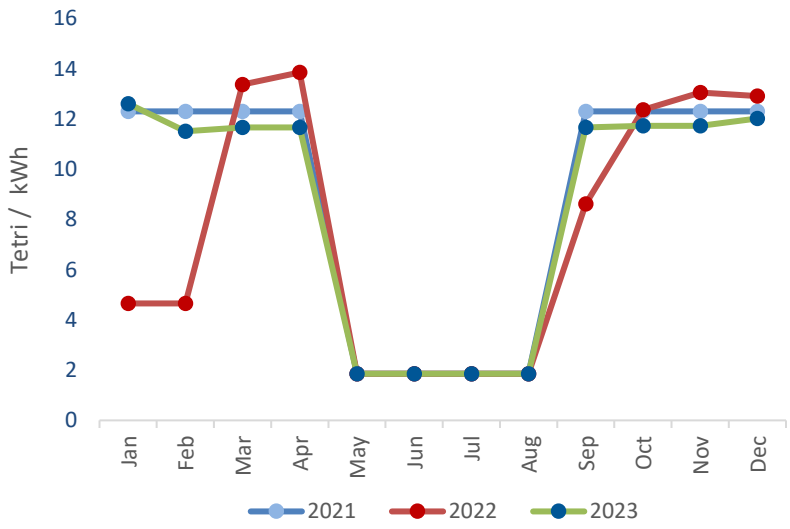


Figure 2.26. The Cost of Electricity Sold on the Balancing Market by Deregulated Power Plants

2.3. Unbundling of Activities

Candidate Nomination Agreement for Distribution System Operator Compliance Officer:

The compliance officer is an important novelty provided by the Law of Georgia "On Energy and Water Supply", the purpose of which is to comply with the separation requirements of the distribution system operator. For this purpose, the compliance officer is tasked with informing the Commission of any violation of the requirements and conditions established by the compliance program, eliminating conflicts of interest between managers and employees of the distribution system operator, and submitting a report to the Commission on compliance with the unbundling requirements.

"Energo-Pro Georgia" JSC presented a candidate for compliance officer to the Commission for agreement on November 1, 2023. In order to determine compliance with the requirements of qualifications and independence of the compliance officer candidate specified by the "Distribution System Operator Unbundling Rules" approved by the Commission Resolution N39 of July 16, 2020, on December 12, 2023, with the participation of the Commissioners, an interview was held with the compliance officer candidate and the Commission made a decision to discuss the agreement issue of "Energo-Pro Georgia" JSC compliance officer candidate at the public meeting on January 18, 2024.

2.4. Licensing and Technical Regulation

As of December 31, 2023, 27 licensees operating in the electricity sector of Georgia (See Annex N1), are:

- 22 in generation;
- 2 in distribution;
- 1 in transmission;
- 2 in market operation.

According to the Commission Decision No. 56/28 of November 30, 2023, public administrative proceedings were initiated to issue an individual administrative-legal act of the Georgian National Energy and Water Supply Regulatory Commission regarding the issuance of a electricity generation preliminary license to "Mestiachala Energy" LLC.

According to the Commission Decision N 60/1 of December 21, 2023, "Mestiachala Energy" LLC was issued electricity generation preliminary license N 094, series 11, with the condition that no later than 6 months after the entry into force of the Decision, the following will be presented to the Georgian National Energy and Water Supply Regulatory Commission:

- The administrative-legal act adopted by the construction permit-issuing authority "On commissioning (recognizing the construction-completed object as suitable) of t 20 MW hydropower plant "Mestiachala 1" located in Mestia municipality;
- Other documentation confirming the actual circumstances of meeting the license conditions required for the issuance of the electricity generation license and defined by the legislation.

According to the Commission Decision N 60/13 of December 21, 2023, on the issuance of an electricity generation license to "Svaneti Hydro" JSC , a public administrative proceedings have been started to issue an individual administrative-legal act of the Georgia National Energy and Water Supply Regulatory Commission to amend the Decision N 23/20 of March 27, 2019 of the Georgian National Energy and Water Supply Regulatory Commission. This amendment was due to the fact that by the Decision of the National Agency of Public Registry of December 4, 2023, the organizational-legal form of the licensee was changed, the joint-stock company became a limited liability company. The company name of "Svaneti Hydro" JSC became - "Svaneti Hydro" LLC.

2.5. Main Results of Regulating Network Activities

2.5.1. Transmission Activity

An amendment was introduced to the "Network Rules" approved by Commission Resolution N 10 of April 17, 2014, which reflected non-standard connection to the transmission network. The purpose of the mentioned amendment is to reduce the period of connection to the transmission network and the possibility

for the consumer to perform network connection works. In addition, based on the law requirements, the transmission system operator presented to the Commission a Ten Year Transmission Network Development Plan (2024-2034), on which the Commission's notes and recommendations were prepared considering the existing practice. While considering the plan, the Commission was guided by the acute local problematic issues existing in the electricity sector, the delay in the construction of generation facilities and transmission infrastructure facilities, caused by various objective or subjective processes, along with issues of general strategic importance. In addition, notes were made on the implementation of such projects, which require additional justification before being reflected in the plan.

2.5.2. Main Results of the Regulation of Distribution Activities

Throughout the reporting period, an amendment has been introduced to the "Rules for Electricity Distribution Network" approved by the Commission Resolution N19 of June 28, 2021, which has defined the rules and conditions for connecting small power plants to the distribution network. The mentioned amendment also determined the connection fees, within which the distribution system operators are obliged to ensure the readiness of the network. In addition, the Commission, based on the amendments, approved the conditions of the connection contract of the small power plant and the connection application forms. In 2023, the actual investments made in 2022 were examined, on which the companies are obliged to submit an expert opinion issued by an accredited person/body regarding both the value and the compliance of the performed works with the standards.

2.5.3. Quality of electricity service in the distribution network, continuity of supply and regulation of electricity quality

The control of the reliability (continuity) of electricity supply is carried out in accordance with the "Service Quality Rules" (hereinafter - the Service Quality Rules) approved by the Commission Resolution N 20 of June 28, 2021. The service quality rules establish requirements in relation to such issues as the registration of information about the reliability of e electricity supply by the electricity distribution licensee, the submission of this information to the Commission, and the analysis, verification and monitoring of the data submitted by the Commission through the Commission's electronic journal. Also, the mentioned rules provide, based on international practice, the following indexes for determining the reliability (continuity) of electricity supply:

- Average duration of electricity outages per consumer - SAIDI minute/consumption;
- Average frequency of electricity outages per consumer - SAIFI electricity outage/consumption.

The Commission Resolution N9 of December 28, 2018 motivates companies to improve the annual indicators of the reliability of electricity supply to consumers as a financial incentive mechanism. Also, in

case of deterioration of the annual indicators of electricity supply reliability, there are appropriate sanctioning mechanisms, which are reflected in the above-mentioned Resolution and in the "Rules for Control and Licensing of Activities in the Electricity, Natural Gas, and Water Supply Sectors" approved by Commission Resolution N 23 of September 18, 2008.

"Electricity Supply Reliability Monitoring Working Group" (hereinafter - Reliability Group) was established by the Order N133 of March 6, 2019 of the Commission Chairman, which is tasked with observing the dynamics of electricity supply terminations, systematically analyzing its causes and, based on this analysis, developing specific recommendations to correct the identified defects.

The working group has examined the electricity outages recorded by "Telasi" JSC in the electronic journal and the information requested from the company, where a total of 17,335 outages were recorded during 2023 (internal cause – 10,554 and external cause – 6,781). Based on the data of 2023, the planned and unplanned SAIDI indicator due to internal causes has amounted to 9 hours and 27 minutes, which compared to the same period of the previous year (9 hours and 43 minutes) has improved by 16 minutes. Due to internal causes, the planned and unplanned SAIFI indicator has amounted to 6.06, which has worsened by 0.09 compared to the same period of the previous year (5.97).

When comparing the data with the indicators of the previous year (see Tables 2 and 3), it was revealed that the data recorded in the 2022 electronic journal of "Telasi" JSC, in particular, the SAIDI and SAIFI indicators, have deteriorated in relation to the reliability indicator of 2021, which requires further research, determination of causes and planning and implementation of appropriate measures.

SAIDI	2023	2022	2021	2020	2019	2018
Unplanned	4:04:16	3:39:33	3:48:57	4:12:05	3:25:32	3:52:39
Planned	5:23:23	6:04:03	4:38:10	3:51:25	6:27:26	7:10:36
Total	9:27:39	9:43:36	8:27:06	8:03:30	9:52:26	11:03:15

Table 2. SAIDI Indicators Caused by Internal Cause of "Telasi" JSC

SAIFI	2023	2022	2021	2020	2019	2018
Unplanned	3.53	3.38	3.85	4.07	3.20	3.30
Planned	2.53	2.59	2.02	1.68	2.70	2.40
Total	6.06	5.97	5.87	5.75	5.90	5.70

Table 3. SAIFI Indicators Caused by Internal Cause of "Telasi" JSC

Note: The supply reliability indicators (SAIDI and SAIFI) in "Telasi" JSC network are being revised in the Commission.

The working group has examined the electricity interruptions recorded by "Energo-Pro Georgia" JSC in the electronic journal and the information requested from the company. According to the information requested from the company, a total of 73 448 long-term outages were recorded throughout 2023 (internal cause – 54,528 and external cause – 18,920), based on the data of which, the planned and unplanned SAIDI indicator due to internal cause has amounted to 55 hours and 8 minutes, which compared to the same period of the previous year (60 hours and 10 minutes) has improved by 5 hours and 2 minutes. Due to internal reasons, the planned and unplanned SAIFI indicator amounted to 29.71, which has improved by 6.21 compared to the same period of the previous year (35.92).

As for the comparison of the data with the indicators of the previous year, the data of electronic journals were also used here (see Tables 4 and 5). It was revealed that the data of "Energo-Pro Georgia" JSC in 2022 has worsened significantly compared to the data of 2021 which requires further research, determination of underlying causes and planning and implementation of appropriate measures.

SAIDI	2023	2022	2021	2020	2019	2018
Unplanned	**28:39:46**	**31:22:20**	18:55:24	20:26:52	25:41:30	32:38:46
Planned	**26:28:46**	**28:47:42**	20:16:35	19:05:46	29:44:50	35:32:36
Total	**55:08:32**	**60:10:02**	39:11:59	39:32:38	55:26:20	68:11:22

Table 4. SAIDI Indicators Caused by Internal Cause of "Energo-Pro Georgia" JSC

SAIFI	2023	2022	2021	2020	2019	2018
Unplanned	**20.20**	**25.09**	13.88	14.44	16.90	20.00
Planned	**9.51**	**10.83**	7.62	7.11	10.40	11.87
Total	**29.71**	**35.92**	21.50	21.55	27.30	31.88

Table 5. SAIFI Indicators Caused by Internal Cause of "Energo-Pro Georgia" JSC

Note: The supply reliability indicators (SAIDI and SAIFI) in "Energo-Pro Georgia" JSC network are being revised in the Commission.

Based on the above-mentioned, the Reliability Group continues to work in the direction of companies' electricity supply continuity indicators, further clarification and identification of underlying causes.

2.5.4. Regulation of Electricity Losses in the Transmission and Distribution Networks

Determining the normative losses of electricity in the transmission and distribution network is one of the important functions of the Commission and serves to optimize their purchase costs it at the same time is an important energy efficiency measure with regards to reducing negative environmental impact and emissions.

Comparing the analysis of the actual losses of the reporting year of the network companies with the indicator of the previous year creates clear representation of the efficiency of the companies' activities and the trends of network planning and development. In the reporting year, the actual total loss in the electricity transmission network has amounted to 2.06% (see Figure 2.27). The mentioned indicator has deteriorated by 4.5% compared to the previous indicator of 2022. It should also be noted, that the actual loss in the transmission network has exceeded the normative loss by 7.2%, that is why "Georgian State Electrosystem" JSC addressed the Commission in writing and requested to recalculate the normative losses set in the electricity transmission network.

In the four-month interval (January, February, April, May) of the third year of the regulatory period (2023), the amount of actual losses in the transmission licensee network has exceeded the amount of the normative loss (1.92%) approved by the Commission - by 10.81%, and in the six-month interval (January, February, April, May, June, July) has exceeded - 15.32%.

Since the recalculation of normative losses was requested in the third year of the regulatory period, the normative loss set in the electricity network of the transmission licensee in the specific regulatory period was adjusted in accordance with Article 7, Paragraph 4, (b.a) (b.b) of the "Rule of Calculation of the Electricity Normative Losses" approved by the Commission Resolution N 14 of June 10,2021. The amount of the normative loss for the remaining regulatory period was determined to be 1.97% and it was approved by the amendment made by the resolution N 45 of November 15, 2023 in the Commission Resolution N 34 of December 12, 2017 "On Approval of Electricity Normative Losses in the Electricity Networks of the Georgian Energy System".

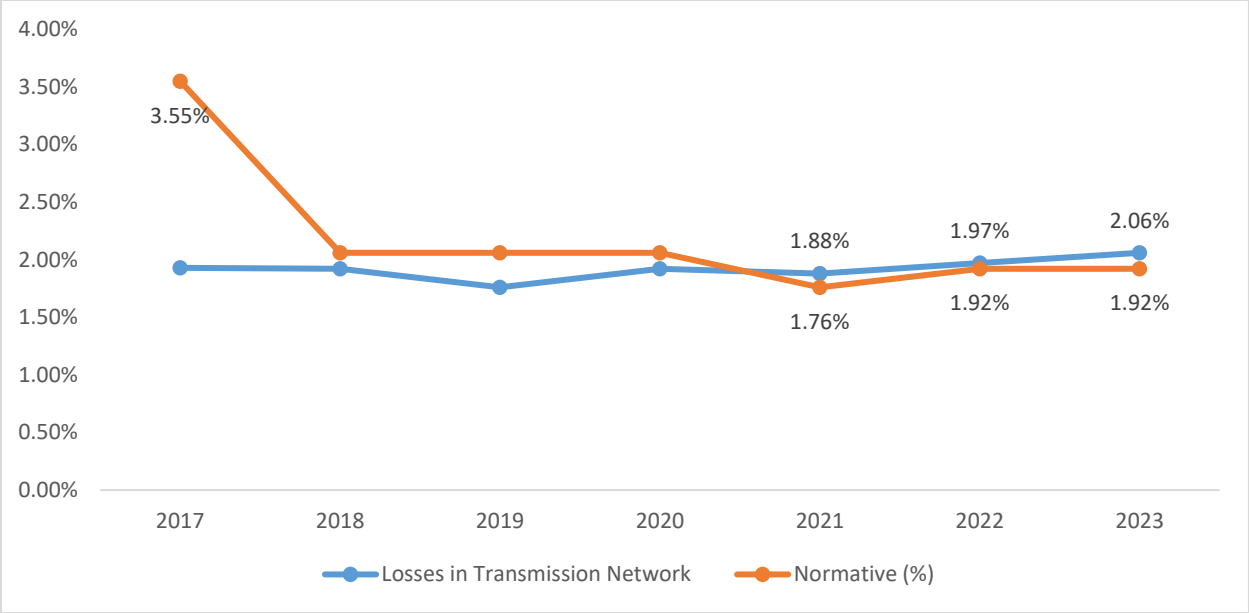


Figure 2.27. Losses in Transmission Network

Actual losses in the network of "Energo Pro Georgia" JSC has constituted 576 GWH that is a 10.36% of the electricity recieved in the network and exceeds approved normative norm (9.80%). The company has not applied to the Commission regarding recalculation of normative losses.

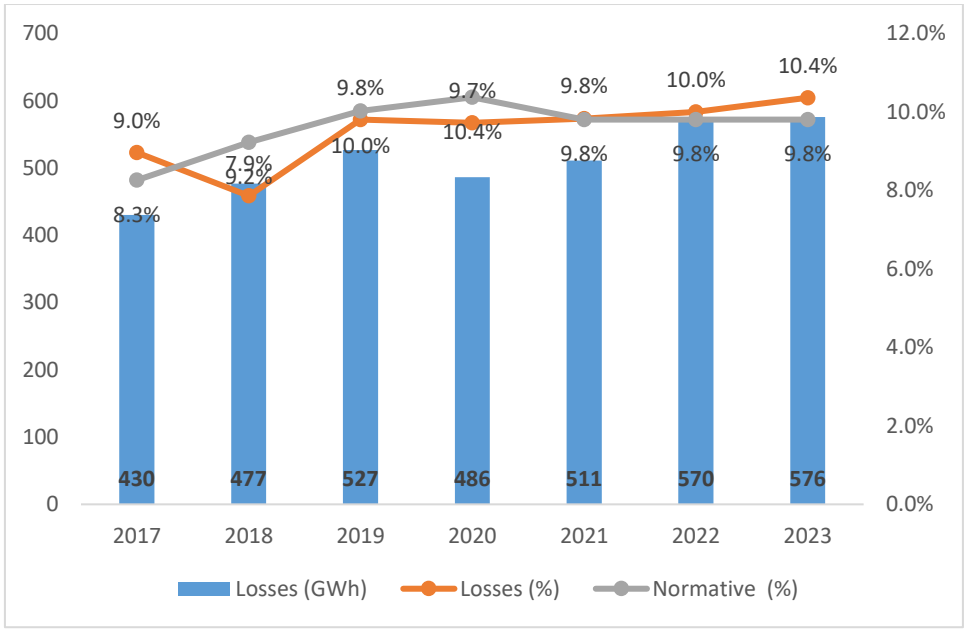


Figure 2.28. Losses in the Network of "Energo-Pro Georgia" JSC

As for "Telasi" JSC, the actual losses of the company has amounted to 201.61 GWh, which is 5.82% of the electricity received in the network and insignificantly has exceeded the normative loss by 1%. It should be noted, that the percentage indicator of actual losses in "Telasi" JSC network in 2022 has exceeded the values corresponding to the normative loss of 5.74% approved by the Commission by 5.75%. That's why "Telasi" JSC has addressed the Commission in writing and has requested to recalculate the electricity normative losses in its distribution network.

The recalculation of the electricity normative losses in JSC "Telasi" network was carried out in accordance with the Article 7, Paragraph 4 (b.a) (b.b) of the "Rule of Calculation of Electricity Normative Losses " approved by the CommissionResolution N14 of June 10, 2021, and which was approved with the amendment introduced by the Commission Resolution N 46 of November 15, 2023 to the Commission Resolution N 34 of December 12, 2017 "On Approval of Electricity Normative Losses in the Electricity Networks of the Georgian Energy System", namely:

The total electricity normative loss in "Telasi" JSC network, from its receipt in the distribution network is5.96%, including:

110(35) kV voltage level - 1.26%;

10(6) kV voltage level – 2.98%;

0.4 kV voltage level - 1.72 %.

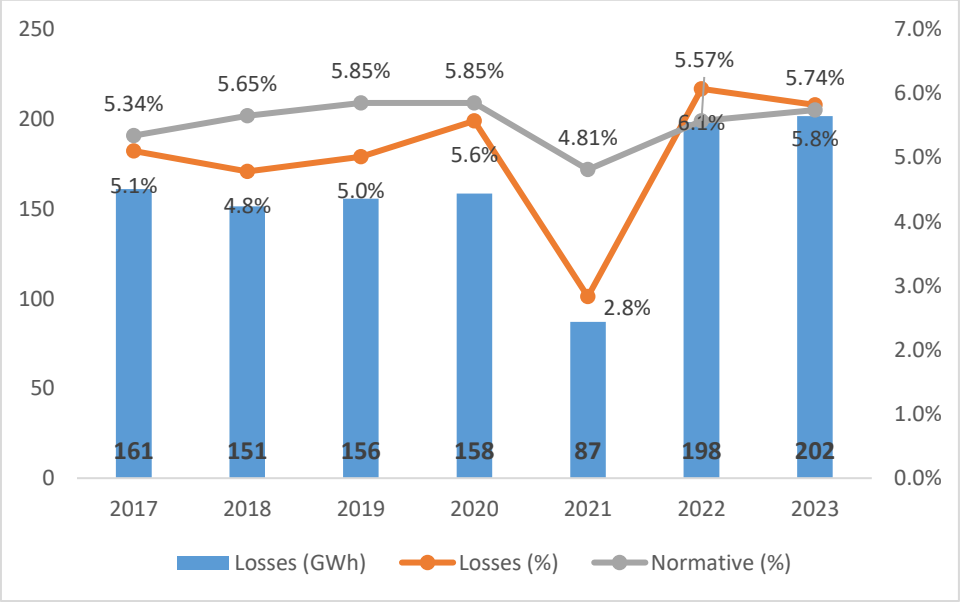


Figure 2.29. Losses in the Network of "Telasi" JSC

2.6. Pricing and Tariff Regulation (electricity)

2.6.1. Legal and Methodological Fundamentals

The basis for the calculation of electricity tariffs for enterprises subject to tariff regulation in the electricity sector by the Commission (hereinafter - the enterprise) is the Law of Georgia "On Energy and Water Supply" and in accordance with the requirements of the same law, the tariff methodologies developed by the Commission and approved by the normative administrative-legal act.

Based on the tariff methodology, the principles of "incentive" (marginal revenue regulation) and "expenditure plus" regulation established in international practice are used for the calculation of electricity tariffs, which ensure the stability of the enterprise's operation and stimulate the growth of efficiency, reimbursement of reasonable expenses and reasonable profit.

Within the framework of the public service provided by the law, which is imposed by the Government of Georgia upon the enterprise for relevant electricity activity, the Commission is authorized to determine the electricity tariffs for the final consumer served by the public service provider based on the tariff methodology approved by the Commission.

Except for some minor clarifications and legal formations, the tariff methodological amendments implemented during the reporting year mainly concern the new rate determination of weighted average cost of capital (WACC) in the calculation methodologies of electricity generation tariffs and guaranteed capacity fees, for the next three-year period of tariff regulation. The Commission determines the weighted average cost before tax (profit tax), and hereby the renewed norm of return in regulated assets base amounted to 15.73% (before tax), where the rate of debt(r_d) is 15,41%, while the rate of short-term debt (r_{sd}) is 13,47%, also the calculation of supply tariffs methodologies, wholesale market service fee and methodologies of intra-day and day ahead electricity market operator's service fees, new interest rates were determined for long-term debts and deposits (long-term debt rate- 15.67%, deposit rates-10.12%), which are also set for every subsequent one-year regulation period.

In accordance with the requirements of the methodology for calculation of guaranteed capacity fee and electricity generation tariff of guaranteed capacity source, approved by the Commission, for the period of validity of the first and second half of 2023, the agreements for the purchase of natural gas of guaranteed capacity sources (thermal power plants) were implemented and as a result, for the entire reporting period, the price of each thousand cubic meters of natural gas to be supplied for production purposes was still determined as 143 US dollars without VAT, and the settlement as well was in the national currency (GEL) at the exchange rate established by the National Bank of Georgia in relation to the US dollar to GEL for the last day of the reporting month.

2.6.2. Tariff Regulation and Sector Tariffs

According to the tariff methodologies and regulations approved by the Commission, the tariffs are set for the regulation period and for a specific energy enterprise individually, namely: tariffs are set over a five-year period for distribution and transmission in the electricity sector, tariffs are set for 3 years for hydropower plants subject to public service obligation.In case of thermal power plants guaranteed capacity fee is set annually (for 1 year period), guaranteed capacity source generation tariff is set monthly, based on actual data, in case of suppliers subject to public service obligation tariffs are set also for one year period .

2023 was another year of tariff calculation for a number of regulated enterprises of the electricity sector. The Commission for a number of regulated enterprises of the electricity sector, within the framework of the public administrative proceedings established the relevant tariffs and fees based on the tariff applications and the necessary documents attached. The mentioned process affected 8 licensees of electricity generation subject to public service (4 hydropower plants and 4 thermal power plants), 2 enterprises subject to public service supply activities in the electricity sector and also, for the correction purposes, 2 operators of electricity distribution system.

As a result, by the Commission Resolutions No. 51-54 of December 7, 2023, the construction of "Gardabni Thermal Power Plant" LLC (combined cycle air turbine), "Gpower" LLC (air turbine), "Mtkvari Energy" LLC (9th power unit) and "Georgian International" LLC was approved. "Energy Corporation" (Blocks 3 and 4) guaranteed capacity fees of thermal power plants, while the marginal tariffs of electricity production of the guaranteed power source are published monthly on the Commission's official website. Resolutions N55-56 of December 14, 2023 and Resolution N64 of December 25, 2023 approved the fixed electricity generation tariffs of "Enguri HPP" LLC and "Vardnili HPP Cascade hydropower plants and the marginal electricity production of "Energo-Pro Georgia Generation" (Lajanuri HPP, Gumati HPP Cascade, Dzverula HPP) tariffs. Also, the threshold tariff for electricity production of "Georgian Water and Power" LLC (Jinvali HPP) was established by the Commission Resolution N 77 of December 28, 2023. These tariffs are presented in Figures 6 and 7.

Determination of guaranteed capacity fees (GEL/day)		
Enterprise	activity/plant	2024
"Mtkvari Energy" LLC	Tbilsresi Block 9	66,204
"International Energy Corporation of Georgia" LLC	Tbilsresi Block 3	26,481
"International Energy Corporation of Georgia" LLC	Tbilsresi Block 4	28,884
"G-Power" LLC	Air turbine thermal power plant	45,537
"Gardabni Thermal Power Plant" LLC	Combined cycle thermal power plant	370,814

Table 6. Electricity Tariffs Established in 2023 (Thermal Power Plants. Guaranteed Capacity)

Determination of Electricity Generation Tariffs (Tetri / kWh)		
Enterprise	Generation facility	2024-2026
"Engurhesi" LLC	Enguri HPP	2.412
"Vardnili HPP Cascade" LLC	Vardnili HPP	3.067
"Georgian Water and Power" LLC	Jinvali HPP	3.625
"Energo Pro Georgia Generation" JSC	Lajanuri HPP	2.133
"Energo Pro Georgia Generation" JSC	Dzevrula HPP	1.374
"Energo Pro Georgia Generation" JSC	Gumati HPP	8.296

Table 7. Electricity Tariffs Established in 2023 (Hydropower Plants. Generation)

In addition, the distribution tariffs set for 2024-2025 tariff years for "Telasi" JSC and "Energo-Pro Georgia" JSC were adjusted, and accordingly, new (adjusted) tariff rates were approved by the Commission Resolutions N49 of November 30, 2023 and N63 of December 25, 2023.

Considering the postponement of the electricity market launching date during the reporting year, from March 31 to July 1, 2023 and from July 1 to December 31, 2023, the Commission Resolutions N10-15 of March 29, 2023 and N30-35 of June 29, 2023 have extended the validity of the temporary electricity supply consumption tariffs (universal service supply, public service supply, last resort supply) of "EP Georgia Supply" JSC and "Tbilisi Electricity Supplier Company" LLC which were approved by the Commission Resolutions N29-34 of June 29, 2021. New tariff rates for electricity supply have been determined by the Commission Resolutions N71-76 of December 28, 2023 valid from January 1 to July 1, 2024 (before launching of the electricity market). The final consumption tariffs for the mentioned suppliers consist of the sum of the supply and distribution tariffs, as well as the transmission tariff, established by the Commission for the same enterprises.

Information on final consumption tariffs and their components is given on Annex N5.

2.6.3. Comparative Analysis of Tariffs

In order to assess the severity of consumer tariffs in Georgia, Table 8 and Figure 2.30 represent household electricity tariffs in different countries.

Country	Household Tariffs (Tetri/kWh)
Azerbaijan	15.552
Georgia	**22.360**
Turkey	23.566
Bosnia and Herzegovina	26.181
Albania	28.721
Serbia	29.183
Montenegro	29.265
North Macedonia	31.266
Armenia	31.391
Bulgaria	32.289
Hungary	33.624
Iceland	35.867
Norway	37.979
Malta	41.719
Croatia	44.273
Moldova	52.860
Slovenia	53.240
Luxemburg	53.664
Slovakia	54.240
Finland	55.277
Poland	56.280
Estonia	59.164
Sweden	61.829
Portugal	62.437
France	63.557
Greece	70.859
Ireland	71.880
Spain	72.130
Austria	77.353
Lithuania	82.960
Czech republic	87.140
Latvia	89.894
Denmark	107.468
Cyprus	107.570
Italy	115.666
Germany	120.293
Romania	120.564
Liechtenstein	122.518
Belgium	122.781
Holland	128.618

Table 8. Household Tariffs in Different European Countries (Tetri/kWh) (Including Taxes)

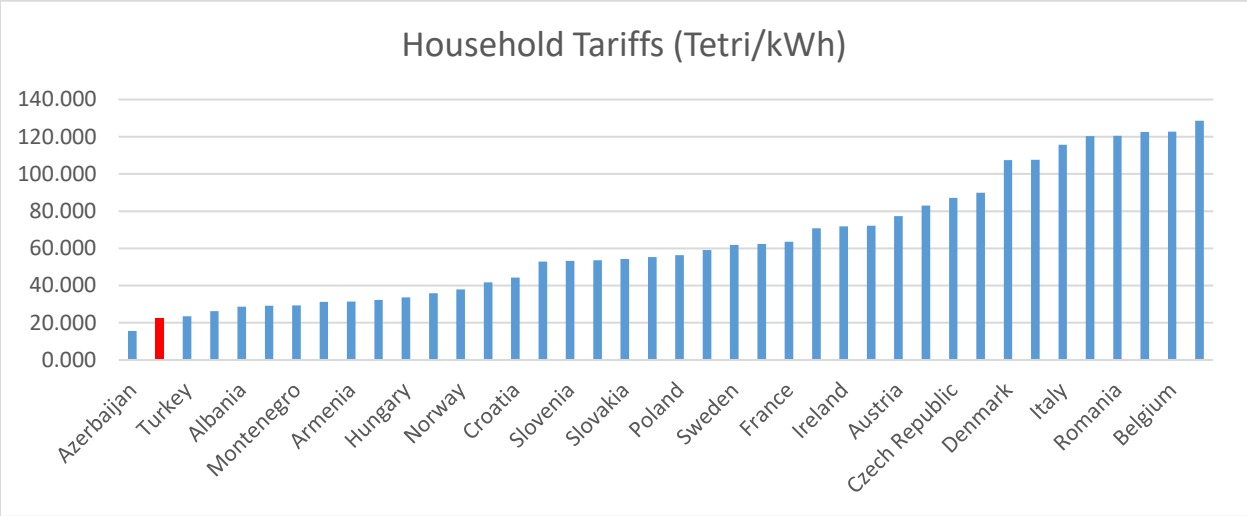


Figure 2.30. Household Tariffs in Different Countries (Tetri/kWh) (Including Taxes)

2.6.4. Performance Analysis of Investment Projects

In accordance with the principles determined by the relevant tariff methodologies approved by the Commission Resolution N68 of December 15, 2020, the tariff set for enterprises should include both the implemented investments and the investments to be made by the electricity transmission and distribution system operators, in accordance with the investment plan agreed by the Commission in accordance with the Law. In this context, when reviewing tariff applications, the Commission pays special attention to the analysis and monitoring of both implemented and ongoing investment projects.

When calculating tariffs on the basis of tariff methodologies, the Commission, in the regulated assets base of the enterprise, reflects the planned investments in the tariff calculation year and the tariff year in accordance with the investment plan presented by the electricity transmission and distribution licensee, which must be agreed with the Commission in advance before the tariff is set. The enterprise is obliged to provide justification for the necessity of the investments as well as the anticipated effect and benefits upon implementation.

If the enterprise does not meet the intended target index due to the investments made (including service standards), the Commission has the authority to apply the sanctioning mechanisms provided by the current legislation. Conversely, if the enterprise achieves better indicators than the planned target indicator, the Commission may utilize incentive mechanisms for such enterprises.

The electricity distribution licensees are obliged to provide detailed report on the actually performed works on the investment projects agreed by the Commission with the individual normative-administrative

legal act, separately for each project, also licensees are obliged to additionally provide expert conclusions about the actually performed works within a reasonable period of time for construction (installation)-rehabilitation investment projects specified by the Commission.

As a result of the study and analysis of the investment projects, the compliance of the technical and economic indicators with the pre-agreed investment plans will be determined, and subsequently the electricity distribution, transmission and consumption tariffs established for the licensed enterprise will be adjusted (if necessary).

As a result of the targeted investment made by the relevant licensee of the electricity sector, the improvement of the reliability, safety and appropriate quality of electricity indicators of the generation facilities providing public service and the electricity network should be achieved.

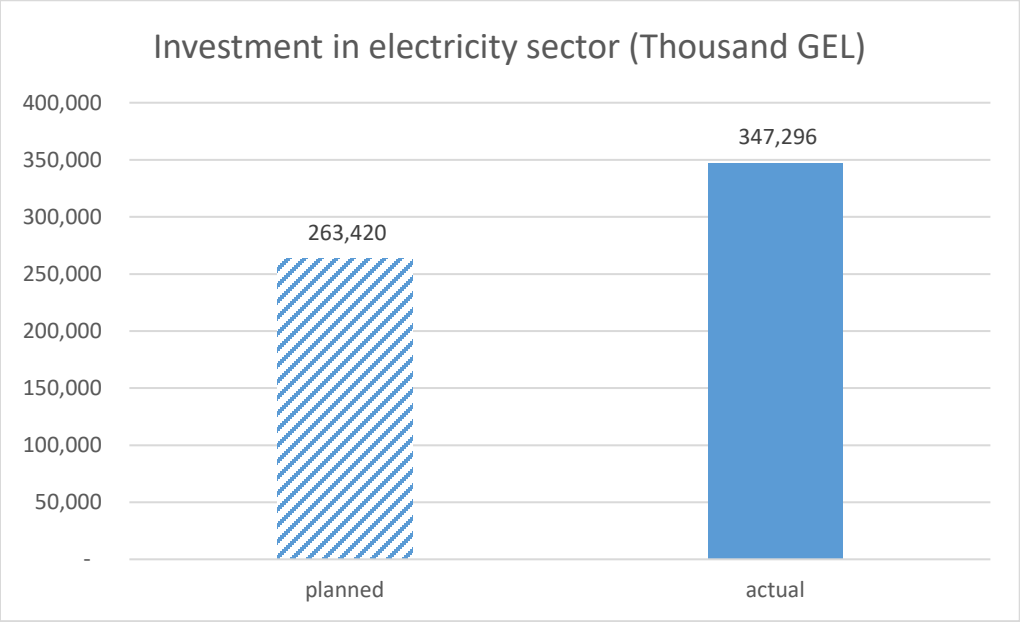


Figure 2.31. Planned and Actually Implemented Investments in the Electricity Sector by 2023 (Thousand GEL)

In 2023, the investments actually made by electricity generation, transmission and distribution licensees subject to tariff regulation in the electricity sector amounted to 347,296 thousand GEL, the indicators of which according to each activity and source of financing are presented in Figures 2.32 and 2.33.

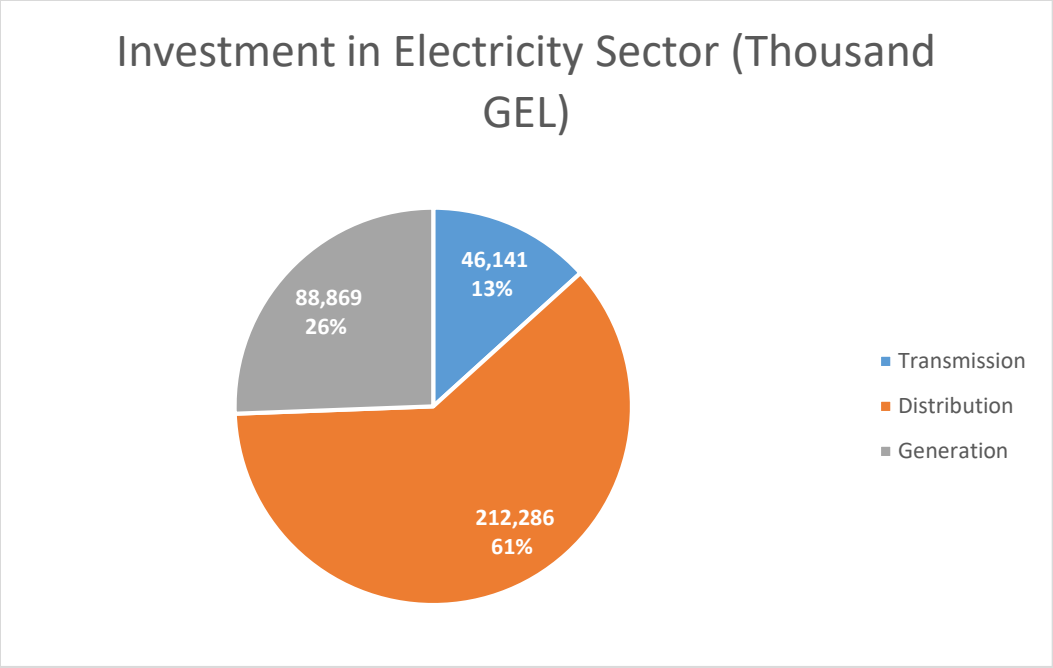


Figure 2.32. Investments Made in 2023 by Activities (Thousand GEL)

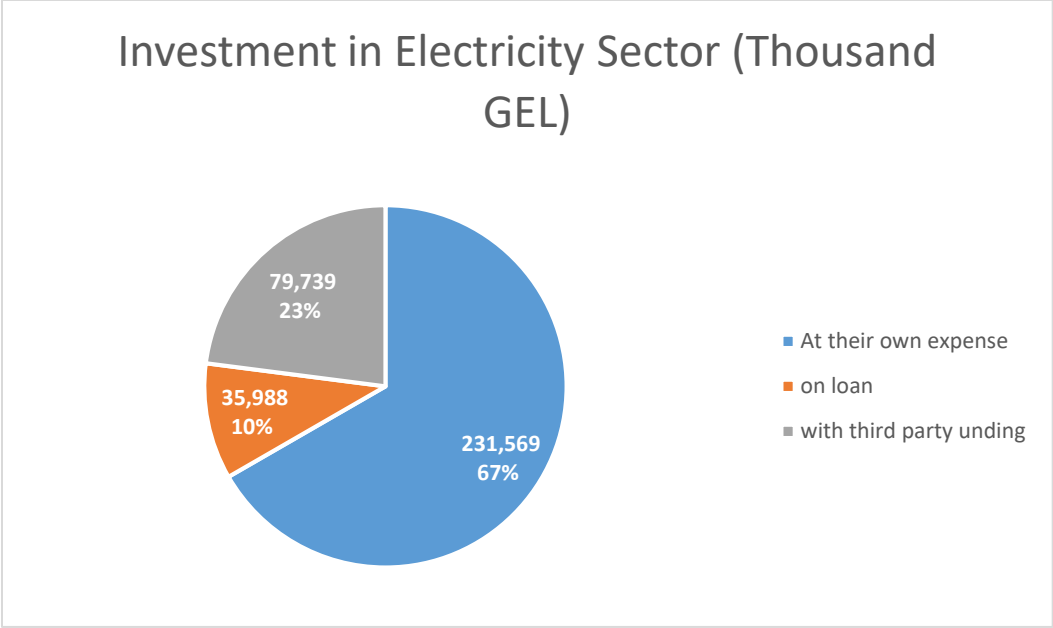


Figure 2.33. Source of Financing of Investments Made in 2023 (Thousand GEL)

The goal of electricity distribution system operators is to increase the efficiency and reliability of electricity supply in their license area, as well as to increase capacity for further development of the electricity network, that's why the investments are made every year. In 2023, the amount of investments made into the network by "Telasi" JSC has amounted to 53,055 thousand GEL. Out of this, 19,743 thousand GEL will be spent on technical renovation, reconstruction (35-110 kV and 6-10 kV substations, 110-35 kV overhead

transmission lines, 0.4-10 kV cable infrastructure, etc.) and major repairs (35-110 kV and the electrical and construction part of 6-10 kV substations, repair and replacement of subscriber's metering nodes) were used for the implementation of the projects. 31,358 thousand GEL was spent on the projects of connecting new subscribers to the distribution network and expanding the network, within the framework of which 6,572 new connection were completed by 2023, and the income received from the fee for joining the distribution network of new subscribers amounted to 30,847 thousand GEL without VAT. In addition, various necessary tools and equipment, office appliances and software were purchased, which amounted up to 1,954 thousand GEL.

"Energo-Pro Georgia" JSC made investments in similar directions, which amounted up to 159,231 thousand GEL by 2023. SCADA system was installed in 8 substations as part of the made investments; In 35/110 kV substations, 32 power generators of different capacities and 545 pieces of 10-6/0.4 kV transformers in the network were repaired, substation buildings were repaired, water was supplied to the substations and new switchboards were installed, various types of rehabilitation and installation works were carried out on electricity transmission lines; The rehabilitation works also affected 10/6 kV, in particular, 690 power transformers were installed in the network, 9560 pillars and 560 wires were installed, cables were replaced and installed, insulation, the transformer points were fenced, roofed and repaired, and 86 modular substations and 151 packaged transformer substation were replaced and rehabilitated. 187 units of voltaic cells were arranged, 29 vacuum type circuit breakers were arranged in the central distribution points, 10 reclosers, 48 line cells of external installation and 675 line disconnectors were installed in the network. Within the framework of the rehabilitation of Kakheti 0.4 kV network, 14,212 poles, 429.4 km of self-supporting insulated cable were installed, as part of the rehabilitation of the Kakheti 0.4 kV network – 2,959 poles, 208 km of SIP cable and 10,208 meters were installed.

The investments made in 2023 by the electricity distribution system operators -"Energo-Pro Georgia" JSC and "Telasi" JSC are given in Figure 2.34.

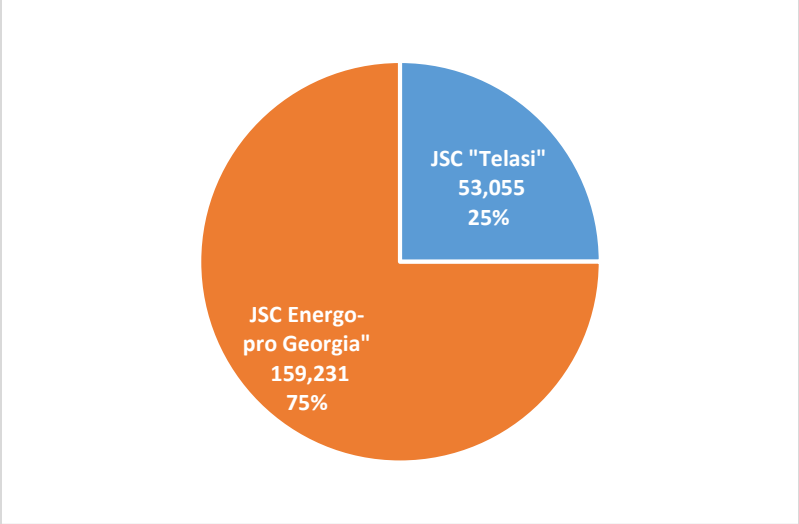


Figure 2.34. Investments Made in 2023 by the Electricity Distribution System Operators - "Energo-Pro Georgia" JSC and "Telasi" JSC

2.7. Promotion of Renewable Energy and Energy Efficiency

Georgia is rich in various sources of renewable energies. While water resources have historically played a leading role in Georgia, alternative renewable sources (such as wind, solar, etc.) are becoming more and more important.

According to the Law of Georgia on Promoting the Generation and Consumption of Energy from Renewable Sources, the Commission is responsible for executing all measures aimed at facilitating the integration of electricity producers utilizing renewable sources into the network and market. This includes providing priority and guaranteed access to the network. It is worth noting that for this purpose, the Commission introduced changes to the Distribution Network Rules and established the terms and fees for connection to the network in order to determine the non-discriminatory conditions and forecast costs of connecting small power plants to the network (for detailed information see section 2.5.2).

By this same law, the Commission was mandated to approve the Rules for the "Certificate of Origin of Electricity Generated from Renewable Sources". The Certificate of Origin is a voluntary mechanism. It allows the final consumer to contribute to the development of electricity generated from renewable sources and reduce the negative impact on the environment. The supplier who publicly offers electricity generated from renewable sources to the final consumer is obliged to confirm the origin of the electricity consumed within the scope of this offer with certificates of origin[8].

The transmission system operator ensures the issuance of Certificates of Origin. Accordingly, in 2023, "Georgian State Electro System" JSC introduced the GREXEL platform, within the scope of which Certificates of Origin are issued, transferred and revoked. As of 2023, 49 power plants, 2 large consumers, 2 traders and 1 supplier were registered on the platform, and 50 certificates of origin were transferred. By 2023, no Certificates of Origin have been revoked.

In addition to the above, the Commission is assigned a leading role in the regulation and promotion of micro-generation power plants, for which so called "Net Metering" Rule has been in effect since 2016 (for detailed information, see section 2.7.1).

According to the Law of Georgia “On Energy Efficiency”, the Commission has the right to consider measures to improve energy efficiency during the planning and operation of the network infrastructure by the transmission and distribution system operators. For this purpose, in the five-year distribution network development plan, the Commission agreed on a plan to replace existing power transformers with energy-efficient transformers by “Telasi” JSC and “Energo-Pro Georgia” JSC. Also the measures planned by “Energo-Pro Georgia” JSC, in particular: replacement of primary and secondary commutation at substations with

[8] Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the Promotion of the Use of Energy from Renewable Sources, definition 59 https://eur-lex.europa.eu/eli/dir/2018/2001/oj

modern energy-efficient devices; installation of capacitor batteries in the distribution network; increasing the cross sections of wires and cable lines in the network.

2.7.1. Outcomes of the Introduction of Net Metering Regulation

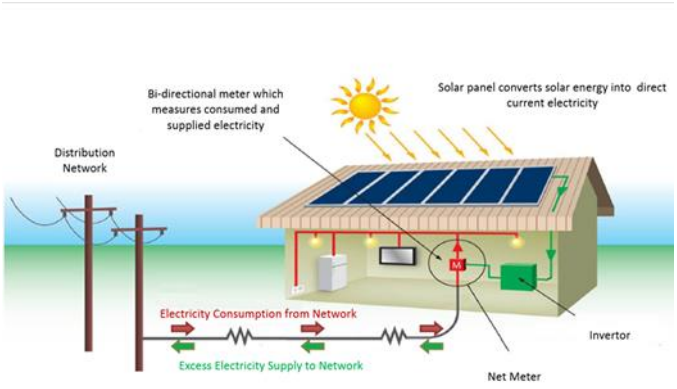


Figure 2.35. Representative Scheme of Net Metering

The consumer's active involvement in the operation of the retail electricity market is a modern trend in the development of the electricity market. A well proven way of the above mentioned process is to meet the consumer's own consumption through micro power renewable energy sources, which is supported by various incentive policies at the international level.

One of the traditional and widespread policies for the development of consumer-owned power plants is the so-called Net Metering, which is also popular in Georgia. This above-mentioned incentive mechanism came into force in Georgia in 2016, with the relevant resolution[9] adopted by the GNERC. Initially, individual connections were allowed, which spurred interest in micro-power plants at the consumer level. In the second phase, in 2019, the Commission made amendments to the above-mentioned regulation, which provided for the possibility of joint involvement by a group of consumers in the net metering program. In 2020, by the Commission's decision, maximum available installed capacity of the micro power plant increased from 100 kW to 500 kW. According to the information available to the Commission, at the end of 2023, 314 subscribers used a net metering scheme in the area of "Telasi" JSC with a total capacity of 24.656 kW, and 829 subscribers - in the area of "Energo Pro Georgia" JSC with a total capacity of 42,897 kW. In 2023, a total of 1143 subscribers were registered in the net metering system, with a total capacity of 67,552 kW. In total, in 2023, the installed capacity of micro power plants included in the net metering increased by 70% compared to the previous year.

Figure 2.36 indicates the dynamics of the development of micro power plants in Georgia in the period of 2016-2023.

[9] Electricity (capacity) Supply and Consumption Rules approved by Resolution N 20 of September 18, 2008 of the Georgian National Energy and Water Supply Regulatory Commission

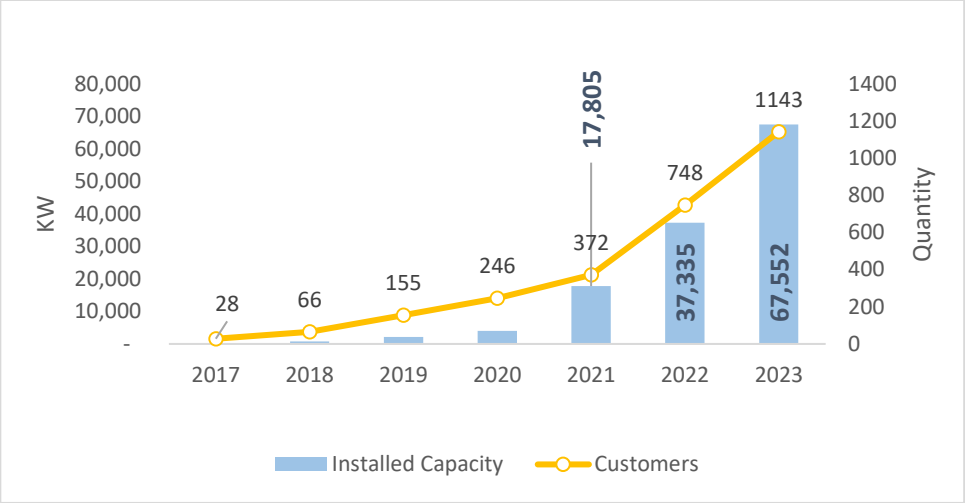


Figure 2.36. The Dynamics of the Development of Micro Power Plants in Georgia in the Period of 2016-2023

An essential phase for developing micro power plants was the adoption of the Laws of Georgia on "Energy and Water Supply" and "Promoting the Generation and Consumption of Energy from Renewable Sources", by the Parliament of Georgia on December 20, 2019. The adoption of the above-mentioned laws, together with other issues, has opened up new opportunities for improving the net metering program and for more active promotion of the development of micro power plants.

Namely, the new legislation stipulates the increase of the power limit of a micro generation power plant from 100 kW to 500 kW, which gives the Commission the authority to cover more and larger capacity power plants in the net metering program. Additionally, the obligation of physical placement of the micro power plant at the electricity consumption place is abolished, which will undoubtedly contribute to expanding the geographical area of energy source placement and providing more opportunities for stakeholders. The Commission continues to improve/enhance the net metering regulation following the requirements of the new legislation.

It should also be also noted that under the "Electricity Retail Market Rules", approved by the Commission Resolution N47 of August 13, 2020, which came into force on July 1, 2021, the excess electricity generated by the micro power plant and supplied to the distribution network will be purchased by the universal service provider operating in the relevant area.

3. Natural Gas Sector

In Georgia, natural gas remains the primary source for meeting final energy demands. The share of natural gas in total energy consumption is small, however, it is characterized by an increasing trend. In 2023, Georgia's natural gas demands were met by imports for 99.5%, with domestic production accounting for the remaining 0.5%. The Republic of Azerbaijan serves as the primary source of gas supply.

3.1. Natural Gas Market

According to Georgia's energy balance, the share of natural gas in total energy consumption was 41.8%. A decrease in the share of coal, biofuels, and waste is observed, which can be attributed to increased gasification and the substitution of natural gas for solid fuels (see Figure 3.1).

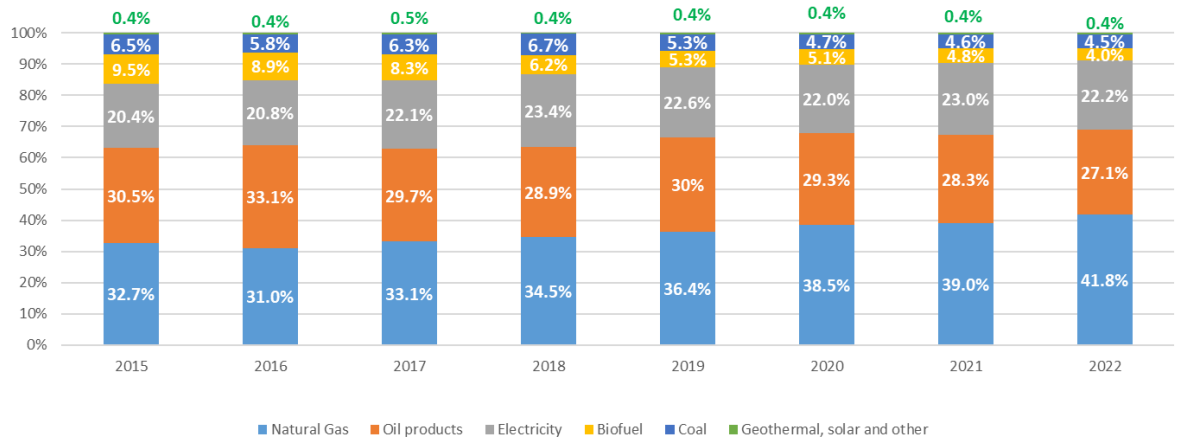


Figure 3.1. Energy Balance of Georgia

In 2023, Georgia received natural gas from four main sources. With reference to Figure 3.2, it is possible to estimate the size of the Georgian natural gas market
and track the movement of the main gas flows in 2023.

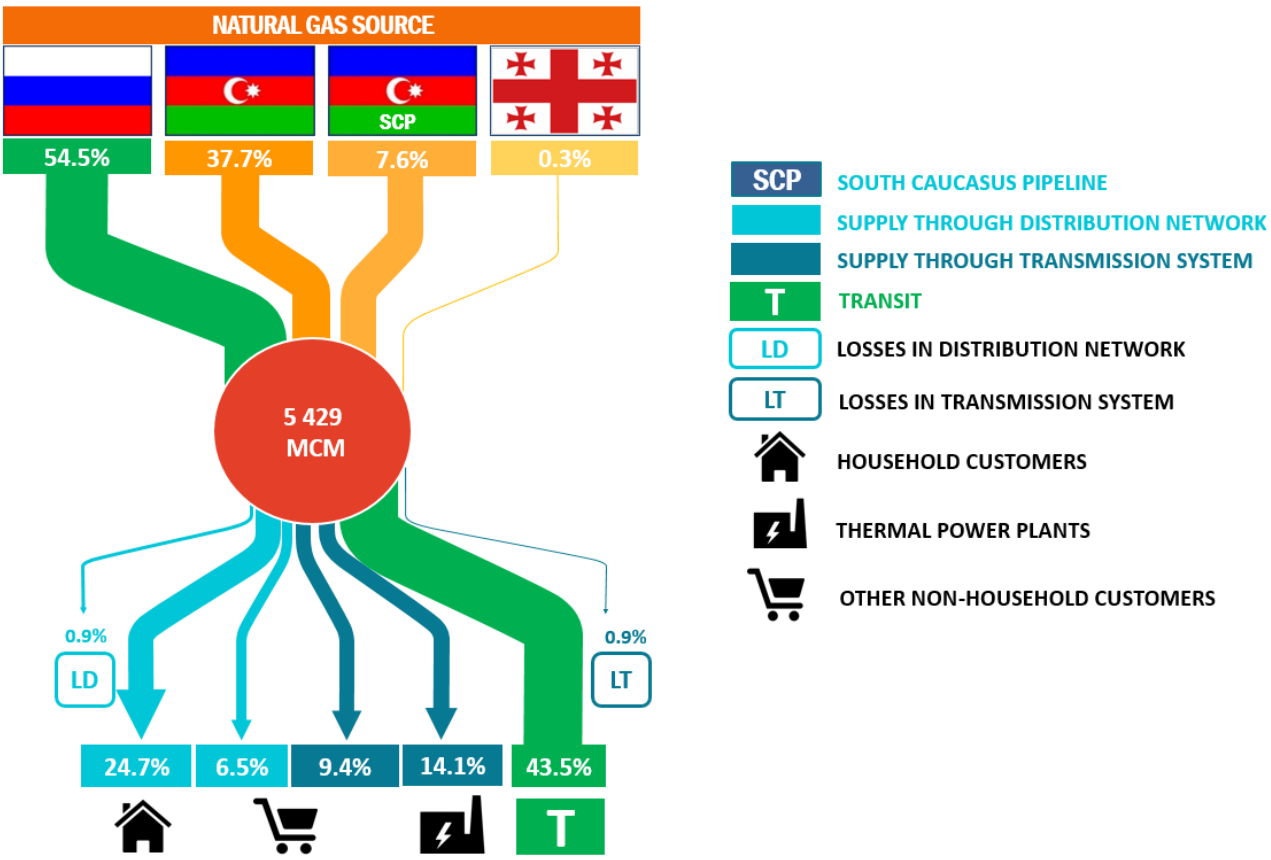


Figure 3.2. Natural Gas Balance[10]

3.1.1. Market Structure and Entities

The natural gas market encompasses two primary segments: retail and wholesale natural gas markets. Georgia currently lacks an organized natural gas market. Consequently, natural gas buying and selling on the wholesale market occurs solely through bilateral agreements. Suppliers import natural gas (or purchase small volumes of produced natural gas) and resell it to other suppliers, while at the retail level suppliers deliver directly to final consumers. This does not prevent a single supplier from operating at both market levels.

Socar-related companies still dominate the wholesale and retail markets. Consequently, the market is concentrated at both levels, making access to natural gas at a competitive price a major challenge for deregulated consumers.

[10] The data used in this chapter are preliminary and may change as a result of audited data submitted by regulated enterprises.

In 2023, the natural gas market comprised 28 active suppliers. Of these, 11 participated in both wholesale and retail markets, while the remaining 17 operated in the retail market exclusively (see Annex 8).

The physical delivery of natural gas to final consumers is ensured by the natural gas transportation licensees, who are responsible for transporting gas from its extraction or import source to designated entry points, and distribution licensees. The structure of the natural gas market of Georgia is shown in Figure 3.3.

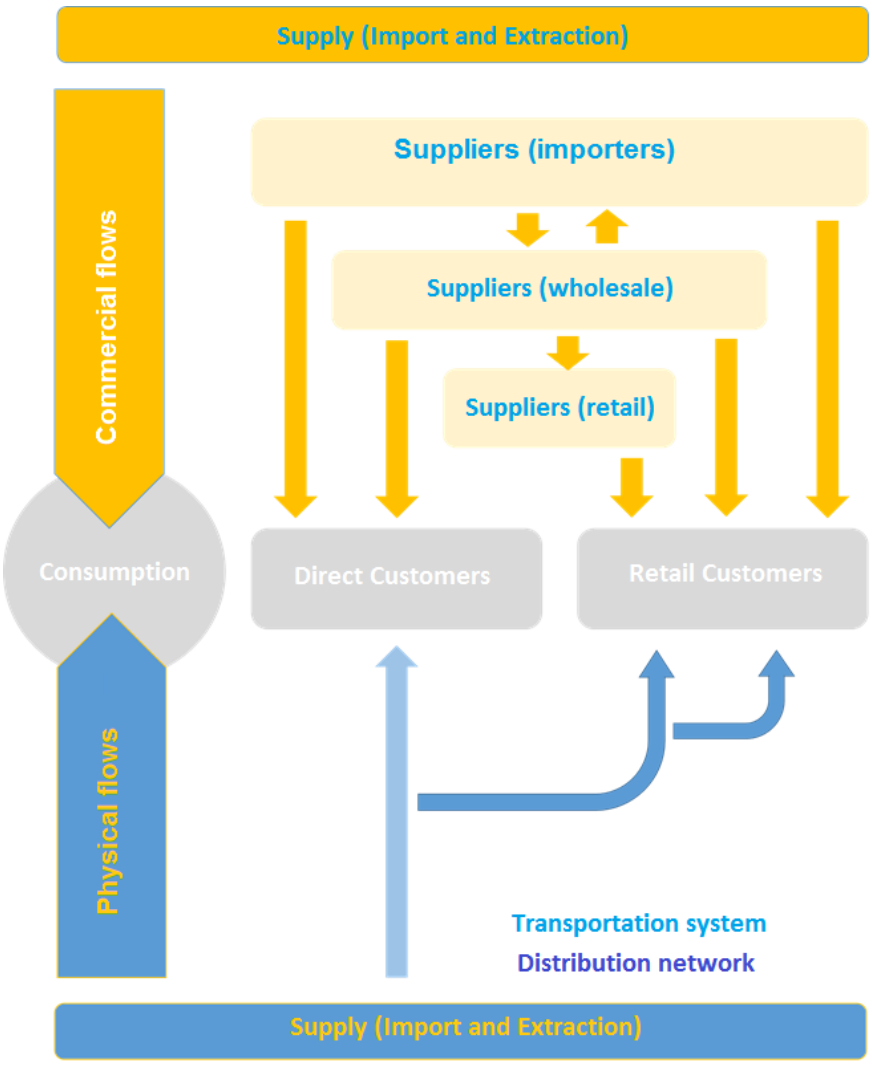


Figure 3.3. Natural Gas Market Structure

3.1.2. Unbundling of Activities

Unbundling of distribution system operators

According to the Law of Georgia on Energy and Water Supply the distribution system operator, which is part of a vertically integrated enterprise, must be independent, at least in terms of legal form,

organizational arrangement, and decision-making, from other activities that do not relate to the distribution activities.

The “Distribution System Operator Unbundling Rules”, approved by Commission’s Resolution N39 of July 16, 2020, describe in details the legal, functional (management), account unbundling, and independence requirements, as well as the related procedures for the distribution system operator. The Resolution applies to distribution system operators in the electricity and natural gas sectors, excluding small system operators serving up to 100,000 customers.

It should be noted that in the reporting year, an agreement was reached as a result of working-format negotiations with the licensees of natural gas distribution, namely “Socar Georgia Gas” LLC, “Telavgas” LLC, and “Sakorgas” JSC, regarding the presentation of the updated unbundling plan to the Commission in accordance with the unbundling model and legislation.

Granting approval for disposal of shares/operating assets and merger of companies by the network system operator:

The Law of Georgia on Energy and Water Supply regulates matters related to the procedures for the disposal of shares/operating assets by the system operator and the implementation of the merger of companies. In particular, the first paragraph of Article 161 of the Law stipulates the obligation of the relevant system operator to notify the Commission in advance if there is an intention to merge the system operator and/or dispose of 5 percent or more than 5 percent of shares, or 5 percent or more than 5 percent of the total value of operating assets, or change the controlling person (ultimate beneficiary). This change creates the possibility of a natural or legal entity resident in a third country exercising control over the system operator and/or operational assets.

Throughout 2023, the Commission received one notification regarding the transfer of 100% of shares of "Varketiliair" LLC to "Tbilisi Energy" LLC. The Commission thoroughly examined the documents and data required by legislation and determined that the proposed transactions would not result in a decline in the services provided by the system operator to system users. It was also concluded that the system operator would remain in compliance with the legislative requirements of Georgia, including the conditions of its license, and there would be no adverse impact on the system operator's tariff. Accordingly, based on Commission’s decision N52/1 of November 2, 2023, approval was granted for the transfer of 100% of the shares of "Varketiliair" LLC to "Tbilisi Energy" LLC.

3.1.3. Key Features of the Market

As mentioned, the natural gas market, according to its essence and characteristics, can be divided into retail and wholesale markets. In the wholesale market, natural gas is traded between traders, trader and licensee (for loss reimbursement purposes), between the trader and the supplier, while in the retail market, natural gas is supplied to final consumers.

3.1.3.1. Natural Gas Wholesale Market

The Republic of Azerbaijan remains the main source of natural gas supply to Georgia. Georgia meets 80% of its natural gas demand through various contracts with Azerbaijan. At the same time, Georgia transits natural gas from the Russian Federation to the Republic of Armenia, which in 2023 was 9 % lower than last year.

In 2023, similar to the previous year, Georgia maintained a relatively high rate of natural gas inflows from Russia. This is directly linked to the country's increased natural gas consumption, with peak daily usage reaching high levels (within 15-20 mln m^3). Furthermore, the contracted capacities of natural gas at entry points from the Azerbaijan side were insufficient to meet domestic consumption fully, necessitating additional imports.

In 2023, demand on natural gas on the Georgian market amounted to 2,966 mln m^3, which is slightly less than last year's figure. To meet the demand, natural gas was imported into the country by two suppliers. In total, 99.5% of Georgia's demand for natural gas was met by imports, and the rest by local production. The purchase of local production and injection into the Georgian natural gas transportation system was carried out by two suppliers, one of which is also an importer. Accordingly, natural gas placement (import and local production) in the natural gas market of Georgia was carried out by a total of four suppliers ("Georgian Oil and Gas Corporation" JSC, "Bago" LLC, "Socar Georgia Gas" LLC, "Bookup Solutions" LLC). The Herfindahl-Hirschman Index (HHI) among suppliers at this level of trade (placement of natural gas on the wholesale market) was 5,222, indicating a highly concentrated market. The index is slightly worse than in previous years, mostly reflecting the changes in the share of natural gas sources rather than any changes in the market in terms of competition. A similar situation is especially typical for countries that are insufficiently connected with neighboring countries and/or there is a lack of importers interested in exploiting different sources in the market.

Information about natural gas received in Georgia in 2023 is given in Table 1.

Natural Gas Entry Point		2019	2020	2021	2022	2023
Azerbaijan	Import	1,229	1,183	1,132	1,411	1,081
	Additional and optional	-	-	-	-	963
Azerbaijan - South Caucasus Gas pipeline	Import	339	259	25	-	-
	Additional and optional	853	900	1,026	1,146	413
Russia		162	204	397	520	596
Armenia		-	19	-	-	-
Local extraction		9	8	15	14	16
All		**2,592**	**2,573**	**2,595**	**3,091**	**3,069**

Table 1. Natural Gas Injection to Georgia according to Entry Points (mln m³)

Natural gas available on the Georgian market was traded at the wholesale level by 11 suppliers, among which the share of the three largest suppliers is 95%. - Herfindahl-Hirschman Index (HHI) was 3,385, indicating a highly concentrated market. In conditions where the market is characterized by high concentration at the level of natural gas import, fostering competition in wholesale trade becomes impossible without implementing special measures. In the long term, it is crucial to identify alternative sources of natural gas (such as access to the LNG and the Turkish market, using options like gas swaps), contingent upon legislative changes and the interest of suppliers. Encouraging local production, including biogas production, and promoting network integration is also important.

The level of competition in the market, including at the wholesale level, significantly determines the price of natural gas. When determining the average price at the wholesale level, the weighted average price of natural gas sold by all suppliers in this market segment is considered. The separation of social and commercial segments is also crucial in price setting.

As mentioned, Georgia acquires social gas from the South Caucasus Pipeline at a discounted price, which is intended for supplying natural gas to the population and TPPs. Consequently, both wholesale and retail prices of natural gas in this segment are significantly lower compared to the commercial segment. At the wholesale level, the price of social gas can be estimated through the price of natural gas provided by the Commission in setting the consumer tariff, which averages 0.26 GEL/m³, taking into account various levels of government subsidies.

It is interesting to compare the prices of natural gas in the European wholesale markets. Unlike Georgia, prices in organized European natural gas markets (known as hubs), exhibit significant variations depending on the seasons and the demand-supply ratio. Compared to previous years, 2023 was characterized

by relatively stable natural gas prices. Recently, along with the increase in connecting capacities of European countries and the construction of new interconnectors, the prices of different markets tend towards each other. Figure 3.4 shows price dynamics at the Dutch TTF Gas hub[11] for 2022-2023.

Figure 3.4. Natural gas prices at the Dutch TTF Gas hub, (Euro/MWh - Euro/1,000 m³)

3.1.3.2. Natural Gas Retail Market

Since 2015, the change in the structure of natural gas consumption has been driven, on one hand, by the increase in natural gas consumption by the population, and on the other hand, by the decrease in consumption by gas filling stations. In fact, in 2023, the rate of natural gas consumption remained unchanged from 2022.

The structure of natural gas consumption and the information about natural gas consumed by each sector are given in Figures 3.5.a and 3.5.b.

[11] Source: https://www.ice.com

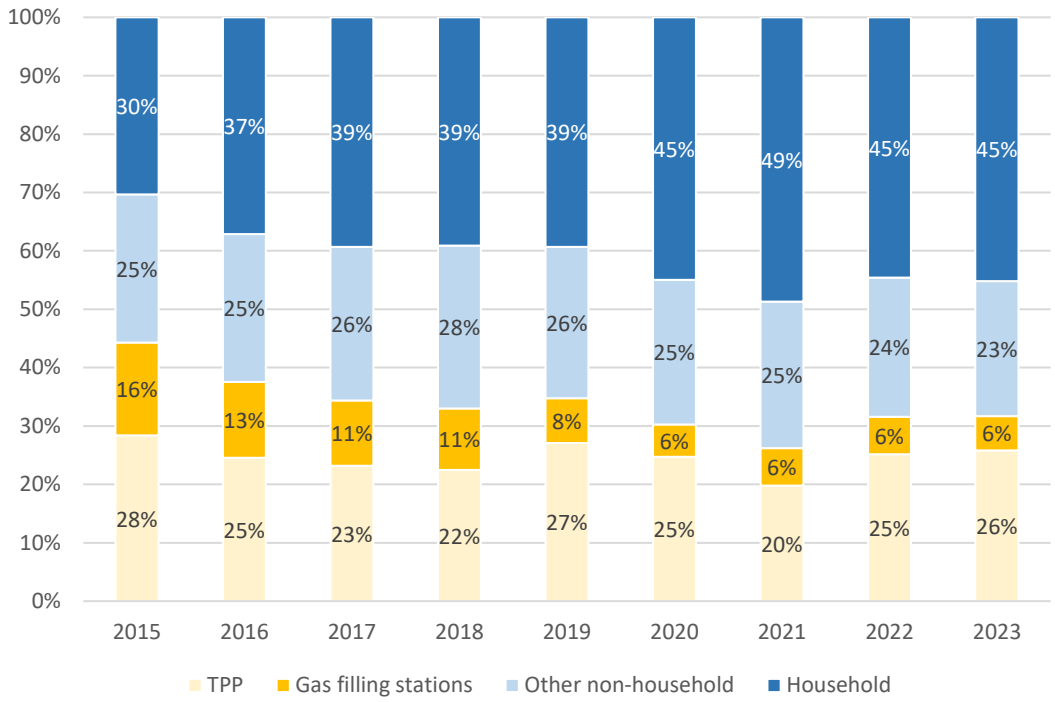


Figure 3.5.a. Natural Gas Consumption by Different Sectors

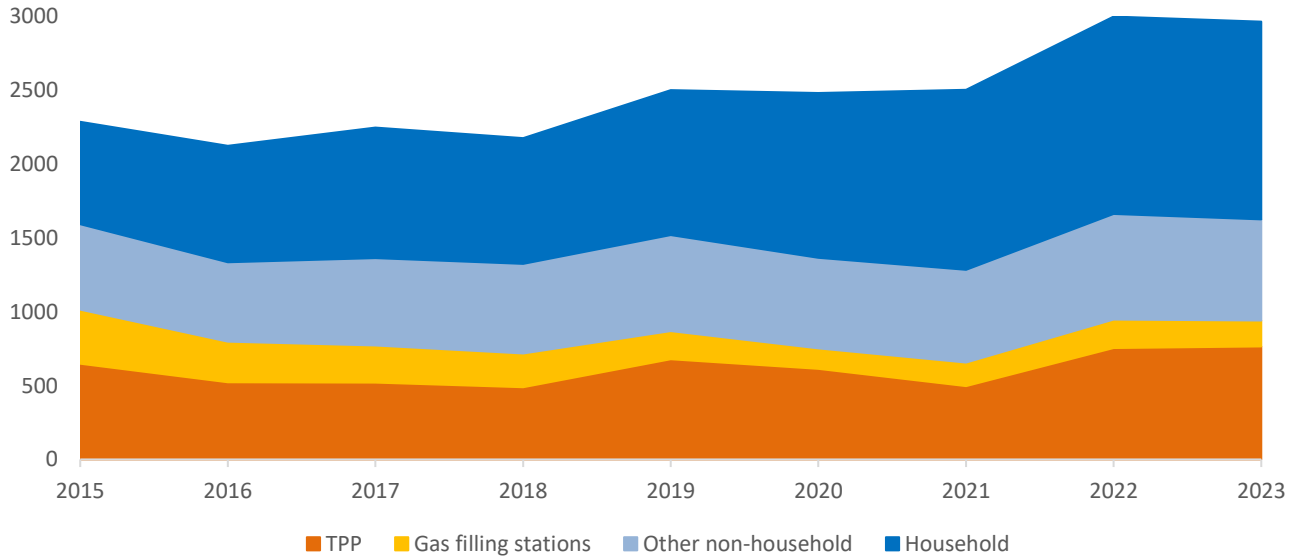


Figure 3.5.b. Natural Gas Consumption According to Different Sectors (mln m³)

Despite gasification efforts in new settlements, there was no increase in demand for natural gas in the household sector, which can be explained by the relatively warm climate of 2023. Regarding the rate of demand for gas at gas filling stations, after 2015—when the use of natural gas in motor vehicles reached its peak—there was a consistent decrease in consumption within this sector until 2020. Among the reasons that caused the situation are the rise in natural gas prices, increased taxes on this fuel, intensified competition

from Liquefied Natural Gas (LPG), and the growing import of hybrid and electric cars, which are largely replacing natural gas vehicles. It is noteworthy that gas demand at gas stations showed an upward trend in 2021-2022. However, in 2023, there was a 10% decrease in demand. This decline can be attributed to the reduction in petroleum product prices.

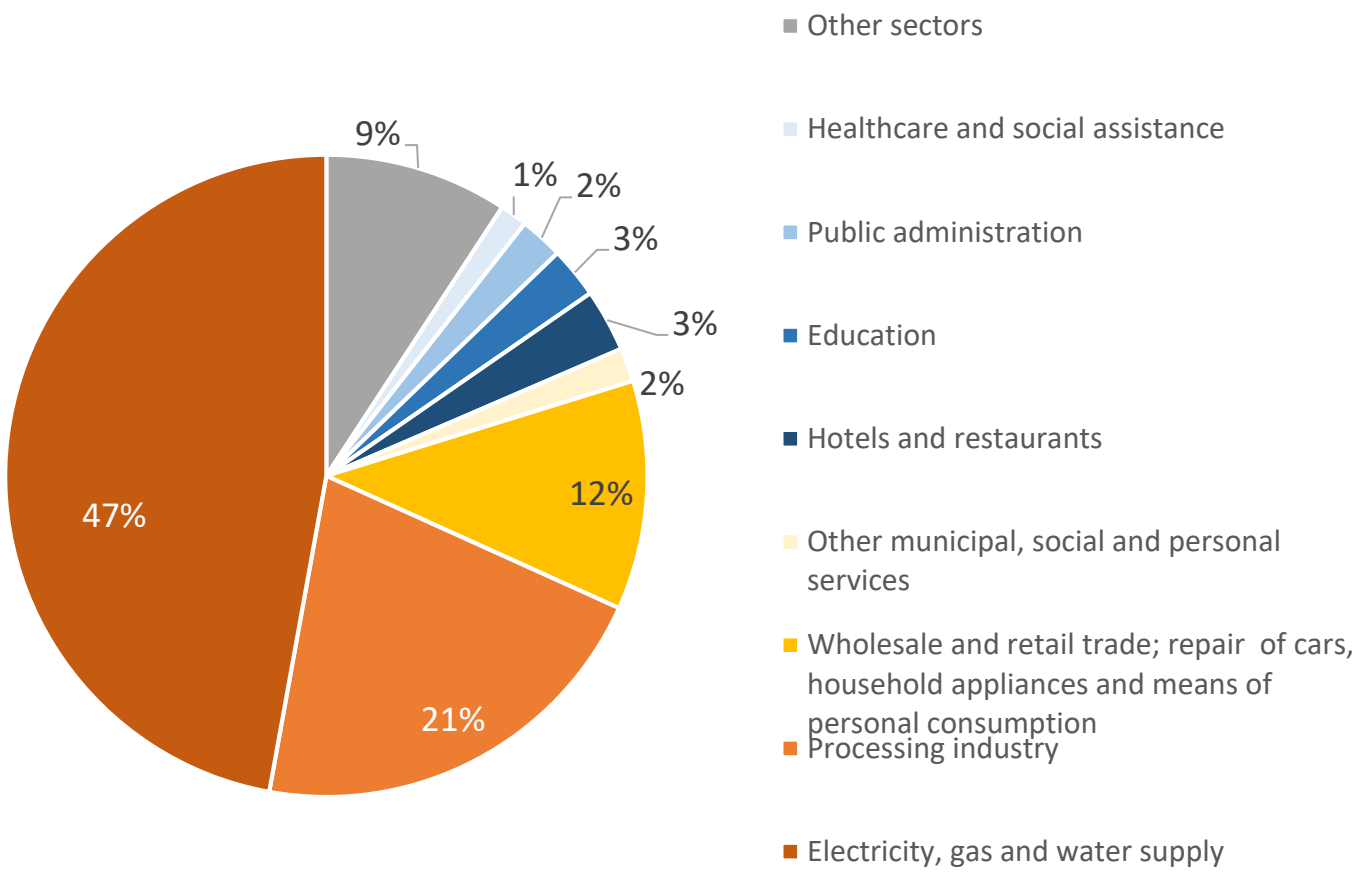


Figure 3.6. Natural Gas Consumption by Different Sectors

The demand for natural gas in other sectors of the economy has been more or less the same for the last five years. As shown in Figure 3.6, the trade, repair of cars, household appliances and means of personal consumption[12], processing industry, generation and distribution[13] sectors of electricity, natural gas, and water, represent the largest consumers. In total, they account for 80% of the total natural gas consumption in the commercial sector. Of these three sectors, the generation and distribution sectors of electricity, natural gas, and water are the most seasonal due to the need for electricity generation by TPPs. The other two sectors

[12] This category includes the purchase of natural gas by gas stations.
[13] including TPPs.

are more or less stable in natural gas consumption. The demand for natural gas broken down by sectors into months is given in Figure 3.7.

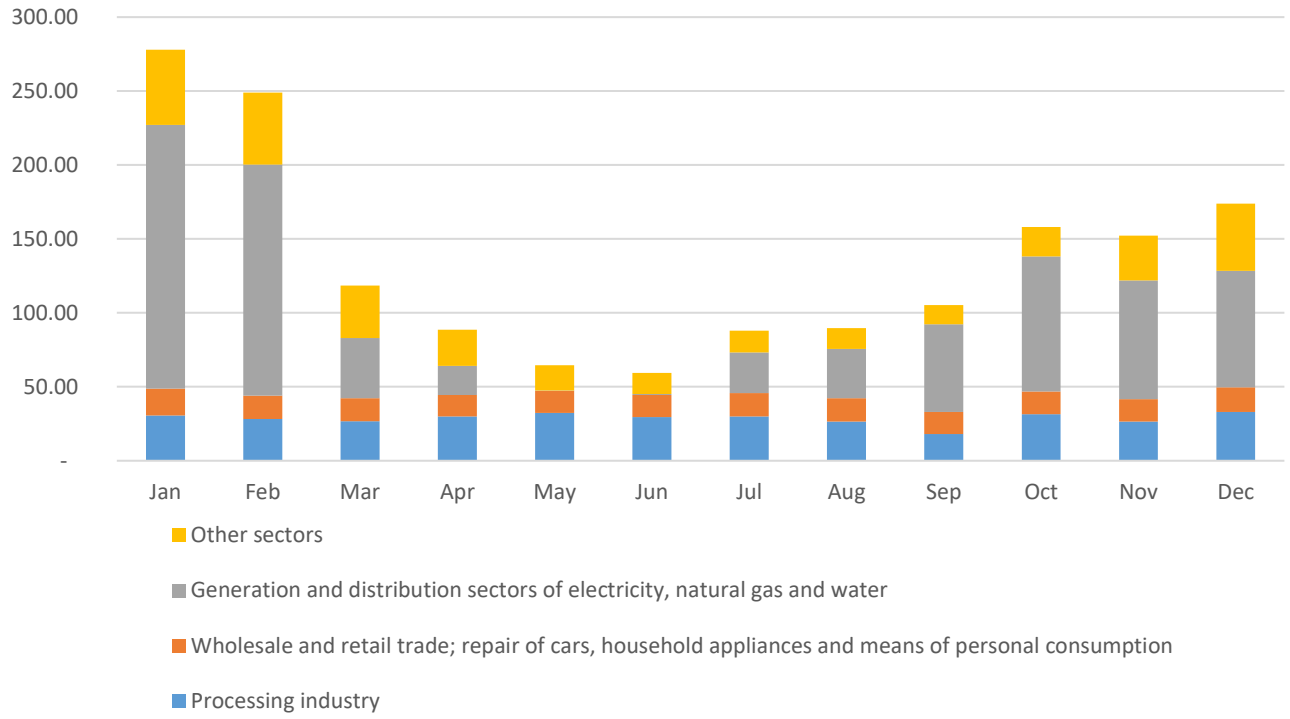


Figure 3.7. Natural gas consumption by different sectors (mln m³)

In addition to the evident seasonality of TPPs, the consumption of natural gas by various commercial facilities is also characterized by seasonality. Natural gas is used for heating purposes in various sectors including healthcare and social assistance, public administration, education, hotels and restaurants, as well as other utility, social, and personal service organizations. The total share of the mentioned sectors in the total consumption amounted to 11%.

Table 2 shows the share of different sectors of the economy in total consumption and the seasonality factor of these sectors[14]. As can be seen from the table, most of the sectors are characterized by pronounced seasonality.

[14] The seasonality factor represents the ratio of the sector's demand during the winter period (the first and last three months of the year) to the annual demand of this sector. The more the factor is distanced from 50% the more seasonal the consumption is. When the seasonality factor approaches 100%, it indicates high natural gas consumption during winter, while a tendency towards 0% suggests higher consumption during summer. A factor of 50% signifies equal consumption levels throughout both winter and summer periods.

Sector	Seasonality factor (%)	Share in total consumption (%)
Agriculture, hunting and forestry; fishing, fishery	72%	0.6%
Manufacturing industry	52%	21.1%
Electricity, gas and water production and distribution	82%	47.2%
Trade; Repair of automobiles, household goods and personal items	51%	11.5%
Hotels and restaurants	65%	3.2%
Transport and Communications	51%	1.0%
State governance	80%	2.2%
Education	89%	2.6%
Health care and social assistance	80%	1.4%
Provision of other, communal, social and personal services	65%	1.7%
Other	65%	7.6%

Table 2. Characteristics of Natural Gas Consumption by other Sectors of Economy

Consumption of natural gas by household consumers is also characterized by prominent seasonality. Figure 3.8 shows the consumption of natural gas by household consumers (population) per month.

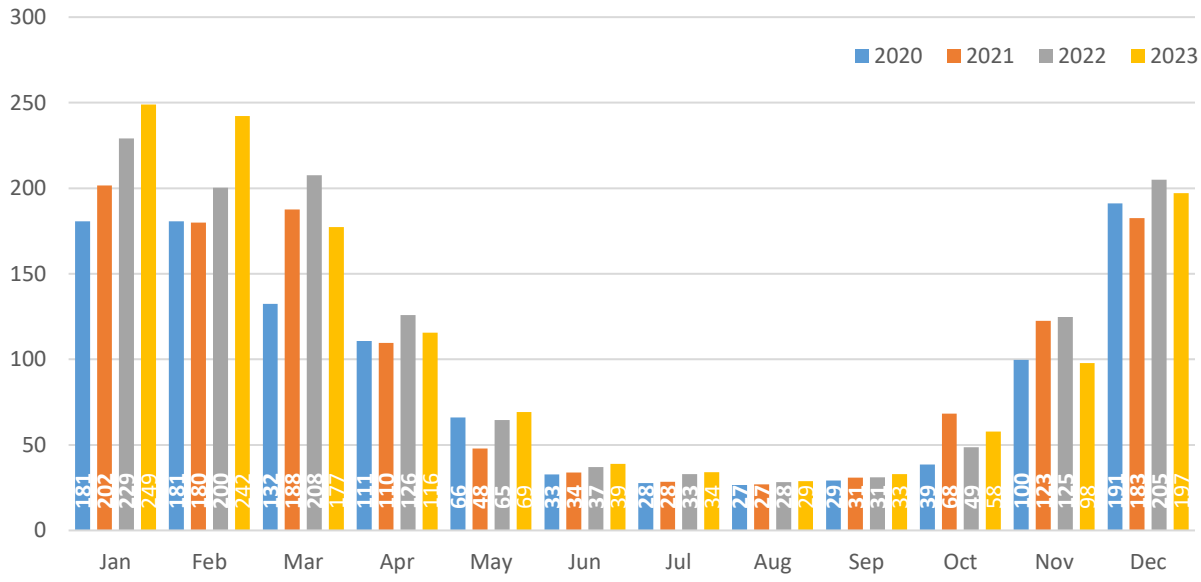


Figure 3.8. Consumption of natural gas by household consumers (mln m³)

As previously mentioned, there is a distinct seasonal pattern in the consumption of natural gas in both the household and non-household segments (where natural gas is mainly used only for heating). The difference in natural gas consumption in winter and summer is closely related to climatic conditions. In Georgia, energy consumption peaks during the winter months (October to March) due to the cold weather, and during the transition period, the level of energy consumption becomes quite stable until the air temperature starts to rise. Any increase in air temperature during spring-summer is reflected in a reduction in energy consumption. To analyze the relationship between natural gas consumption and atmospheric air temperature, the Heating Degree Day (HDD)[15], has been used as a statistical measure of a climate, quantifying the variance between the average outdoor temperature and a base temperature.

Figure 3.9 provides information on HDDs in Tbilisi from 2013- to 2022 years. As can be seen from the Figure, the number of HDDs in 2023 is significantly low compared to the previous period, which means that buildings needed to be heated by fewer degrees in 2023.

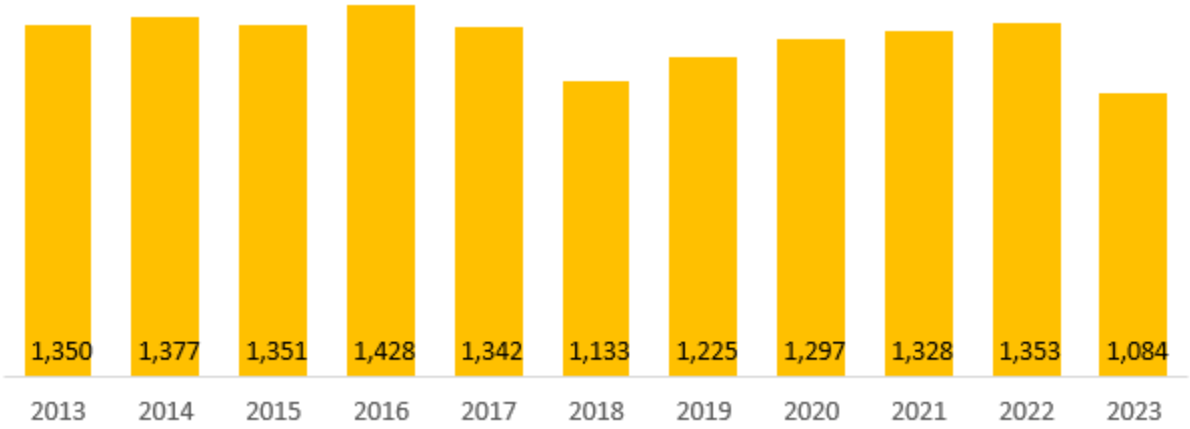


Figure 3.9. HDDs in Tbilisi [16]

[15] A heating Degree Day measures the severity and length of cold weather. It shows the difference between the outside temperature and the base temperature. The base temperature is a balance point i.e. minimum environmental temperature when there is no necessity to heat the building. If the average day temperature is less than the base temperature, heating is necessary and the difference between those temperatures is the degree day for the specific day.

[16] The source of information about the weather is National Environment Agency LEPL.

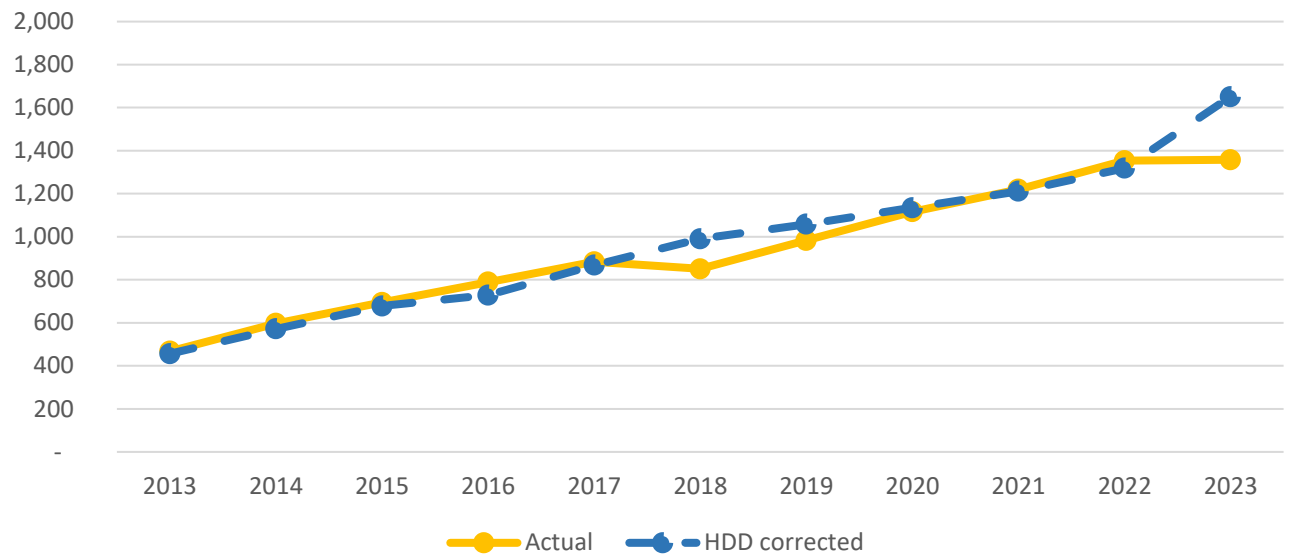


Figure 3.10. Actual amounts of the natural gas consumed by household consumers and adjusted amounts per HDDs (mln m³)

Although Figure 3.9 provides information only for the capital, the trend is likely more or less similar in Georgia as a whole. Considering the aforementioned assumption, Figure 3.10 presents the actual and HDD-adjusted volumes of natural gas consumed by household consumers from 2013[17] to 2023. As can be seen from the figure, the consumption of natural gas by household consumers remained unchanged in 2023, although an increase in consumption would typically be observed under average winter conditions.

Tbilisi leads the country in natural gas consumption, accounting for 50% of the total consumption by both household and non-household consumers. Following Tbilisi, the regions of Imereti, Kvemo Kartli, and Adjara also stand out for their volume of natural gas consumption (see Figure 3.11).

[17] according to the deviation from the average HDDs of 2013-2023.

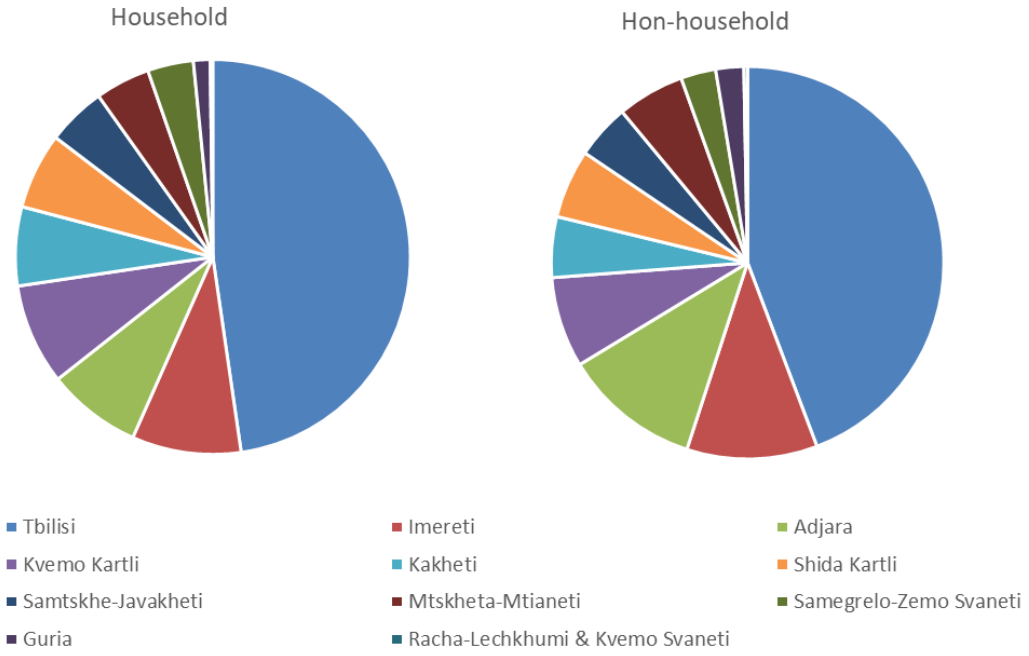


Figure 3.11. Natural gas consumption by regions

In 2023, the process of gasification of new settlements continued, as a result of which the number of retail consumers (household and non-household) amounted to 1,554,572 at the end of the reporting year (see Figure 3.12). In 2023, 66,558 new consumers were added to the sector.

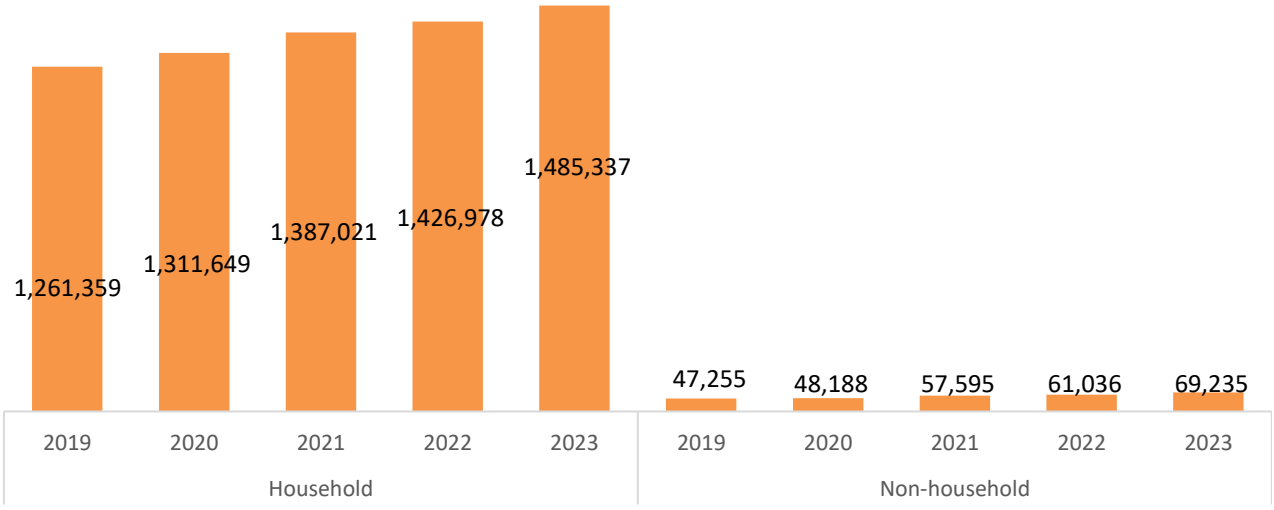


Figure 3.12. Number of Natural Gas Consumers

Data from late 2023 shows that over a third of all consumers are Tbilisi Energy LLC customers. Simultaneously, only 15% of the total network length belongs to Tbilisi Energy LLC This is due to the fact that Tbilisi Energy LLC operates solely in the city of Tbilisi, whereas "Socar Georgia Gas" LLC and "SakOrgGas" JSC, which together own 78% of the total distribution network, operate in the other regions. (see Table 3).

It's important to note that there is a close correlation between the distribution tariff and the ratio of the distribution network's length to the number of consumers. Gas supply to regions requires more investment per customer than in densely populated areas.

Distribution				
Licensee	**Consumer**		**Network length (km)**	
"Tbilisi Energy" LLC	555,500	36%	5,425	15%
"Socar Georgia Gas" LLC	559,100	36%	20,584	56%
"SakOrgGas" JSC	299,200	19%	8,263	22%
Others (17)	140,800	9%	2,580	7%

Table 3. Number of natural gas consumers and network length by companies

A significant portion of the total consumer base is still made up of inactive consumers who have not consumed natural gas and remain practically passive throughout the year. Figure 3.13 shows the number of active and inactive users by month. Despite being connected to the distribution network, a significant portion of subscribers do not consume natural gas, as shown in the Figure. The mentioned facilities are closed and/or are seasonal residences. Despite the fact that distribution licensees constantly provide services and, therefore, bear costs to ensure the possibility of supplying natural gas to the mentioned inactive consumers, according to the existing tariff methodology, these inactive consumers do not contribute to those costs (this is because the current legislation mandates that the natural gas distribution tariff is determined per unit of gas consumed, and does not include a separate capacity or fixed component).

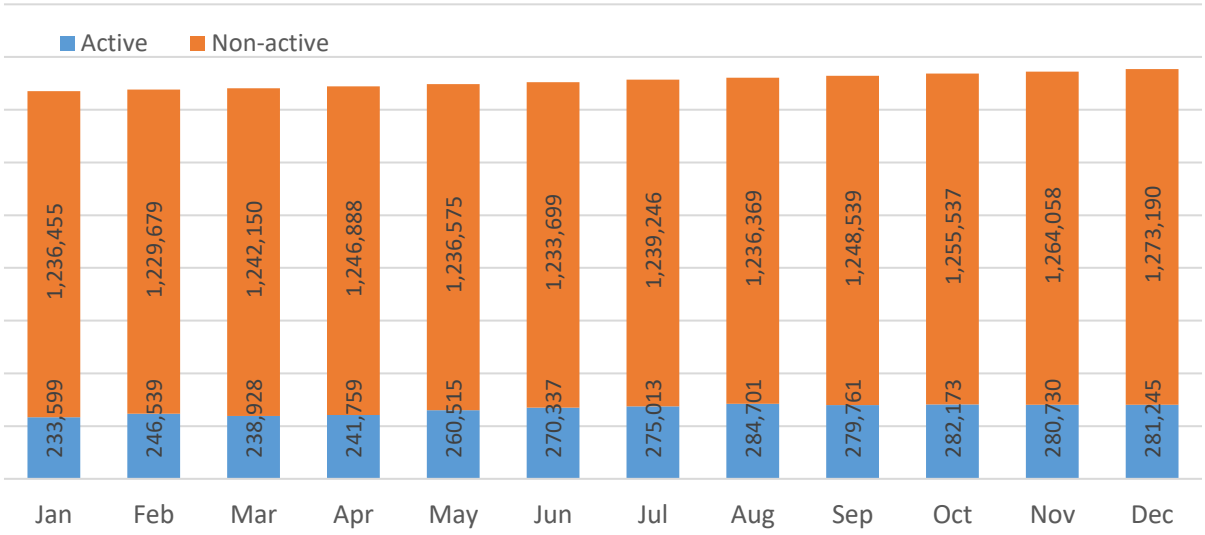


Figure 3.13. Number of Active and Inactive Consumers of Natural Gas, 2023

Consumption of natural gas by household consumers varies by city and rural areas, as well as by region. In small towns, boroughs, and especially villages, the average consumption of natural gas per household is significantly lower than in cities, as firewood is still actively used as fuel. The exceptions are Mtskheta-Mtianeti and Adjara regions. High consumption in the mentioned regions can be attributed to the particularly cold climate and lack of access to firewood. In the case of Mtskheta-Mtianeti, it's due to the direct subsidy of the natural gas fee. Figure 3.14 shows the natural gas consumption per household in urban and rural areas by region.

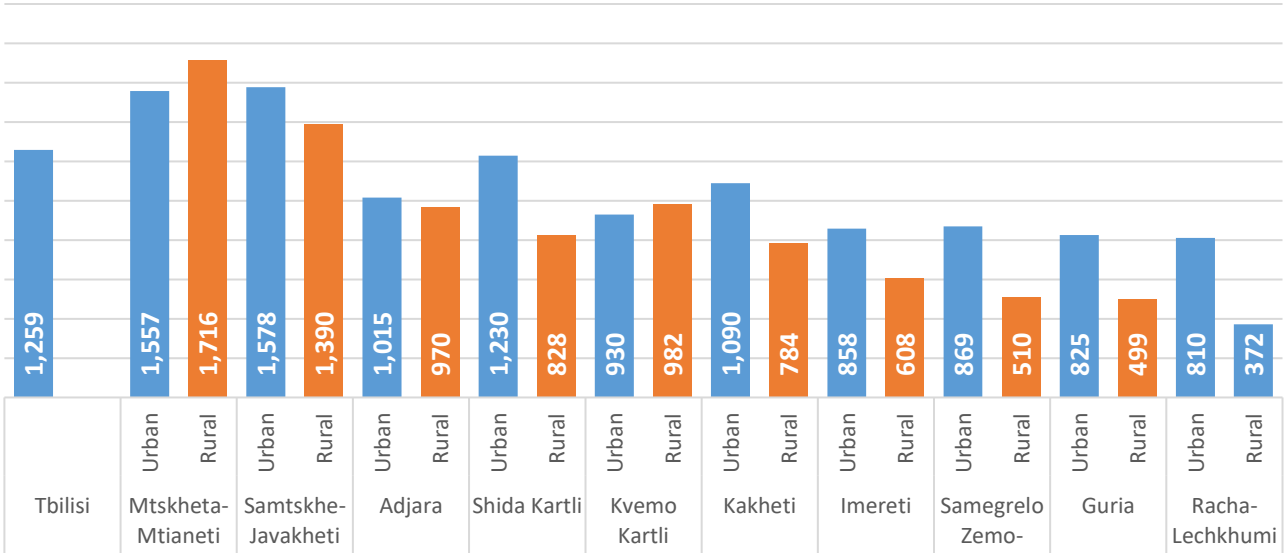


Figure 3.14. Annual consumption of natural gas by one household consumer in 2023 (m³).

Natural gas is primarily utilized by individuals and businesses for cooking, as well as heating water and premises. The increase in gasification of new settlements, the number of new consumers connected to the network, and consumption are most evident in the group of consumers using natural gas exclusively for cooking.

Due to the arrangement of the wholesale market, the prices of natural gas in the retail market also differ significantly according to the social (residents and TPPs) and commercial consumers.

Consumer tariffs for household consumers are set by the Commission and tariff regulation is discussed in Chapter 3.3. As for non-household consumers, the price of natural gas in this sector is not regulated and it is determined by the contract between the consumer and the supplier. The price of natural gas for non-household consumers connected to the distribution network shall be determined under the conditions established by the Commission, through a public offer, which implies that the supplier is obliged to sell natural gas only at a pre-offered price. The suppliers have no such obligation to the commercial consumers connected to the transportation system. Considering the information mentioned, the average price of natural gas for commercial consumers connected to the distribution network was 1.10 GEL/m^3, while a similar figure for commercial consumers connected to the transportation system exceeded 0.67 GEL/m^3 [18] . Ensuring parity between retail and direct consumers is a crucial objective, and the regulatory commission will continue to collaborate with relevant institutions to address this matter.

The consumer price structure of final consumers considering all its components is given in Figure 3.15.

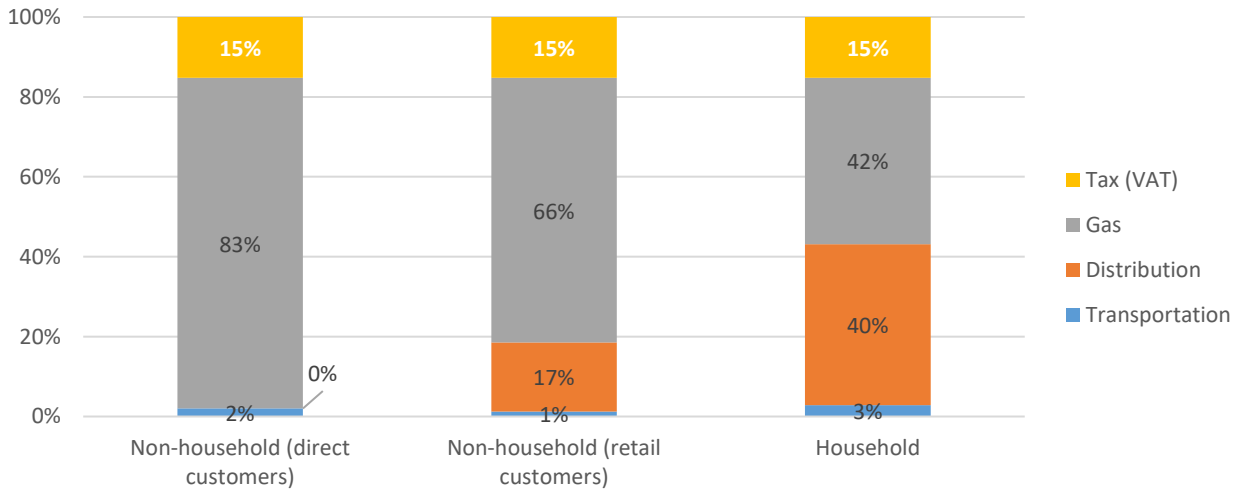


Figure 3.15. Consumer price/tariff structure of natural gas

[18] The price includes the network component, and the cost of natural gas supplied to TPPs and non-energy consumption is not included in this calculation, because given their size, this would not affect prices intended for other consumers.

In 2023, the Commission agreed on the five-year development plans of the distribution network of "Tbilisi Energy" LLC, "Socar Georgia Gas" LLC, "SakOrgGas" JSC, "Telavgaz" LLC, SG Gas Company LLC. The total value of network investments planned for 2024-2028 amounted to 267 mln GEL.

3.2. Licensing

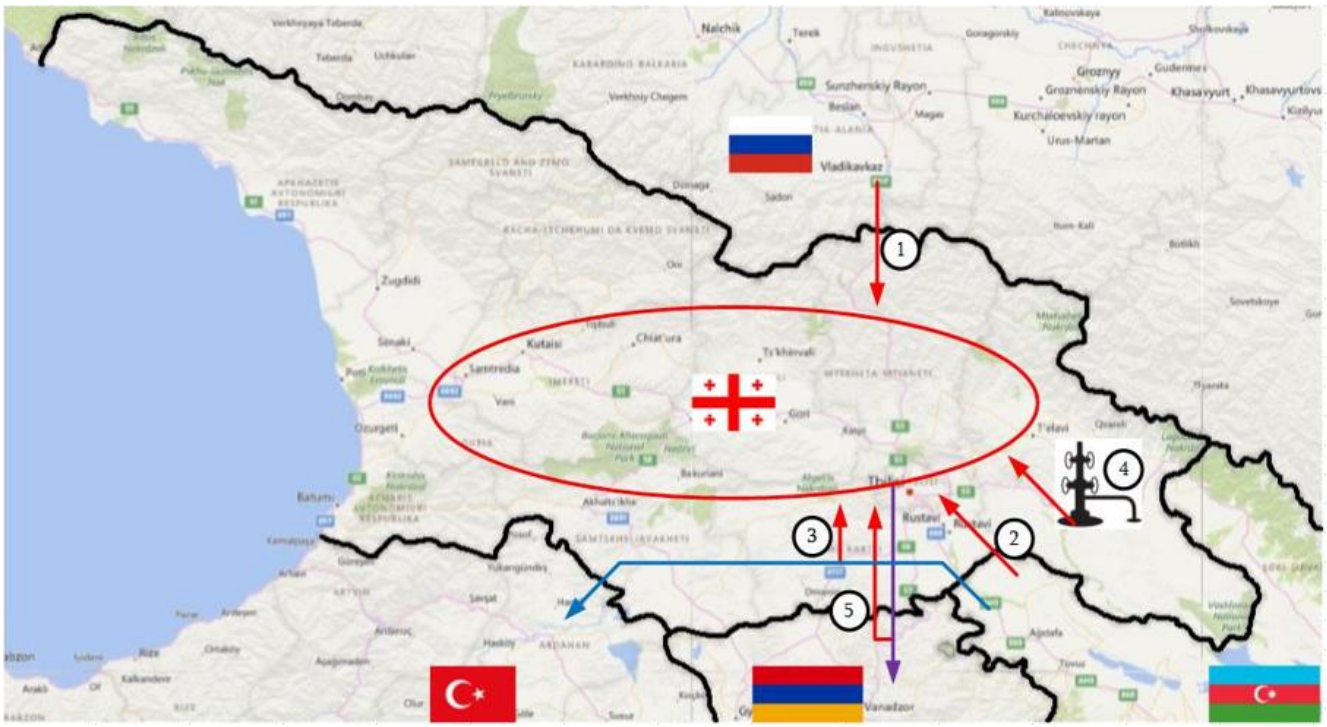
After implementing the Law of Georgia on Energy and Water Supply, natural gas distribution and transportation licensees were required to undergo re-authorization. Natural gas transportation and distribution licenses issued before the enactment of the law are temporarily in force and their holders continue to provide relevant services until the unbundling is completed following the law. These licenses will be automatically terminated upon the entry into force of a new license under the law.

Based on the latest data from the reporting period, 21 licensees were operating in the natural gas sector, comprising one in transportation and 20 in distribution.

3.2.1. Natural Gas Transportation

The natural gas transportation system consists of gas pipelines and their component equipment operating or designed at a pressure of more than 1.2 MPa and through which natural gas transportation is carried out by a natural gas transportation licensee. The Commission has granted a single natural gas transportation license to the "Georgian Gas Transportation Company" (GGTC) LLC. This license allows GGTC to transport natural gas across the entire territory of Georgia.

Currently, the transportation system consists of five entry points, including one that corresponds to local extraction. Information about each point is given in Figure 3.16.



1. *The capacity of the gas pipeline coming from Russia (Mozdok-Saguramo) is 20 mln* m^3*/day. Through this pipeline, the natural gas is supplied to Armenia;*
2. *The capacity of the gas pipeline coming from Azerbaijan (Kazakh-Saguramo) is 10 mln* m^3*/day;*
3. *The designed capacity of the transit gas pipeline (South Caucasus Pipeline) from Azerbaijan is 64* [19] *mln m3/day. However, Georgia has one connection point on the transportation system, the capacity of which is 5.5 mln* m^3*/day;*
4. *Receiving natural gas from local extraction points depends on the average daily gas production;*
5. *The total capacity of the reverse gas pipeline of the main gas pipeline to Armenia is 3.14 mln* m^3*/day.*

Figure 3.16. Natural Gas Entry Points in Georgia

[19] Total capacity of SCP and SCPX.

Along with the increase in consumption, it is important to optimize the receiving capacities by increasing or diversifying them in order to ensure security of supply. One of the ways to increase the security of supply is the existence of a natural gas storage facility.

From 2017 to 2022, natural gas losses in Georgia's transportation system averaged around 30 mln m^3 annually. However, this trend shifted in 2023, with a notable increase in the absolute value of losses[20]. The volume of losses in the natural gas transportation system is given in Figure 3.17.

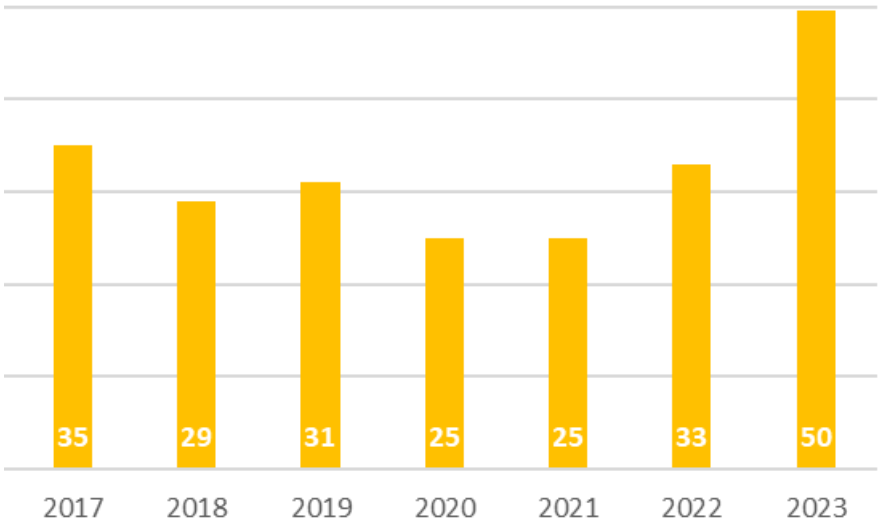


Figure 3.17. Volume of Losses in the Natural Gas Transportation System of Georgia (mln m^3)

3.2.2. Distribution of Natural Gas

As of December 31, 2023, there were 20 distribution licensees operating in Georgia. Among them are three large licensees ("Tbilisi Energy" LLC, "Socar Georgia Gas" LLC, "SakOrgGas" JSC). These three major distribution licensees accounted for 90% of the total distributed gas (see Figure 3.18).

[20] The normative value of natural gas loss approved by the Commission for 2023-2027 is 29.254 mln m^3 annually.

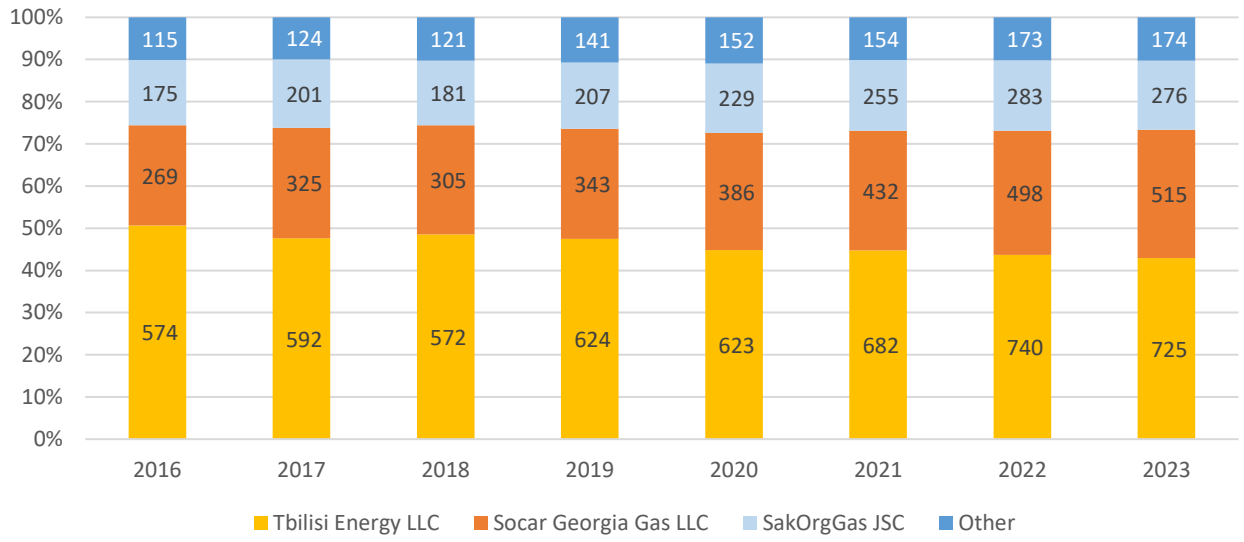


Figure 3.18. Share of Distribution Licensees in Total Distributed Natural Gas (mln m³; %)

3.2.3. License Applications and Changes in the License Register

In 2023, following the requirements of the law, two natural gas distribution licensees, "Energokavshiri" JSC and "Inter Gas" LLC, were reauthorized. The mentioned licenses will come into effect once the distribution system operator tariff is established for the respective companies.

Regarding the implementation of changes to the existing natural gas distribution licenses, two such licenses were modified during the reporting period. Specifically, changes were made to the licenses of "Socar Georgia Gas" LLC and "SakOrgGas" JSC. As a result, the license areas of these companies were expanded.

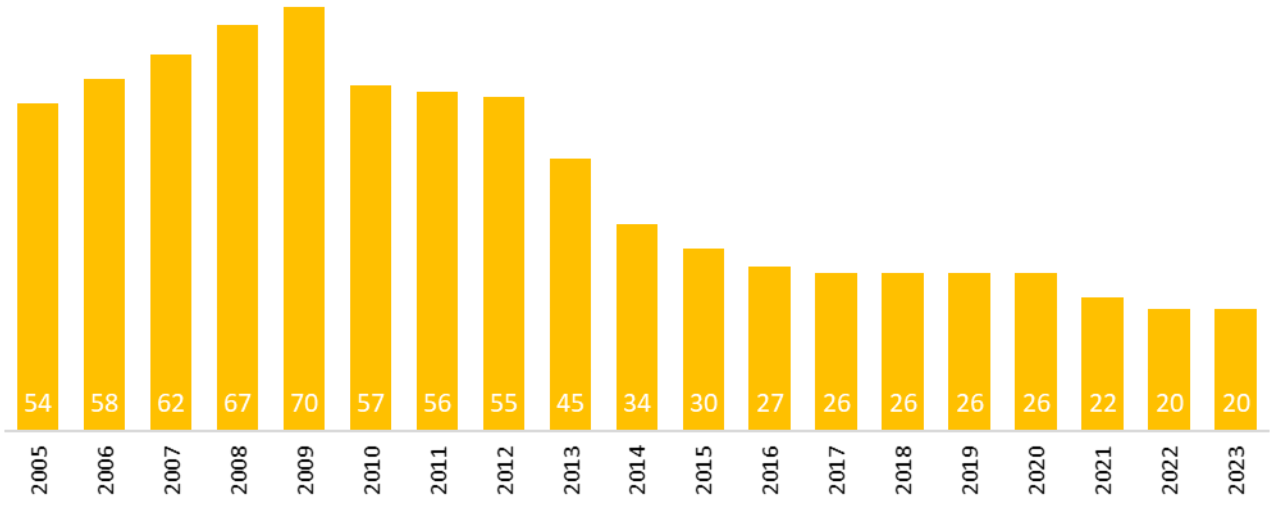


Figure 3.19. Dynamics of the Number of Natural Gas Distribution Licensees

3.2.4. Results of Technical Regulation

Natural gas is supplied to Georgia from various sources, such as local production and imports from neighbouring countries. Therefore, the technical parameters of natural gas are different.

Pursuant to the current legislation, the quality of natural gas is defined by the interstate standard GOST 5542-87, according to which the minimum allowed calorific value of natural gas is 7,600 kcal/m ^{3} under standard conditions (20^{0}C and 1 bar pressure). The monthly average calorific value of imported gas in Georgia is given in Figure 3.20, which shows that the difference between the calorific values of natural gas received during the year in the natural gas transportation system of Georgia is minimal.

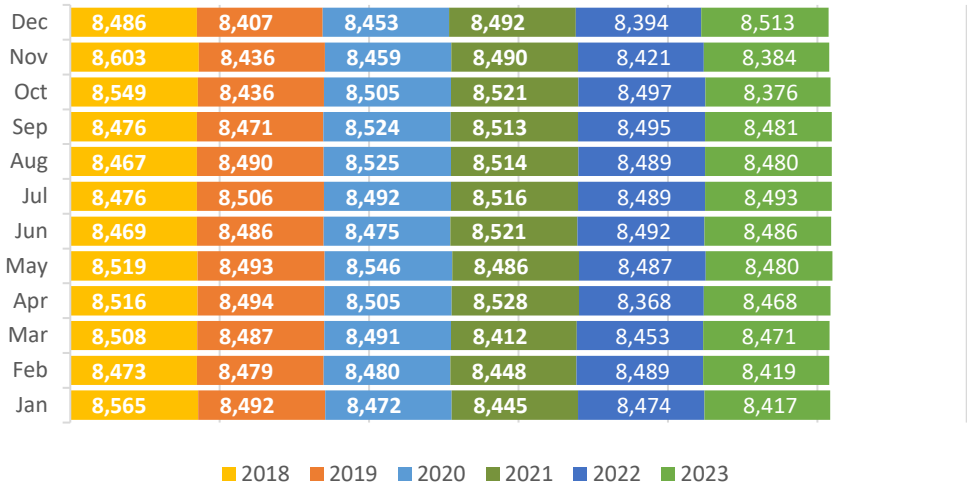


Figure 3.20. Average Heat Capacity of Natural Gas Received in Georgia by Months (kcal. m^3)

3.3. Pricing and Tariff Regulation

3.3.1. Legal and Methodological Fundamentals

The Commission calculates natural gas tariffs for regulated enterprises in the gas sector based on the Law of Georgia on Energy and Water Supply, and in compliance with the Natural Gas Tariffs Setting Methodology approved by the Commission's Resolution N33 of December 25, 2014 (referred to as the Tariff Methodology).

Based on the tariff methodology, the calculation of tariffs for natural gas supply, transportation, distribution, wheeling, and consumption employed incentive regulation principles, a well-accepted international practice. These principles ensure stable operation, promote efficiency growth and allow for the reimbursement of reasonable costs and a fair return on working capital.

The Commission's Resolution N27 of June 27, 2023, established a single Regulatory Cost Audit Rule for the electricity, natural gas and water supply sectors, as authorized by Article 29 of the Law of Georgia on Energy and Water Supply. Accordingly, the Regulatory Cost Audit Rule in the Natural Gas Sector, previously approved by paragraph 1^1 of Commission's Resolution N33 of December 25, 2014, on Approval of Natural Gas Tariffs Setting Methodology (Annex $N1^1$) was declared invalid.

3.3.2. Tariff Regulation and Current Tariffs of the Sector

Natural gas transportation and distribution activities, as natural monopoly activities, are fully subject to the Commission's tariff regulation. As for natural gas supply, according to Order N69 of September 25, 2007, of the Minister of Energy of Georgia on Deregulation and Partial Deregulation of Natural Gas Supply Activities, The supply tariffs for non-household consumers are deregulated, and natural gas is supplied without the Commission determining the tariff. This supply occurs under the conditions and at prices publicly offered by the supplying enterprise. For details on final consumer natural gas tariffs currently in effect, please refer to Annex N6.

3.3.2.1. Natural Gas Transportation Tariff

During the reporting period, the natural gas transportation tariff approved for “Georgian Gas Transportation Company” (GGTC) LLC by Commission's Resolution N58 of December 12, 2022 was in effect. This tariff is valid from January 1, 2023, till January 1, 2026.

3.3.2.2. Tariffs for Natural Gas Supply and Distribution

According to Article 4 of the Natural Gas Tariff Setting Methodology, the tariff regulation period is defined as 5 calendar years. In 2022, the relevant resolutions of the Commission determined the long-term tariffs for natural gas supply, distribution, wheeling, and consumption for the 2023-2027 tariff regulation period, applicable to enterprises operating in the natural gas sector and subject to tariff regulation.

According to the First Paragraph of Article 28 of the Tariff Methodology, during the tariff regulation period, natural gas transmission (transportation) and distribution tariffs are subject to adjustment by factors, the analysis of which does not require a cost regulatory audit:

a) Volume of natural gas transmitted and distributed;
b) Cost of purchase of normative loss of natural gas;
c) Actual indicators of inflation;
d) Changes in the forecast indicators of the factors given in subsections "b" and "c" of this paragraph;
e) Forecasted changes in special operating expenses (spOPEX);
f) Changes made in the investment plan agreed by the Commission.

According to Paragraphs 2 and 3 of the same article, natural gas distribution/transmission tariffs are subject to adjustment if the sum of adjustable components, defined in the relevant paragraph, exceeds a threshold of the average annual RCB of the tariff regulation period by 7% for Paragraph 2 and 10% for Paragraph 3.

Considering the aforementioned, in the reporting year only “ESG Gas Company” LLC had its tariff adjusted following the analysis of its tariff application submitted on August 17, 2023 requesting a tariff adjustment.

Following Article 22 of the Tariff Methodology, the actual technical-economic indicators of the 2022-2023 tariff regulation for “ESG Gas Company” LLC were reviewed, analyzed, and the components for adjustment were determined.

Considering the above-mentioned circumstances, natural gas supply, distribution, wheeling and consumption tariffs for the tariff regulation period of 2024-2027 were determined for “ESG Gas Company” LLC, which were approved by the Commission's Resolution N57 of December 21, 2023.

3.3.3. Analysis of the Implementation of Investment Projects

In the natural gas sector, the five largest companies, which include “Georgian Gas Transportation Company” (GGTC) LLC and “Georgian Oil and Gas Corporation” (GOGC) JSC in the transportation network, and “Tbilisi Energy” LLC, “Socar Georgia Gas” LLC, SakOrgGas JSC in the distribution networks, planned an investment of 113,778 thousand GEL for 2023 according to their unaudited information. However, they actually executed an investment of 179,413 thousand GEL (Figure 3.21), of which 155,599 thousand GEL was financed through the enterprises’ own funds and 23,814 thousand GEL was financed by third parties (Figure 3.22).

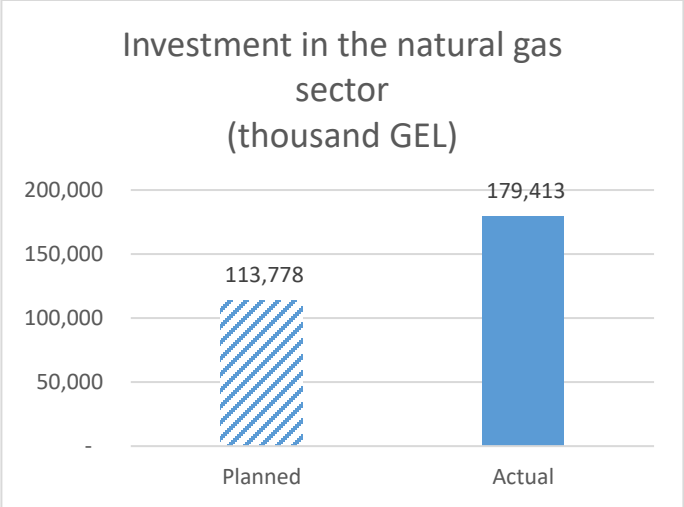


Figure 3.21. Investment in the Natural Gas Sector (thousand GEL)

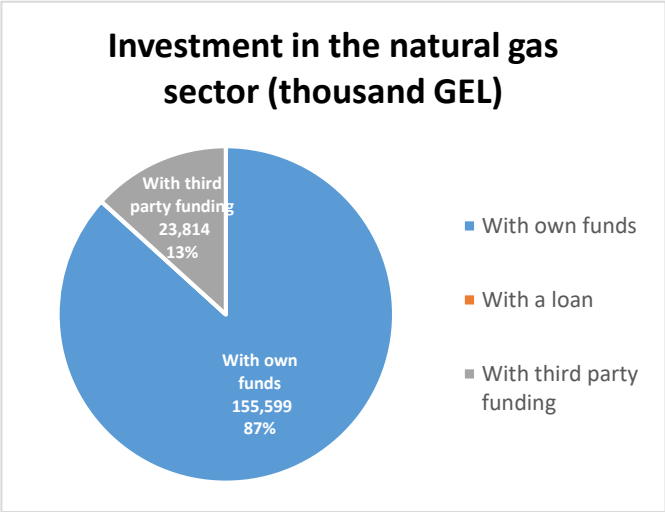


Figure 3.22. Investment in the Natural Gas Sector (Thousand GEL)

Furthermore, "Georgian Oil and Gas Corporation" (GOGC) JSC and "Georgian Gas Transportation Company" (GGTC) LLC allocated 22,247 thousand GEL for the construction and rehabilitation of main gas pipelines for natural gas transportation. Meanwhile, "Tbilisi Energy" LLC, "Socar Georgia Gas" LLC, and "SakOrgGas" JSC invested significantly (157,166 thousand GEL) in the construction and rehabilitation of natural gas distribution networks, along with fulfilling licensing activities. The investments made by the aforementioned licensees for the reporting year, categorized by activity, are detailed in Figure 3.23.

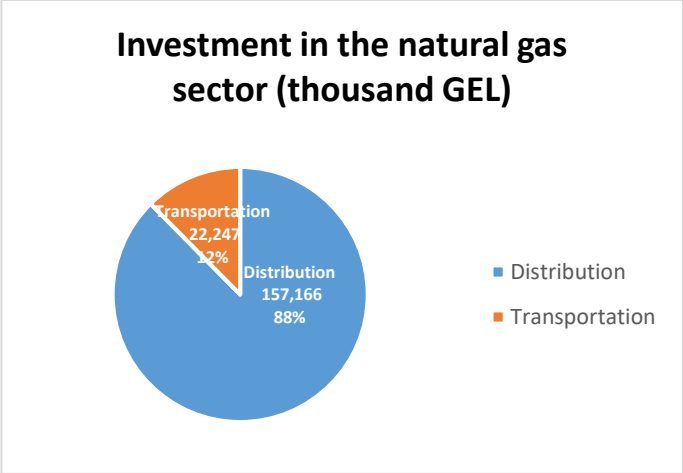


Figure 3.23. Investment in the Natural Gas Sector (Thousand GEL)

3.3.3.1. Natural Gas Transportation

High-pressure main gas pipelines, the main part of which is owned by "Georgian Natural Gas Transmission Network Owner" LLC, are operated by "GGTC" LLC, which carries out natural gas transportation activities, based on a lease agreement. However, during the transition period (2021-2023) outlined in the Plan for Unbundling of the Natural Gas Transmission System Operator of Georgia, as approved by Resolution N129 of the Government of Georgia of March 25, 2021, "GOGC" JSC is responsible for the planning and implementation of necessary measures related to capital activities on the main gas pipelines. In 2023, the planned investment for high-pressure main gas pipelines of transportation was 23,401 thousand GEL, but the actual investment was 22,247 thousand GEL, with 64.94% (14,448 thousand GEL) financed by "GOGC" LLC and the remaining 35.06% (7,799 thousand GEL) funded by "GGTC" LLC.

The investments primarily funded the construction of main gas pipelines (including the 18.3 km Kobuleti branch, Aragvi embankment, 20.6 km Lekhura-Svaneti section, air crossing on Aragvi in Saguramo, Khashuri-Zestaponi section, River Supsa embankment construction near Ozurgeti, and other local works such as the construction of the Kutaisi Sukhumi DN500 mm main gas pipeline on the river Khobistskali, and the replacement of valves on the Kazakh-Saguramo main gas pipeline) and the construction of gas distribution stations. Also, office equipment, vehicles and other means were purchased in the reporting year.

3.3.3.2. Natural Gas Distribution Activity

In 2023, under the scope of natural gas distribution activities, "Socar Georgia Gas" LLC planned an investment of 33,818 thousand GEL, "SakOrgGas" JSC planned 22,422 thousand GEL, and "Tbilisi Energy" LLC planned 34,138 thousand GEL, amounting to a total of 90,377 thousand GEL. In the same year, a total

investment of 157,166 thousand GEL was made, which included 133,352 thousand GEL from their own funds and 23,814 thousand GEL funded by third parties (consumers).

In the natural gas distribution activity of 2023, "Socar Georgia Gas" LLC contributed 38.0% of the actual investments, totalling 59,728 thousand GEL. During the reporting year, "Socar Georgia Gas" LLC financed with its funds the construction and commissioning of 22.0 km of the gas distribution network, rehabilitated 95.5 km of existing networks and connected 29,401 new subscribers to the natural gas distribution network. In addition, vehicles, office furniture, inventory and intangible assets were purchased by the enterprise.

A total of 44,826 thousand GEL was invested by "SakOrgGas" JSC in 2023 with its funds. Specifically, in the reporting year, a 3.5 km gas distribution network was completed and commissioned, 209 km of existing networks were rehabilitated, and 10,323 new subscribers were connected to the natural gas distribution network. In addition, vehicles, office furniture, inventory and intangible assets were purchased by the enterprise.

As for "Tbilisi Energy" LLC, the company carried out investment projects worth 52,612 thousand GEL in 2023, with 34,495 thousand GEL financed through its own funds and 18,117 thousand GEL funded by third parties. In the reporting year, the enterprise was involved in the ongoing process of road pavement rehabilitation works planned by the Tbilisi City Hall. In particular, underground gas pipelines were replaced on Akaki Tsereteli Avenue, Adam Mitskevichi and University Streets. Consequently, a substantial portion of the investments is attributed to the costs associated with the construction, rehabilitation, and reconstruction of the gas distribution network and gasification. Also, gas metering devices, machinery, office equipment and intangible assets were purchased. Gasification of new customers and removal of customer meters from their territories were carried out, significantly contributing to the safe gas supply of the city, reducing and eliminating accidents, improving metering arrangements, and decreasing both technical and commercial losses of natural gas.

Investments made in the natural gas distribution network according to licensed enterprises are given in Figure 3.24.

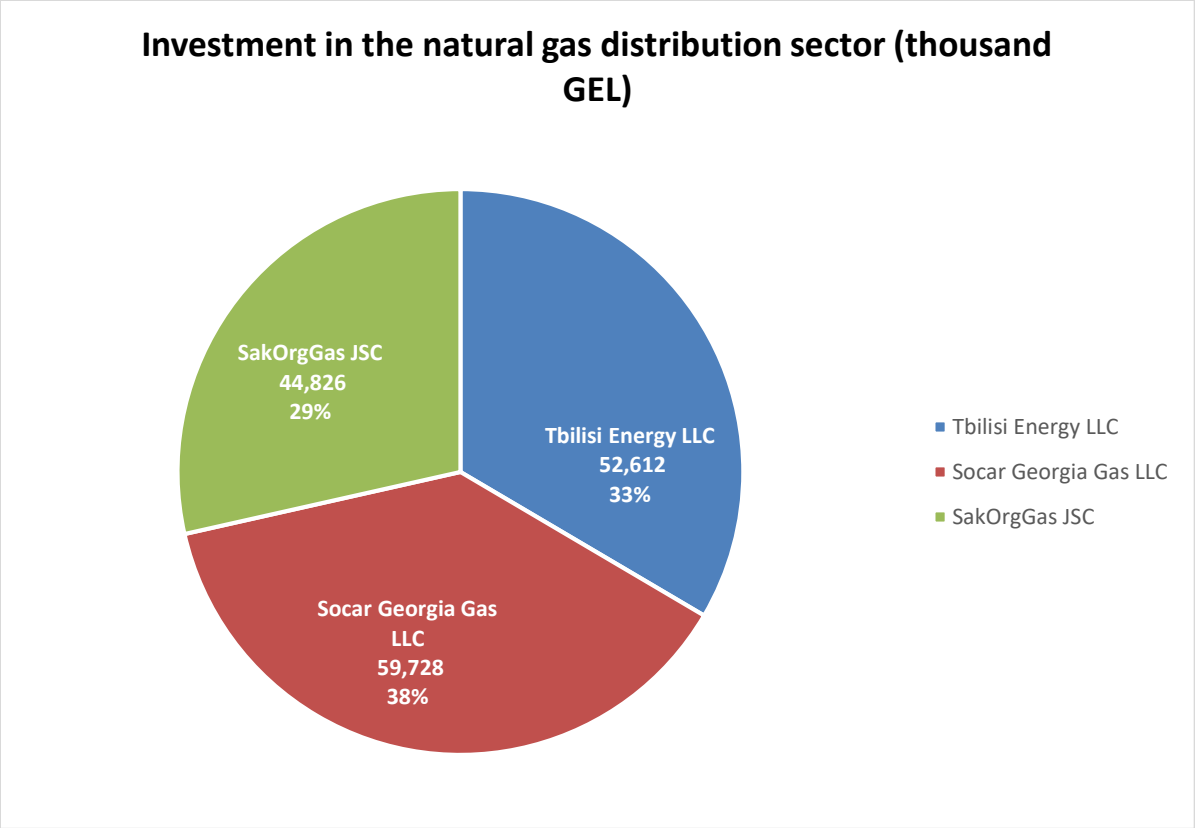


Figure 3.24. Investments in the Natural Gas Distribution Sector by Companies (Thousand GEL)

3.3.4. Comparative analysis of tariffs

To assess the severity of consumer tariffs in Georgia, Table 4 and Figure 3.25 present information on the tariffs of natural gas in different countries.

Country	Household tariff (Tetri/ m^3)
Azerbaijan	30.22
Georgia	55.51
Turkey	77.37
Armenia	96.34
Hungary	105.18
Serbia	129.63
Croatia	131.92
Bosnia and Herzegovina	185.03
Slovakia	186.78
Lithuania	190.18
Poland	226.21
Luxembourg	276.98
Bulgaria	282.34
Slovenia	306.12
North Macedonia	326.66
Italy	328.94
France	340.06
Moldova	340.37
Estonia	342.35
Spain	343.43
Belgium	358.55
Czechia	365.79
Greece	371.10
Germany	385.55
Latvia	402.30
Romania	441.42
Ireland	460.58
Austria	494.00
Denmark	524.35
Portugal	536.23
Liechtenstein	619.54
Sweden	761.43
Netherlands	785.57

Table 4. Household Tariffs in Different European Countries (Tetri/ m^3) (including taxes)

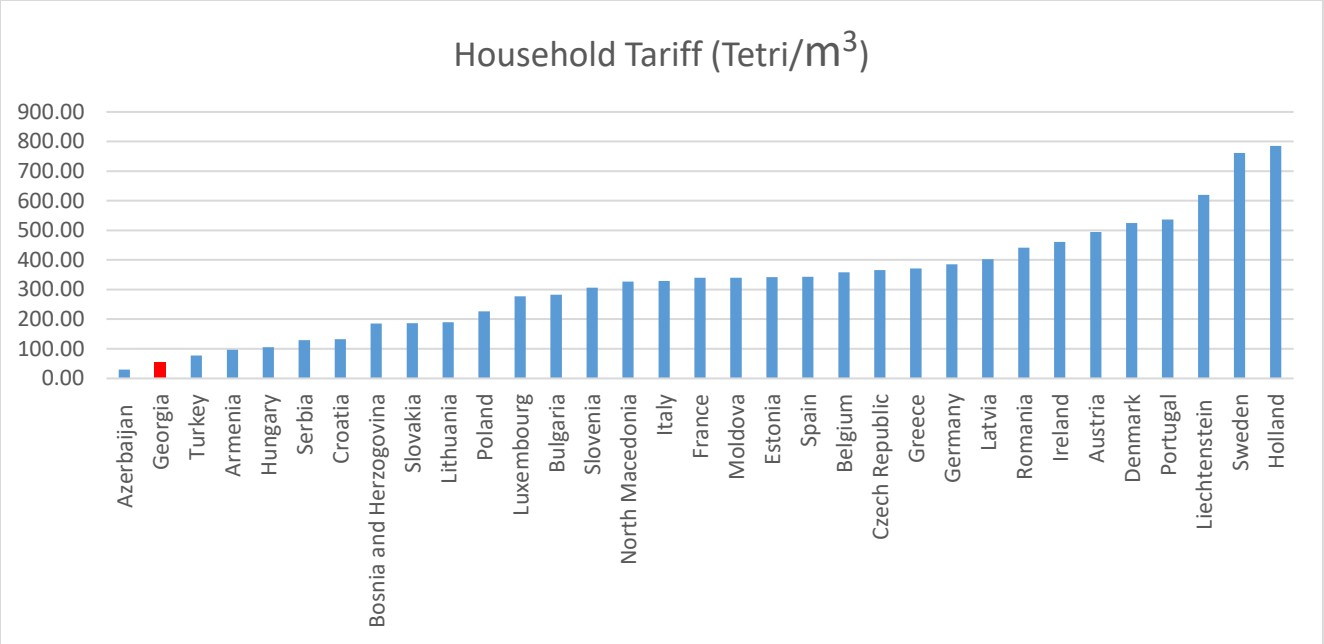


Figure 3.25. Household Tariffs in Different European Countries (Tetri / m³) (including taxes)

4. Water Supply Sector

4.1. General overview of the sector

4.1.1. Regulatory framework

The water supply sector has been regulated by the Commission since 2008. According to the Law of Georgia "On Water User Organizations", the activity of the primary water user was also added to the scope of regulation of the Commission, within the scope of which the competence of the Commission includes the approval of the Methodology for determining the tariffs for the services provided by the primary water user and the determination of the tariffs for the services provided, approving the rules of water supply, to the primary water user and water user organization/ dispute review between other water users. Regulation is carried out on the basis of the following laws and by-laws:

- Law of Georgia "On Energy and Water Supply";
- "Drinking Water Supply and Consumption Rules" approved by the Commission Resolution N 32 of November 26, 2008;
- "Rules of Service Quality" approved by the Commission Resolution N 20 of June 28, 2021;
- "Investment Appraisal Rule" approved by Resolution N 36 of July 29,2021 of the Georgian National Energy and Water Supply Regulatory Commission ;
- "Rules for Calculating Normative Losses of Drinking Water" approved by Resolution N45 of December 26, 2017 of the Georgian National Energy and Water Supply Regulatory Commission ;
- "Methodology for Calculating Water Supply Tariffs" approved by Commission Resolution N21 of August 10, 2017;
- "Rule of Notification on Licensing and Informing About Energy Activities" approved by Commission Resolution N 22 of May 27, 2020.
- "Irrigation Water Supply Rules" approved by the Commission Resolution N 39 of August 30, 2023.
- "Methodology for Calculating the Tariff for Services Provided by the Primary Water User" approved by the Commission Resolution N40 of September 14, 2023.

4.1.2. Licensees and Supply Coverage Area

As of December 31, 2023, 8 water supply licensees are operating in the water supply sector in Georgia.

According to the National Statistics Office of Georgia, as of January 1, 2023, the population of Georgia is 3,736,357 people. 69% of the population (2,578,404 people) are provided with drinking water by water supply licensees, while 31% (1,157,953 people) are provided with water by local self-government

units[21]. In total, the number of consumers has increased by 3.92% compared to last year, amounting to 46,639 subscribers.

Out of the licensees operating in the water supply sector, 1 is a state-owned company, 5 are municipal companies and 2 are privately owned companies. (See Table 1)

N	Company name	Ownership	Number of consumers	%
1	Georgian Water and Power LLC (GWP)	Private	688,494	55.63
2	United Water Supply Company of Georgia LLC (UWSCG)	State	381,345	30.81
3	Batumi Water LLC (BWC)	Municipal	133,870	10.82
4	Marneulis Soptskali LLC (MVWC)	Municipal	13,892	1.12
5	Kobuletis Tskali LLC (KWC)	Municipal	7,544	0.61
6	Sachkheris Tskalkanali LLC (SWC)	Municipal	11,209	0.91
7	Sagarejo LLC (SVWC)	Municipal	1,102	0.09
8	Soguri LLC (Soguri)	Private	119	0.01
Total			**1,237,575**	**100**

Table 1. Basic Data by Water Supply Licensees

4.2. Licensing and Monitoring of License Conditions

4.2.1. Licensing

In accordance with Article 161 of the Law of Georgia "On Energy and Water Supply", in order to issue a new authorization, Kobuleti Water LLC and Marneuli Softskali LLC applied to the Commission with license applications and presented the documentation stipulated by the legislation. The Commission reviewed the submitted applications and reissued water supply licenses to both companies.

"Georgia Global Utilities" JSC informed the Commission that it was planned to merge the enterprises created with its 100% participation, "Georgian Water and Power" LLC and "Rustavi Water" LLC, as a result of which "Rustavi Water" LLC water supply network would be transferred into the ownership of the "Georgian Water and Power" LLC. and would ensure water supply to consumers in Rustavi municipality.

[21] The population provided with drinking water by licensed water supply companies includes metered and unmetered household users. Based on the data of unmetered subscribers, the norm of registered persons per subscriber is calculated. The number of metered subscribers is calculated according to the norm of unmetered subscribers.

The Commission studied the issue and considered that as a result of the merger there were no circumstances hindering provision of drinking water to consumers of Rustavi City Municipality. Based on the above, by the decision N54/5 of November 15, 2023, the Commission gave preliminary consent to increase the service area envisaged by the water supply license of "Georgian Water and Power" LLC.

"Georgian Water and Power" LLC also applied to the Commission with a license application for water supply activities, in order to issue a new authorization. Within the framework of public administrative proceedings, the company informed the Commission that the process of merging with"Rustavi Water" LLC was completed, as a result of which "Rustavi Water" LLC ceased to exist as an independent legal entity, and its legal successor is "Georgian Water and Power" LLC. Considering that as a result of the merger, "Georgian Water and Power" LLC will carry out water supply activities in the license area of "Rustavi Water" LLC based on it's own license, the company also requested the revocation of the license issued to "Rustavi Water" LLC. The Commission studied the submitted documentation and issued a water supply license to "Georgian Water and Power" LLC by the Commission decision No. 62/1 of December 26, 2023. Also, by the same decision, the water supply license issued to "Rustavi Water" LLC was revoked.

Table 2 provides detailed information on the licenses of the current licensees and their issuance dates.

N	Company name	license number	Date of issue of license
1	Georgian Water and Power LLC (GWP)	№001, Series 3	10/11/2011
2	Soguri LLC	№003, Series 3	24/11/2011
3	Georgian Water and Power LLC (GWP)	№023, Series 3	26/12/2023
4	Kobuletis Tskali LLC (KWC)	№022, Series 3	26/01/2023
5	Marneulis Soptskali LLC (MVWC)	№021, Series 3	26/01/2023
6	Sagarejo LLC (SVWC)	№018, Series 3	15/10/2020
7	Batumi Water LLC (BWC)	№019, Series 3	21/10/2021
8	Sachkheris Tskalkanali LLC (SWC)	№020, Series 3	31/12/2021

Table 2. Numbers and Dates of Water Supply Licenses Issued to Licensees.

4.2.2. Monitoring of the license conditions

The Commission constantly monitors the fulfillment of the license conditions of the water supply licensees through various means, including the reporting forms submitted by the licensees to the Commission.

"Georgian Water and Power" LLC was penalized in the amount of 75,000 GEL by the Commission Decision N16/1 of March 30, 2023 for improper operation of the water supply system and breach of obligations imposed by the law and bylaws.

The Commission studied the applications reviewed by "Rustavi Water" LLC concerning "the request to connect two or more new users to the water supply system", as a result of which it was determined that in

some cases the company acted inconsistently with the requirements set forth in the rules, that is why, according to the Commission's decision N28/1 of June 15, 2023, “Rustavi Water” LLC was penalized by 40,000 GEL.

4.3. Evaluation Criteria and Comparative Analysis of the Main Activities of Licensed Enterprises

4.3.1. Evaluation Criteria

The Commission approved the "Rules for Appraisal of Investments in the Water Supply Sector" by Resolution N36 of July 29, 2021, one of its main goals is to determine the criteria for evaluating the main activities of licensed water supply enterprises (hereinafter - the criteria) and to approve them, both the existing criteria and the target indicators.

When selecting the criteria, the Commission relied on the world's best experience (International Water Organization - IWA) and the current situation and challenges in the field. As a result, 11 key indicators were selected, namely:

1. Quality index of supplied drinking water, according to which the quality of drinking water supplied to consumers by licensed enterprises is assessed;
2. The index for determining the coverage area of drinking water supply, according to which the coverage area of the drinking water supply network of an individual licensed enterprise is evaluated in the territorial unit of its operation;
3. Drinking water supply schedule index, according to which the continuity of drinking water supply (schedule) to consumers by the water supply enterprise is evaluated;
4. The index for determining the wastewater service coverage area, according to which the coverage area of the wastewater service network of a separate licensed enterprise in the territorial unit of its operation is evaluated;
5. The quality index of the liquid discharged into the water reservoir through the wastewater system, according to which the compliance of the liquid discharged into the water reservoir by the individual water supply licensed enterprise with the norms in force in Georgia is evaluated;
6. Fire hydrants coverage index. The mentioned index evaluates the coverage area of the number of fire hydrants on the network of water supply licensees;
7. Index of accidents on drinking water pipelines. The indicator evaluates the number of damages that occurred on the water supply pipelines of the licensed water supply enterprise (per 100 km, during the year);
8. Index of accidents on wastewater pipelines. The indicator evaluates the number of damages that on the wastewater pipelines of the licensed water supply enterprise (every 100 km, during the year);
9. Leakage index of drinking water infrastructure. The amount of drinking water loss in drinking water supply systems of licensed water supply enterprises is estimated by the mentioned indicator;

10. Service personnel productivity index. The indicator evaluates the number of persons employed by water supply licensees based on the volume of a specific water supply system;
11. Flexibility index of drinking water distribution pipelines. The mentioned indicator evaluates the number of consumers whose services are interrupted in the event of one damage, considering the current condition of the network of the individual water supply licensee.

For the above-mentioned criteria, the Commission annually, no later than April 1 establishes:

a) the lower limit - which represents the worst indicator among water supply licensees;
b) the existing level - which is an indicator of the individual licensee's current situation;
c) target indicator - which is determined based on the best practices of the developed countries of the world.

The mentioned criteria are defined before the licensees present their investment plans to the Commission. According to the "Rule on Investments Appraisal in the Water Supply Sector", the licensees are obliged to consider the criteria defined by the Commission when drawing up their investment plans, and through their investments, ensure the alignment of directions that will improve the existing level of service.

The Commission approved the lower limit of the key indicators, the current level and the target indicators by the decision N16/2 of March 30, 2023 (see Table3).

Key indicators		Drinking water quality	Schedule	Water Reservoir fluid quality	Fire Hydrants Coverage Index	Accidents on drinking water pipelines	Accidents on wastewater pipelines	Infrastructure Leakage Index	Productivity of service personnel	Flexibility index of distribution pipelines
lower limit		75	10.21	16.44	2.12	605.36	1,692.82	120.37	27.48	2,815.71
current level	GWP Tbilisi	99.92	24	16.44	9.07	415.09	848.16	120.37	18.70	2,366.28
	GWP Mtskheta	100	24	-	2.36	199.11	848.30	26.63	6.45	836.77
	RWC	99.97	24	16.44	2.12	209.35	1,692.82	108.29	19.74	2,815.71
	UWSCG	99.59	19.22	-	N/A	244.04	699.84	42.82	7.36	1,373.75
	BWC	99.67	24	100	27	605.36	16.96	43.19	27.48	645.42
	KWC	100	24	100	97.50	92.46	118.74	32.05	17.78	-
	SWC	96.37	24	N/A	N/A	110.26	202.82	1.35	10.69	651.91
	MVWC	76.42	10.21	-	6.26	72.82	-	17.87	13.98	680.00
	SVWC	75	24	-	-	47.06	-	0.82	25.66	31.25
	Soguri	100	18	-	-	-	-	21	1	90
Target indicator		100	100	24	100	100	25	25	1	5

Table 3. Key Indicators of Licensee Companies.

4.3.2. Comparative Analysis

Information related to the level of metering of licensees is given on Figure 4.1. "Sogur" LLC and "Kobuleti Water" LLC do not have metered residential consumers as it can be seen from the Figure. "Georgian Water and Power" LLC has the lowest rate of metering among other licensees (≈44%), and "Sagarejo" LLC has the highest (100%). In 2023, the number of metered subscribers in relation to household subscribers has increased the most in the case of "Georgian Water and Power" LLC (by 5.89%) compared to last year.

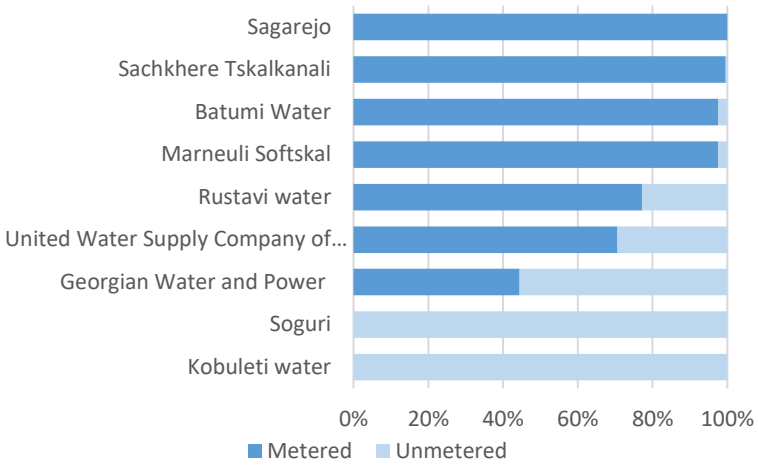


Figure 4.1. Metering Level by Licensees (%)

It should be noted that in some cases such consumers, who are supplied with drinking water relatively less frequently, consume more water (see Figure 4.2). For example, in the Kakheti region, the average schedule of water supply is 21 hours, and the consumption of water per person during the day and night is 171 liters. In the region of Racha-Lechkhumi and Kvemo Svaneti, where there is 24-hour water supply, the consumption of drinking water per person during the day and night is 113 liters.

It can be concluded that frequent drinking water interruptions and water supply schedules force users to resort to various measures, including creating drinking water reserves, which increases the rate of drinking water consumption.

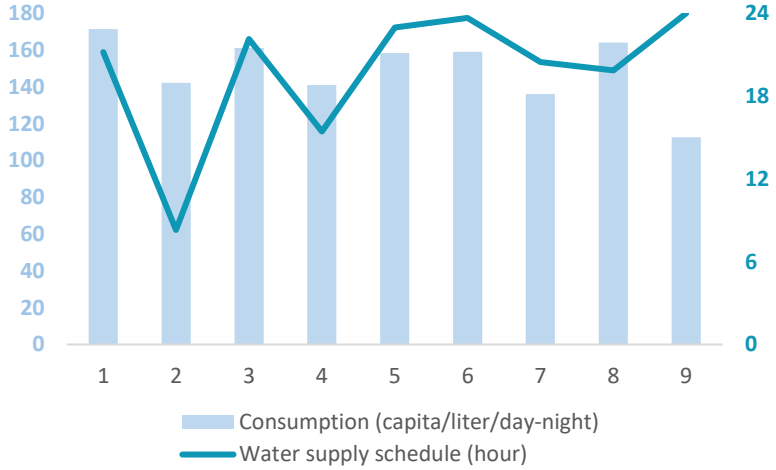


Figure 4.2. Correlation between the Water Supply Schedule and Consumption of Drinking Water Per Capita, according to Territorial Units ("United Water Supply Company of Georgia" LLC)

1. Kakheti; 2. Kvemo Kartli; 3. Imereti; 4. Shida Kartli; 5. Samegrelo-Zemo Svaneti; 6. Mtskheta-Mtianeti; 7. Samtskhe-Javakheti; 8. Guria; 9. Racha-Lechkhumi and Kvemo Svaneti.

Information about drinking water consumed by one metered subscriber and one person is given in Figure 4.3. As already mentioned above, the licensees, "Kobuleti Water" LLC and "Sogur" LLC do not have household metered consumers. Accordingly, information about them is not reflected.

"Sachkheris Tskalkanali" LLC has the lowest consumption per subscriber among other licensees, while "Georgian Water and Power" LLC has the highest consumption. Consumption of drinking water throughout the country (metered sector) is 190 liters on average per person during the day and night, and 439 liters on average per subscriber.

Figure 4.4 provides information on the volume of non-revenue water (NRW) and the number of damages to the network. There is a certain type of correlation between these two indicators, which was also confirmed by a detailed study of companies, in particular in the case of licensees with high losses and accidents at the same time, it is likely that a large share of the loss is caused by technical directions (hidden leaks, poor infrastructure, etc.), And in the case of companies where the loss is high and the number of accidents is low, it is likely that the commercial loss has a greater share in the total volume of losses (illegal consumption, unnecessary expenses caused by unreasonable consumption, etc.). The volume of drinking water consumed by licensed companies in 2023 amounted to 235 million cubic meters.

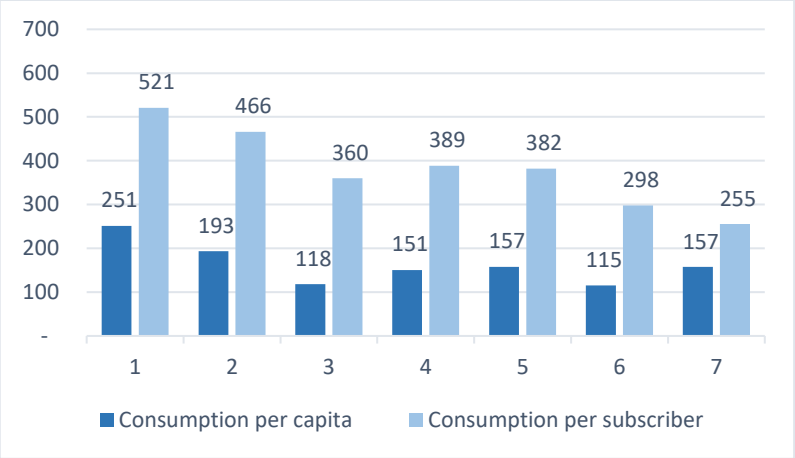


Figure 4.3. Consumption of Drinking Water Per Capita and Per Subscriber, according to Licensees (liter/day-night)

1. Georgian Water and Power LLC; 2. Rustavi Water LLC; 3. Marneulis Soptskali LLC; 4. Batumi Water LLC; 5. United Water Supply Company of Georgia LLC; 6. Sagarejo LLC 7. Sachkheris Tskalkanali LLC

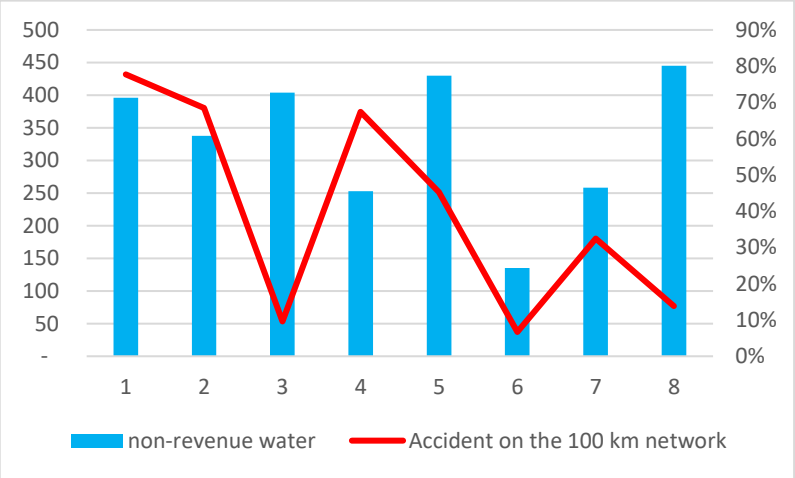


Figure 4.4. Dependence of the Volume of Non-revenue Water and the Number of Accidents

1. Georgian Water and Power; 2. Rustavi water; 3. Softskali of Marneuli; 4. Batumi water; 5. United Water Supply Company of Georgia; 6. Sagarejo; 7. Sachkheris Tskalkanali*; 8. Kobuleti water*

Figure 4.5 shows the percentage distribution of the volume of water consumed by user categories.

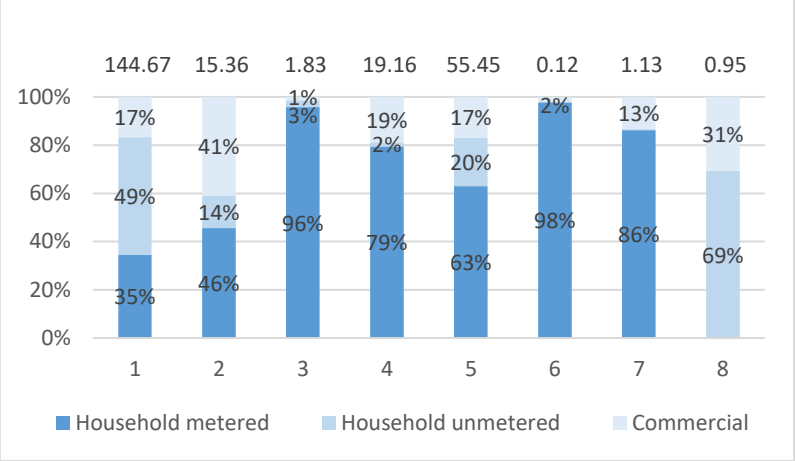


Figure 4.5. Distribution of the Volume of Consumed Water by the Licensed Companies

1. Georgian Water and Power 2. Rustavi water; 3. Softskali of Marneuli; 4. Batumi water; 5. United Water Supply Company of Georgia; 6. Sagarejo; 7. Sachkheris Tskalkanali; 8. Kobuleti water

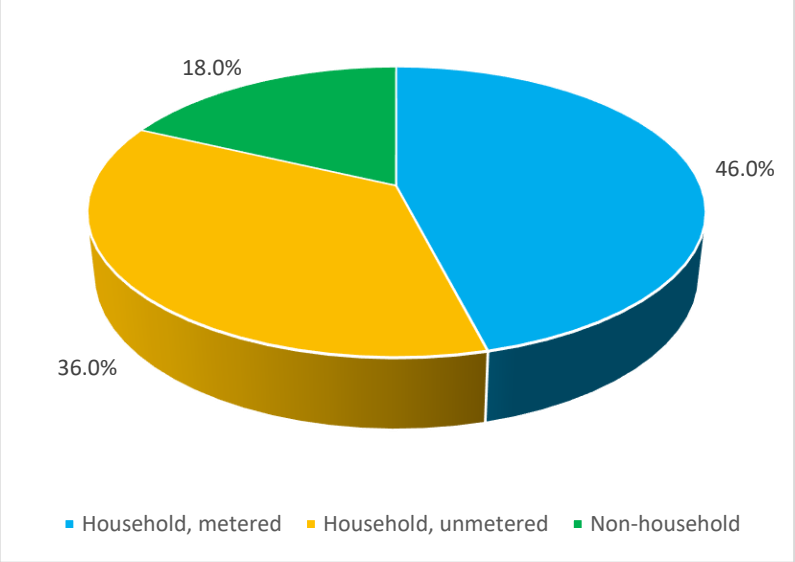


Figure 4.6. Distribution of the Percentage of Consumed Water Volume

4.4. Pricing and Tariff Regulation (Water supply)

4.4.1. Legal and Methodological Fundamentals

Similar to the electricity and natural gas sectors, enterprises operating in the water supply sector, which are subject to tariff regulation, also base their tariff calculations on the Law and the tariff methodology developed by the Commission. This methodology is approved by the normative administrative-legal act in accordance with the Law and the tariff methodology, and it is based on the "incentive" (marginal revenues) regulation approaches recognized by international practice and principles.

The tariff methodology aims to safeguard consumers from monopoly prices while also ensuring the protection of investors' interests, stable operation, reimbursement of reasonably incurred expenditures, and the opportunity to make fair profits.

Based on the mentioned tariff methodology, tariffs are set for a three-year period. Consequently, the potential for considering forecasted data in the tariff is also defined, including capital expenditures (annual depreciation and surpluses on regulated assets) for each tariff year on investments, according to established rules (investment plans), must be approved by the Commission Decision and implemented in the relevant tax year. The tariff methodology includes provisions for adjusting tariffs for the next tariff adjustment period based on the investments actually implemented.

The tariff methodology ensures the determination of the rate of return on the basis of the regulated assets for the enterprise through the weighted average cost of capital (WACC) method. This approach, in turn, provides the opportunity to earn a fair profit on the invested capital and the ability to reimburse the value of attracted capital.

Based on the main and sectoral indicators, along with an analysis of updated data, a new rate has been calculated for the upcoming 2024-2026 regulation period. The Commission has determined the weighted average cost of capital (WACC) before tax (profit tax). In accordance with the changes made in the tariff methodology for the reporting year, the rate of return on regulated assets has been set at 15.44% (before tax). This includes the rate of debt (r_d) at 15.41% and rate of short-term debt (r_{sd}) at 13.47%.

4.4.2. Tariff Regulation and Sector Tariffs

As a consequence of the merger between the licensed water supply companies "Rustavi Water" LLC and "Georgian Water and Power" LLC, "Rustavi Water" LLC ceased to exist in 2024. "Georgian Water and Power" LLC became its legal successor and inheritor.

In accordance with the principles determined by the tariff methodology, in 2023, the next tariff regulation of the licensed enterprises: “Sachkheris Tskalkanali” LLC, “Georgian Water and Power” LLC, “Batumi Water” LLC and “Sagarejo” LLC was carried out and, as a result, within the framework of the tariff calculations carried out in relation to the above-mentioned enterprises, with Commission’s Resolutions №70 of December 27, 2023 and №№78-80 of December 28, amendments were made to Commission Resolution N17 of August 17, 2010 "On Water Supply Tariffs" and the water supply (drinking water supply and wastewater) threshold (upper limit)) tariffs for mentioned water supply enterprises were approved for the period of validity from January 1, 2024 to December 31, 2026.

The applicable tariffs for the water supply sector as well as for other licensees established by the Commission are presented in Appendix N10.

4.4.3. Comparative Analysis of Tariffs

In order to assess the severity of household tariffs in Georgia, Table 4 and Figure 4.7 present household water supply tariffs in different capital cities.

City	Hosehold Tariff (tetri/ m^3)
Tbilisi	**0.50**
Yerevan	0.95
Baku	1.55
Minsk	1.55
Skopje	1.55
Ankara	2.00
Kishinev	2.02
Podgorica	2.31
Kyiv	2.34
Belgrade	2.68
Tirana	2.79
Sarajevo	2.92
Athens	4.05
Villnius	4.26
Budapest	4.42
Bucharest	4.60
Sofia	4.84
Tallin	5.02
Riga	5.13
Larnaca	6.47
Lisbon	6.57
Lublijana	6.57
Zagreb	6.68
Rome	6.78
Madrid	6.97
Bratislava	7.15
Warsaw	7.54
Vaduz	8.78
Brussels	9.83
Paris	11.04
Prague	12.96
Vienna	13.41
Berlin	13.49
Stockholm	13.85
Helsinki	15.48
Luxembourg	17.09
Bern	17.11
Reykjavík	17.80
Copenhagen	18.14
Amsterdam	21.00
Oslo	24.39

Table 4. Household Tariffs in Different European Capital Cities (tetri/ m^3) (including taxes)

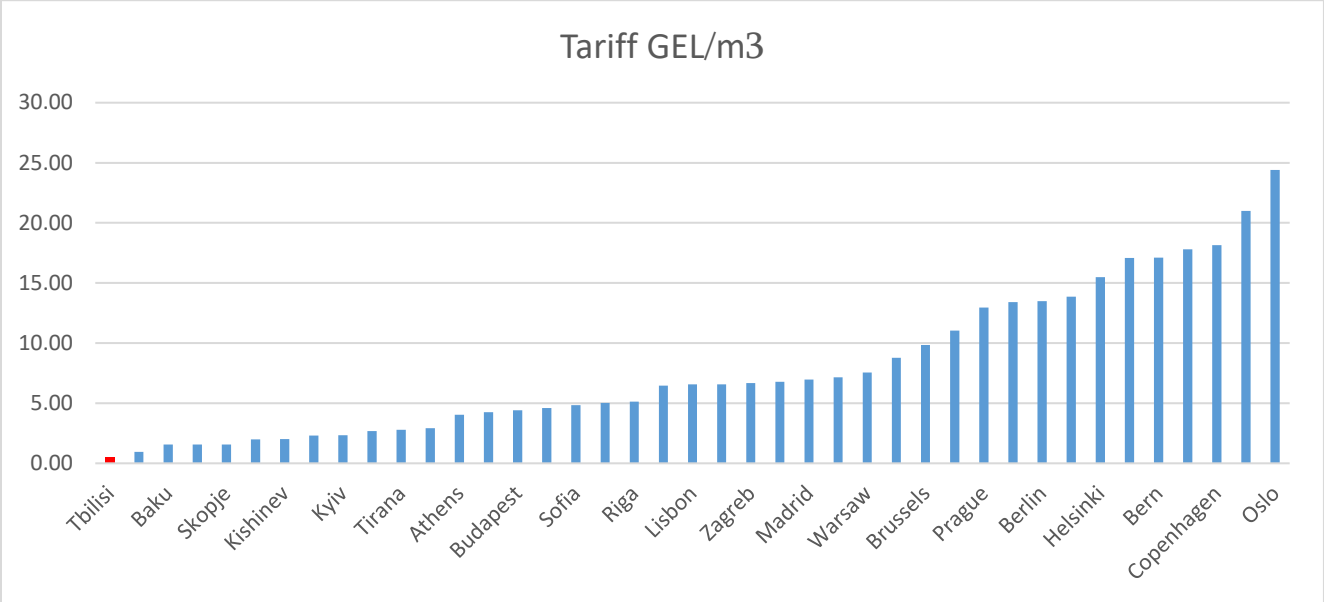


Figure 4.7. Household Tariffs in Different European Capitals (GEL/ m³) (including taxes)

4.4.4. Performance Analysis of Investment Projects

In accordance with the "Rule for Appraisal of Investments in the Water Supply Sector", the licensed enterprises submitted long-term and short-term investment plans to the Commission. After reviewing these plans, the Commission approved the investment plans of "Georgian Water and Power" LLC and "Batumi Water" LLC. However, in the case of "Marneuli Softskali" LLC, upon examination of the documentation, it was found that the investment plans did not meet the requirements outlined in the "Rule for the Appraisal of Investments in the Water Supply Sector."

Figure 4.8 shows the investment plans of "Georgian Water and Power" LLC and "Rustavi Water" LLC agreed by the Commission and their actual performance analysis.

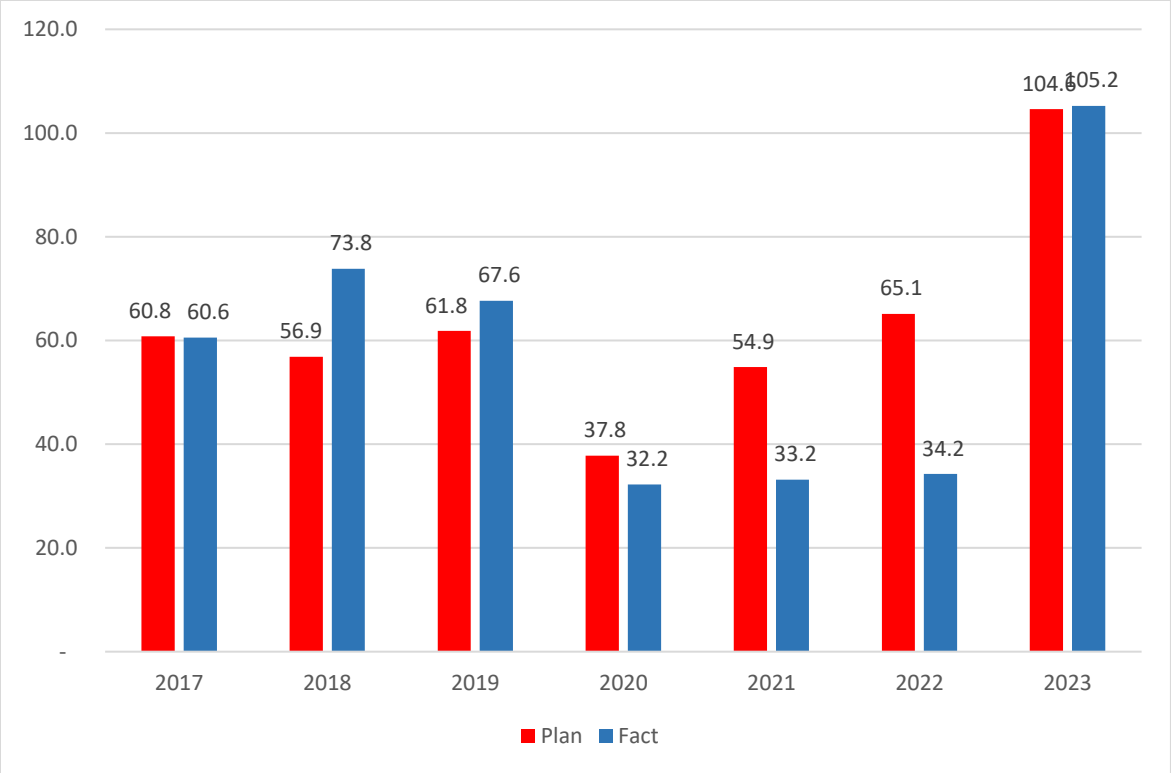


Figure 4.8. Planned and Implemented Investments

The licensed water supply company "Georgian Water and Power LLC" and "United Water Supply Company of Georgia" implemented rehabilitation and construction of new networks for water supply with the aim of ensuring quality service provision to each individual consumer in accordance with the relevant standards of water supply, as part of their water supply services in 2023. In total, the investment made by the two major licensees amounted to GEL 468.7 million (see Table 4.9).

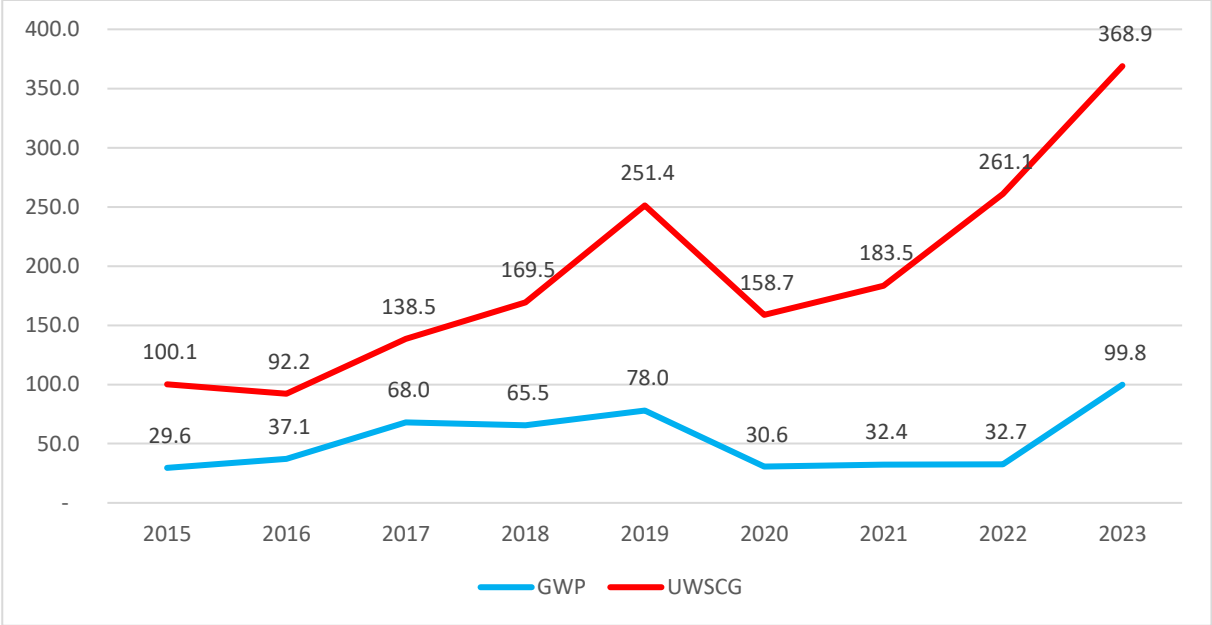


Figure 4.9. Investments in the Water Supply Sector

5. Methodological Activity

In 2023, the Law of Georgia on Water Users Organizations was amended, leading to a substantial increase in the Commission's functions and regulatory authority over the amelioration sector. The aforementioned law clarifies the Commission's role in supervising primary water users within its jurisdiction. It mandates that irrigation water supply shall be carried out in compliance with the legislation and the Commission's regulations made thereunder. The transitional provisions outline compressed timelines for approving supply rules and standard conditions of the service contract. Accordingly, the Commission implemented the following measures in 2023:

5.1. Approval of Irrigation Water Supply Rules

- According to the amendments made to the Law of Georgia on Water Users Organizations, the Commission had to approve the "Irrigation Water Supply Rules" by August 30 of this year, which would regulate water supply relations between the amelioration company and Water Users Organizations (WUO) and/or the amelioration company and other water users. In response to recent developments in the field, the Commission's Resolution №39 of August 30, 2023, established the "Irrigation Water Supply Rules". The main part of the mentioned resolution will become effective from January 1, 2024.
- The Resolution regulates the relations between a primary water user and a user during water supply through an irrigation system, for irrigation and/or other technical purposes, including receiving and supplying water to electricity generation facilities. The Resolution also governs legal relations regarding the irrigation system, specifically concerning: connecting new users, increasing connection capacity, temporary connections, addressing illegal water use, etc. The main goals of the Resolution are: encouraging rational consumption and saving of water, proper management of water resources, their metering and data transparency, creating correct expectations for water supply, systematization of standard cases and their legal evaluation, considering that the condition of water supply does not lead to deterioration of the supply condition of the core (service-specific) user (water user for irrigation purposes), which is the main requirement of the Law. To ensure uniform regulation, the service standards for sectors regulated by the Commission were incorporated into the "Irrigation Water Supply Rules". These standards address critical issues that previously caused significant problems for users, such as:
- The standard of informing the user: the standard covers notifying users about planned and unplanned interruptions, water pollution, supply disruptions, and restoration. The standard also requires informing users about the initiation of the water shortage regime and the commencement of the water usage schedule agreement period.

- The standard of response for user appeals: the standard requires the amelioration company to provide a reasoned response to the application within the specified timeframe, conduct an on-site inspection of the irrigation system upon receiving a report of malfunction, immediately assess the need for an operational response by company personnel following the receipt of a relevant application.
- Other important standards: The amelioration company must establish a complaint Commission responsible for reviewing user complaints and taking appropriate decisions within 10 days of the appeal. The amelioration company will be obliged to submit to the Commission a monthly report on the cases reviewed by the complaint Commission. It is also an important standard to proportionally reduce the fee for water that the company did not supply during the agreed period of water usage. To enhance consumer awareness, the amelioration company will be required to maintain a 24-hour hotline service and restore interrupted service due to non-payment within one day of receiving payment.
- With respect to ensuring fair and transparent water distribution, the amelioration company initiates the process annually before November 1. This involves publishing the draft water supply regime for each irrigation system, making it accessible to interested parties before approval. The draft water supply regime is approved no later than February 1, following the consideration of proposals and comments from interested parties. Following this, individual agreements for water supply commence, based on the water volumes outlined in the approved water supply regime.
- The "Irrigation Water Supply Rules" do not set a tariff for the volume of water consumed, but the Rules define the procedures and conditions for charging the user. The supplier has the right to request payment of the service fee after the bill fully reflects the amount due and the payment deadline is established. Following established regulations, core users are subject to irrigation water fees through two primary methods: for each irrigation operation, based on the irrigated area or a meter-based charge. The predetermined water allocation per hectare for each irrigation operation is mandatory for the user to utilize, aligning with the mutually agreed water usage schedule. If a core user fails to utilize their allocated volume without prior notification, they will incur a financial obligation of 10% of the cost associated with the unused water.
- Depending on the specificities of the current amelioration network, supply points can be individual only for one specific user, or for a group of users, as well as for an individual WUO. As established by the regulations of the Commission, the supply point is the part of the irrigation network closest to the customer's property and it is determined by mutual agreement. Considering these characteristics, the amelioration company is obligated to inform the consumer who requested water supply to the supply point and who has the rights to the water. Based on the requirements of the Law, the limit of separation of responsibility between the amelioration company and the consumer is determined by the supply point stipulated in the contract. It should be noted that the supply point must be owned and managed by the amelioration company. Furthermore, the Rules specify circumstances permitting the amelioration company to determine the supply point independently.
- The Rules also offer mechanisms to guarantee the collection of fees from groups of customers deemed at risk of payment. These mechanisms may include deposits, prepayments, and penalties.

- The Rules govern the conditions for network services within the irrigation system, encompassing: connecting new users (setting up supply points), expanding existing capacity, and facilitating temporary connections, based on both the standard conditions announced by the amelioration company and the non-standard conditions.
- In summary, the "Irrigation Water Supply Rules" establish essential service standards and principles. Their introduction and implementation will significantly improve the current situation and create clear expectations for water supply among users. However, to fully realize the benefits of these rules, the Commission will need to take further measures in the future.

5.2. Development of the Rules for Connection to the Distribution Network for Power Plants with a Capacity of up to 15 MW

According to Commission Resolution №6 of February 16, 2023, amendments were made to the Commission Resolution №19 of June 28, 2021, "On Approval of the Electricity Distribution Network Rules".

- With the said amendment, a special rule and fee for connecting to the electricity distribution network was approved for power plants with an installed capacity of up to 15 MW. The new regulation establishes a level playing field for potential small-capacity power plant investors. It mandates the distribution system operator to upgrade the network for connection of the power plant, upon payment of a relevant fee. Under the new service standard, potential network connection applicants can now access information on connection costs and terms beforehand. To ensure comprehensive implementation of the recently enacted change, the Commission has additionally approved the contract terms for connecting small-capacity power plants to the electricity distribution network, alongside a template application for connection requests.

5.3. Simplification of Obtaining the Documents to be Submitted by the Network Owner for Calculating the Wheeling Fee

- By Resolution №43 of November 2, 2023, an amendment was made to the "Rules for the Calculation of Electricity, Natural Gas, and Drinking Water Wheeling Fees in the Network Owned by Third Parties and Maintenance of the Distribution Network and Water Supply System Equipment Used in Wheeling", approved by Resolution №22 of May 13, 2022 (hereinafter referred to as - Rules).
- Experience revealed significant limitations in the previous provision outlined in Paragraph 5 of Article 4 of the Rules. This provision mandated that the audit report assessing asset net replacement value, the asset inventory act and the audit report confirming net book value could only be prepared by an audit firm legally authorized to audit Public Interest Entities (PIEs), following the Georgian legislation. This strict requirement proved impractical, hindering the intended goals of the resolution and creating difficulties for the parties involved in obtaining these documents.

- The amendment streamlined the process, allowing audit firms in the first, second, or third category designated by the Service for Accounting, Reporting and Auditing Supervision, as well as Levan Samkharauli National Forensics Bureau, to compile the aforementioned documents.

5.4. Amendment Made to the Drinking Water Supply and Consumption Rules

Resolution №44 of November 15, 2023, "On Introducing Amendments to Certain Resolutions of the Georgian National Energy and Water Supply Regulatory Commission, has made amendments to the "Drinking Water Supply and Consumption Rules", approved by Resolution №32 of November 26, 2008.

- The amendments aimed to facilitate the deployment of multifunctional electronic meters, commonly referred to as "smart meters," within the water supply sector. As mandated by the Resolution, the water supply licensee bears the responsibility to install a multi-functional electronic metering system (smart meter), following the established Regulations, in case of relevent request of a user; install smart meters when facilitating the connection of two or more new facilities to the water supply network; equip any existing facility undergoing division within a multi-apartment building already utilizing smart meters with multifunctional electronic metering system (smart meter) .
- The Regulation also takes into account the prohibition of connection/power increase to the new consumer's water supply system if there is a request for connection or capacity increase at a drinking water supply network with a diameter greater than 75 mm and there is no network with a diameter greater than the requested diameter in the water supply network owned by the water supply licensee within a radius of 200 meters. In such a case, the construction and development of the water supply network can proceed once an agreement on financing its construction has been concluded, in exchange for the fee for the construction of the water supply network, under the condition of full technological cycle service by the water supply licensee.
- New consumer connections and capacity increases in the water supply system are prohibited until the appropriate water supply system for the designated territorial planning zone or its part is operational.
- According to the Resolution, the water supply licensee has been granted the authority to identify the actual consumer. They can charge this consumer for both the consumption of drinking water and the connection fee for any new facilities. This applies if the facility was connected to the water supply system as part of the water supply system development investment program, which was completed before January 1, 2024 (when connecting a new facility to a 25 mm drinking water network and/or 100 mm wastewater network). Charges apply if there is drinking water consumption at the said facility.

5.5. Changes Implemented in the Electricity Distribution Network Rules

Resolution №47 of November 22, 2023, amended Resolution №19 of June 28, 2021, adopted by the Commission "On the Approval of the Electricity Distribution Network Rules".

- The Resolution addresses and clarifies the case of multi-apartment residential building development.
- It was definedthat the connection is required, regardless of whether the consumer has entered into a supply contract.
- The limit (point) of responsibility for the network arrangement in multi-apartment residential buildings has been established. It is defined by the metering node to which the consumer's internal network is connected. Therefore, it was clearly defined who (which side) is responsible for maintaining the network up to which point.
- Furthermore, the Resolution clarifies existing micro powerplant regulations by adding paragraphs 4^1 and 4^2 to Article 21. These new paragraphs define the installed power of a micro powerplant connected to the network through an inverter as the alternating current (AC) side output of the inverter. For plants connected through multiple inverters, the installed capacity is defined as the sum of the AC-side capacities of all the inverters.
- The Resolution additionally modifies the allowed percentage of total installed capacity for existing micro powerplants, as specified in Paragraph 9 of Article 21. The previously allowed percentage of 4% has been increased to 8%.

5.6. Utility Services in the Public Service Hall

Through a joint project between the Commission and the Public Service Hall (PSH), consumers visiting any PSH branch can, alongside real estate re-registration, access the following utility services in electricity, natural gas, and water supply sectors:

1. registering as a consumer, specifically by signing a supply contract in the electricity sector and registering as a consumer in the natural gas and water supply (drinking water and wastewater) sectors, verifying their existing debt;
2. recording information about social status;
3. requesting billing verification;
4. requesting personal information from the transaction history;
5. requesting an on-site inspection of the meter;
6. requesting temporary disconnection/restoration of supply;
7. requiring on-site inspection of technical quality for high or low voltage/pressure, voltage/pressure fluctuations, frequent interruption and drinking water quality.

Concerning this service, the following actions were implemented in 2023:

- In addition to the initial 28 PSH branches, consumers can now access utility services in 138 additional locations, including 90 new branches and 20 mobile PSHs. This expansion is a result of the merger of PSHs with Community Centers and an extended service area;
- The process of submitting an application regarding drinking water quality and the service to address this issue have been added to the utility services provided by PSH;

- To raise awareness of utility services offered at PSH branches, 152 banners were displayed across 117 locations. Banners highlighting the utility services available at PSH branches were placed in waiting areas where real estate re-registration takes place.
- Consumers can now also apply to Commission directly from any PSH branch. This service is available if they are unable to receive the desired utility service or have a complaint against the service company.

Referral statistics of 2023

Concerning the statistics of the referral to the PSH regarding the utility services, it is worth noting that as a result of the implemented measures, the application intake for the service increased by 60% (see Figure 5.1).

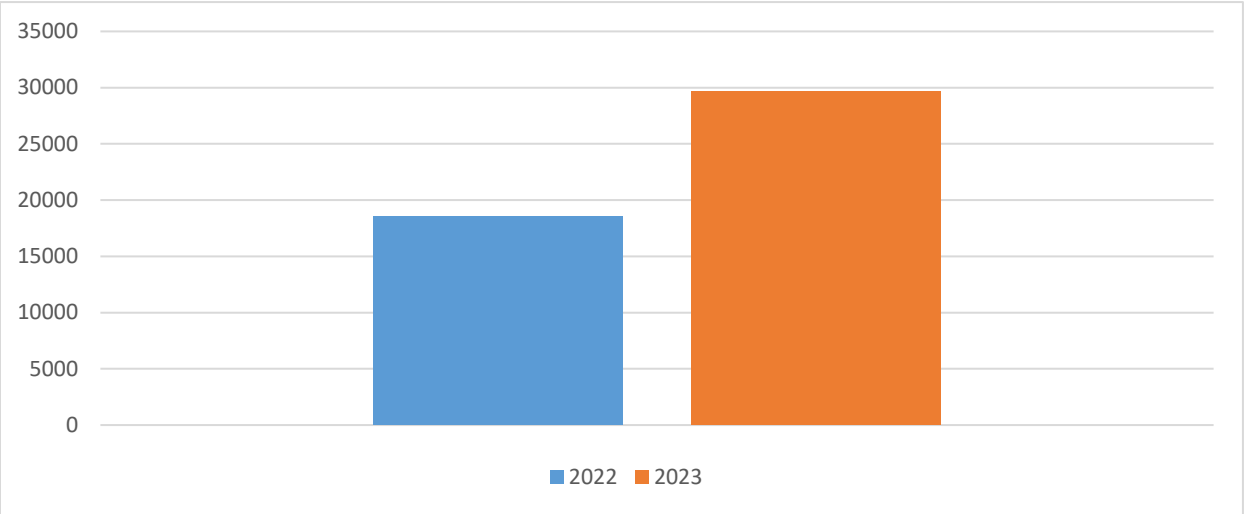


Figure 5.1. Dynamics of Appeals to the PSH Regarding Utility Services (2022-2023)

5.7. The Electronic Portal for the Agreement of Class I Construction Designs, to Improve Network Construction-rehabilitation Works (www.my.gov.ge)

A new function has been added to the unified portal of electronic services (my.gov.ge), which allows for electronic agreement on construction designs. This function enables the visual display of electronic signatures made by multiple people simultaneously. This feature identifies the electronically signed document and prevents its misuse in the printed format. To enable this functionality, the Public Service Development Agency (PSDA), at the request of the Commission, implemented a visual signature function for all electronic services two years ago. This function was subsequently enhanced to allow multiple signatures simultaneously. Finally, PSDA deployed this improved functionality across all its services on my.gov.ge, including the portal for electronic agreement of construction designs, which we utilize.

5.8. Informing Licensees about the Works Planned by the Municipality Via E-mail - https://build.municipal.gov.ge/home

LEPL Municipal Services Development Agency (MSDA) has launched the electronic platform we requested for informing licensees about planned municipal works via email. Registration on this dedicated platform facilitates the systematic email notification of planned municipal works to linear facility owners. This proactive approach will enable timely synchronization between construction and rehabilitation projects for these facilities, ensuring that necessary capacities are addressed well in advance. The novelty is particularly important because the previously existing method of placing planned work on an interactive map proved ineffective for enterprises in electricity, natural gas, water supply, and communication.

5.9. Contribution to the Development and Research of the "Business Ready" Concept

The World Bank's Business Ready survey report was sent by the Commission. In the framework of the research, over 400 questions were addressed (with supporting evidence provided) regarding the electricity, water supply, and communications sectors. The process involved participation of the Ministry of Economy and Sustainable Development (MoESD), the Communications Commission, our Commission's departments, as well as licensees in the electricity and water supply sectors.

5.10. Participation in the Small and Medium Enterprise Policy Index Study of OECD

The Commission participated for the first time in a study assessing existing policies' impact on Georgia's small and medium entrepreneurship (SME) environment. The research questionnaire prominently featured the Commission's key innovations in promoting SME. Georgia received the highest ratings across all 11 evaluation indicators.

5.11. *303# Service

A joint project launched in 2020 by the Commission, licensee companies, and mobile operators Magti, Silknet, and Cellfie enabled consumers to access 303# services.

Initially, the 303# service offered consumers functionalities such as receiving electronic bills, checking balances, and reporting supply interruptions.

Just one year after its launching, the 303# service surpassed one million users, with demand steadily increasing month-over-month.

The growing demand for the service prompted the addition of new functionalities at the end of 2021. Users can now report supply quality issues, emergency shutdowns, and verify billing information. In

particular, beyond core features, users can now conveniently report supply problems and request billing verifications directly through the *303# service.

Since the introduction of the service, 5,335,415 transactions have been carried out (see Figure 5.2).

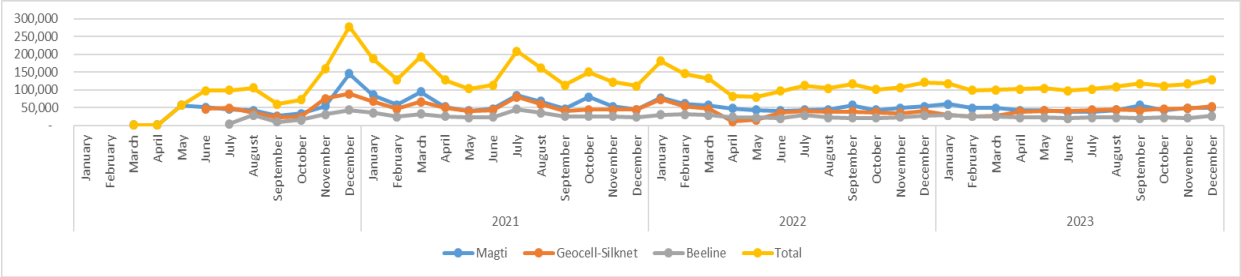


*Figure 5.2. *303# Service Referral Statistics (2020-2023)*

6. Commercial Service Quality

6.1. Service quality and standard description

The Commission has been using electronic monitoring system of commercial service quality already for 7 years. The above mentioned software was introduced in 2017 to ensure monitoring of implementation of goals defined by the "Service Quality Rules" approved by the Resolution No20 of June 28, 2021 via modern systems and technologies.

"Service Quality Rules" approved by the Commission on June 28, 2021 apply to electricity, natural gas and water supply sectors and establish unified requirements and standards. Commercial service quality standards are the indicators of commercial service quality set by the Commission defining the minimum level of consumer service quality which shall be provided by the entity. The electronic monitoring system of commercial service quality monitors the following general and guaranteed standards envisaged by the Resolution:

- **Overall Standards:**

1. Informing consumers about the date and duration of the planned termination – to meet the standards the consumers shall be informed about 90% of the total amount of terminations in a timely manner;
2. Restoration of supply for disconnected consumers in the case of unplanned termination - to meet the standards, 80% of the total amount of terminations shall be restored in a timely manner;
3. The time for responding to the phone call by the call center operator – to meet the standards, 80% of calls shall be responded in 80 seconds;
4. Decreasing average duration of termination of electricity supply;
5. Decreasing average duration of termination of natural gas/water supply.

- **Guaranteed Standards:**

1. Restoration of the supply to the consumers disconnected due to nonpayment: in case of paying off the debt until 16:00, the deadline shall be (in the high mountainous regions or at the weekend until 14:00) 5 hours after payment, in case of paying off the debt after 16:00 (in the high mountainous regions or at the weekend after 14:00)- until 12:00 of the next day;
2. A justified written response and/or responding to the written applications of the consumers – deadline shall be 5-10 working days;
3. Checking metering devices on spot in response to application of the consumers – deadline shall be 10 working days;
4. Registering as a subscriber (except electricity) and provision of supply with requested conditions –deadline 5 working days;

5. Connecting of a new charging point of consumer/increase capacity for autonomous means of transportation working on electricity – deadline is determined according to the package chosen by the consumer;
6. Checking technical quality on spot in response to application of the consumer – deadline 5 working days;
7. Issuing technical condition for connection of a new consumer – deadline 10 working days;
8. Arrangement of metering node and network in-cut - deadline is determined according to the package chosen by the consumer;
9. Connection of a micro generation power plant - deadline is determined according to the package chosen by the consumer.

6.2. Statistical Information

Consumers' applications submitted to the regulated utilities, the information on planned and unplanned terminations, the information on connection of new consumers and recovery of supply for the consumers disconnected due to nonpayment, are automatically recorded in the Commission's database in real time, for the purpose of effective control over compliance with the abovementioned standards. Based on the database, data analysis and visualization module of commercial service quality monitoring system ensure processing of information and submitting in a desired manner.

The indicators of meeting the standards of commercial service quality in the years of 2017-2023 are given below according to the sectors.

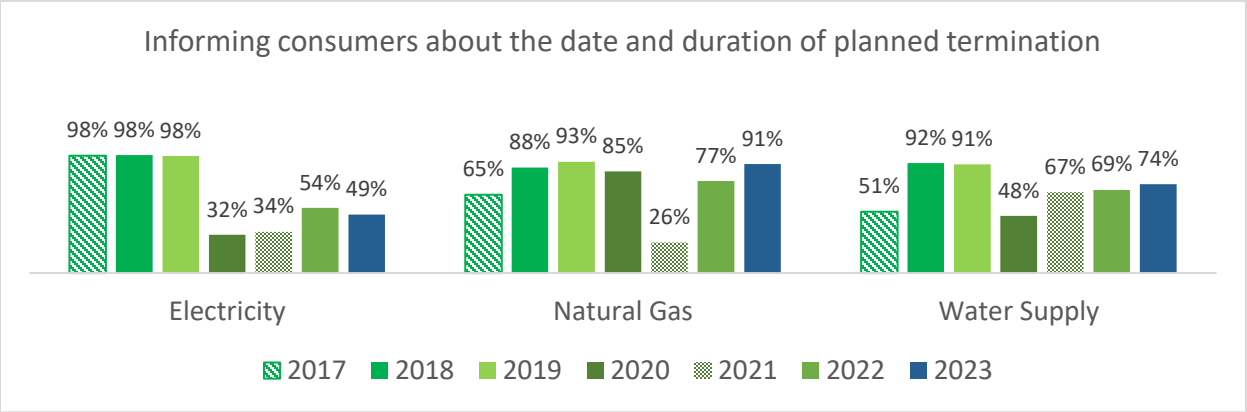


Figure 6.1. Informing Consumers about Date and Duration of Planned Termination

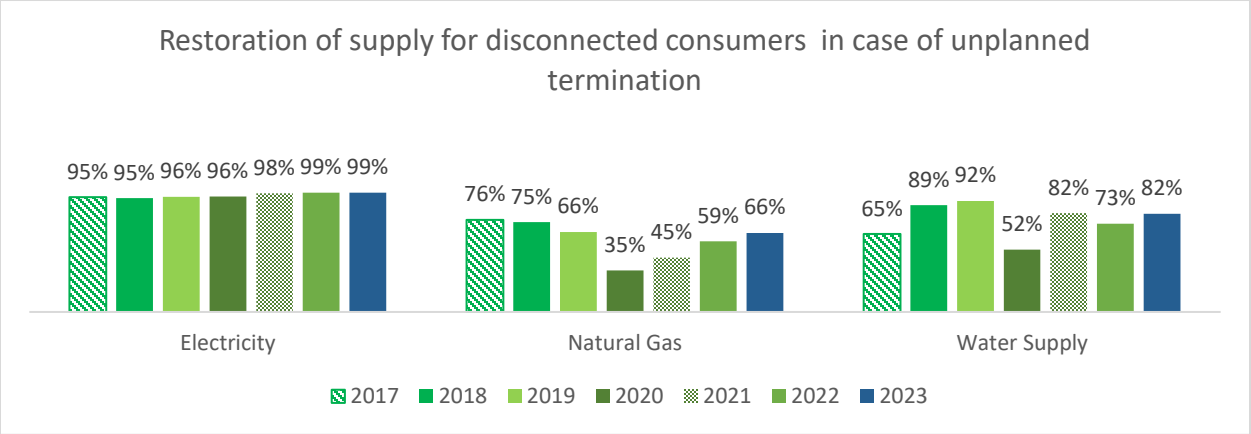


Figure 6.2. Restoration of Supply for Disconnected Consumers in case of Unplanned Termination

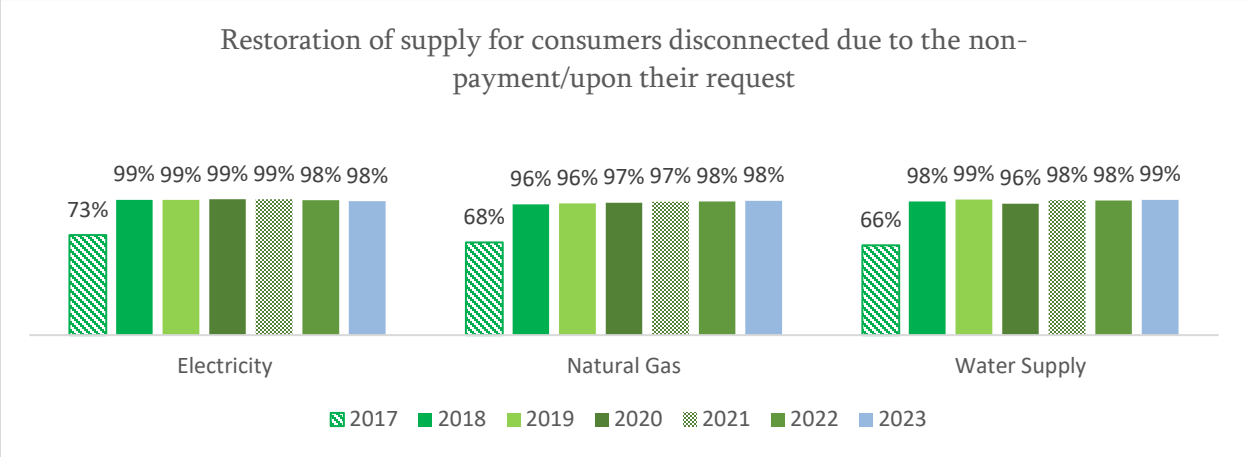


Figure 6.3. Restoration of Supply for Consumers Disconnected due to the Non-payment/ upon Their Request

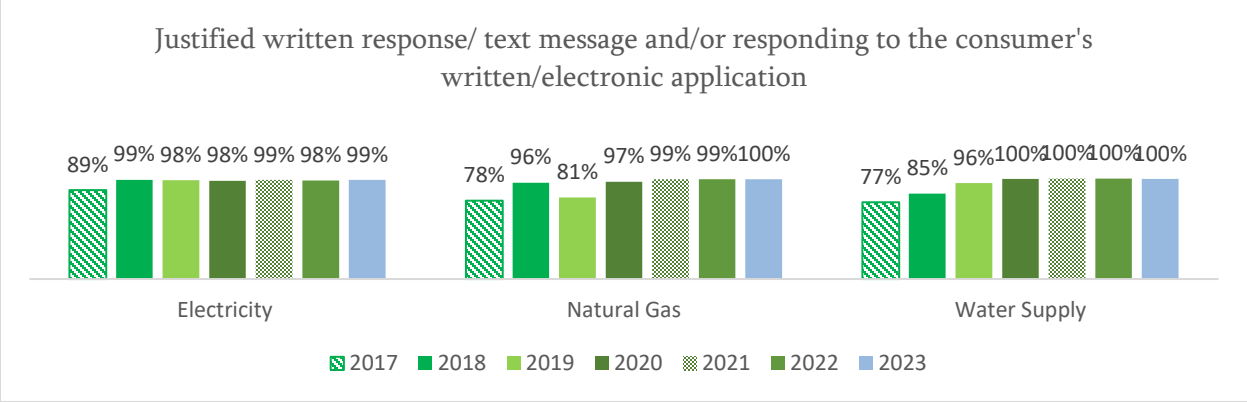


Figure 6.4. Justified Written Response/ Text Message and/or Responding to the Consumer's Written/Electronic Application

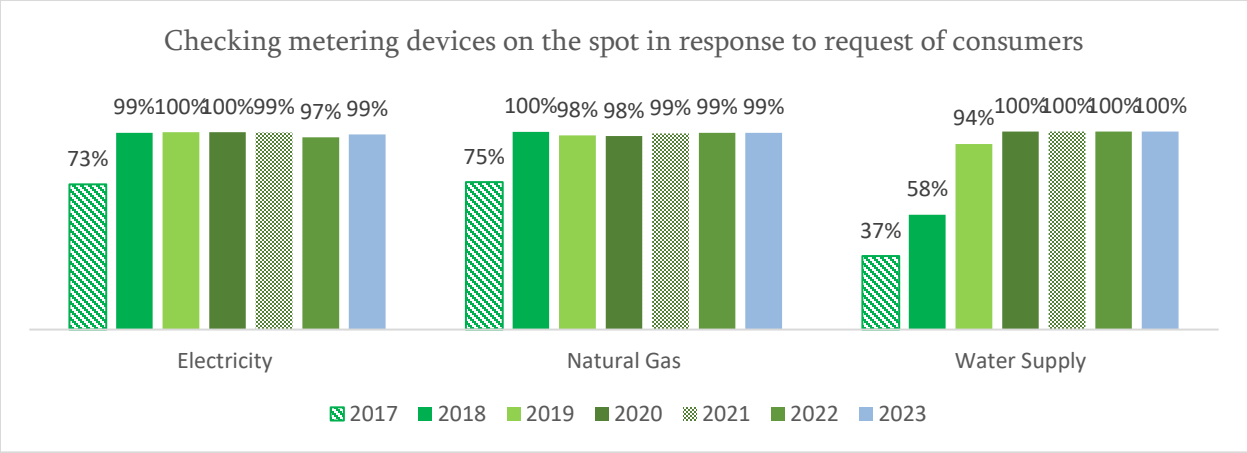


Figure 6.5. Checking Metering Devices on the Spot in Response to Request of Consumers

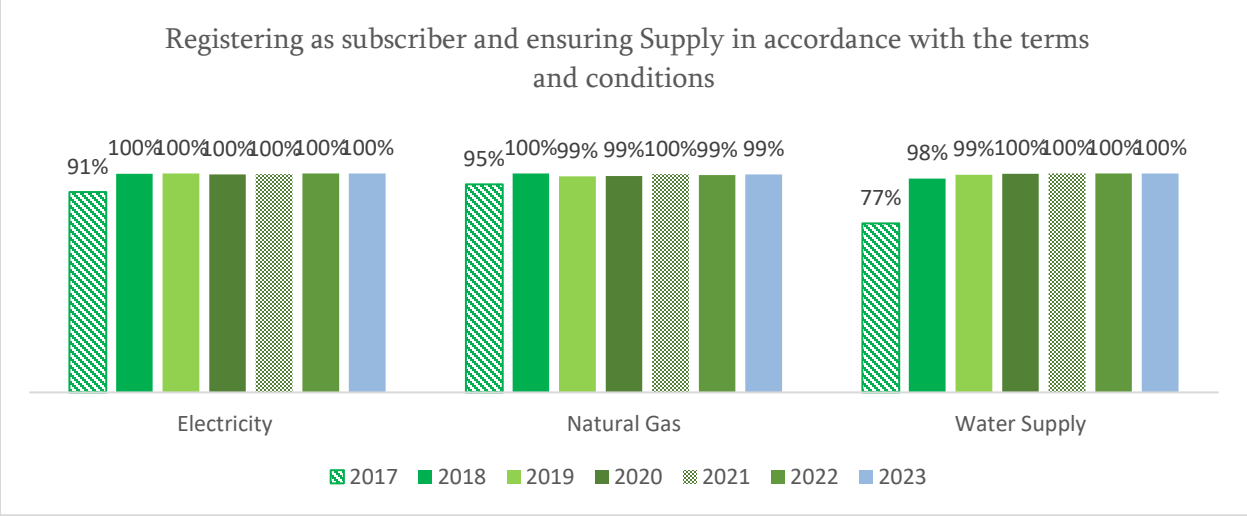


Figure 6.6. Registering as Subscriber and Ensuring Supply in accordance with the Terms and Conditions

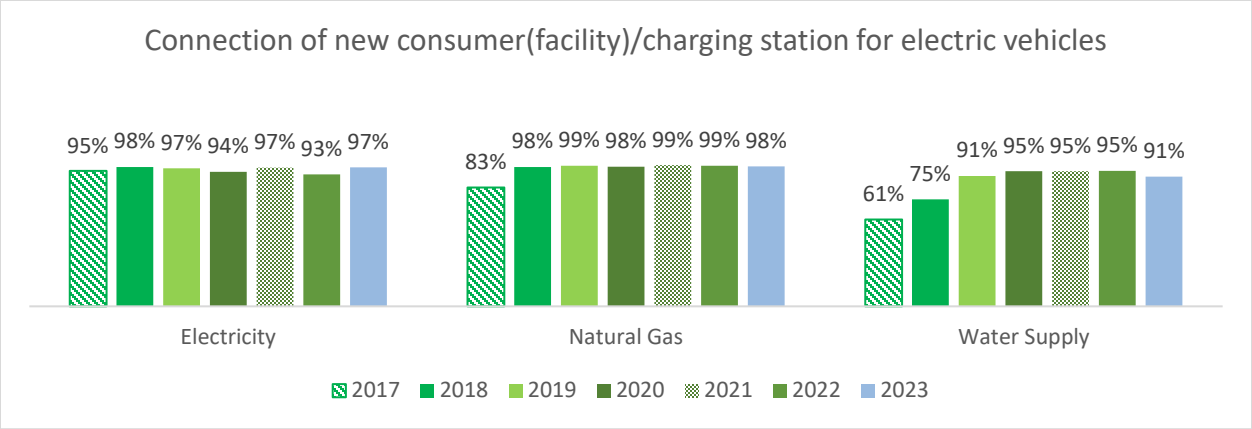


Figure 6.7. Connection of a New Consumer (facility)/ Charging Station for Electric Vehicles

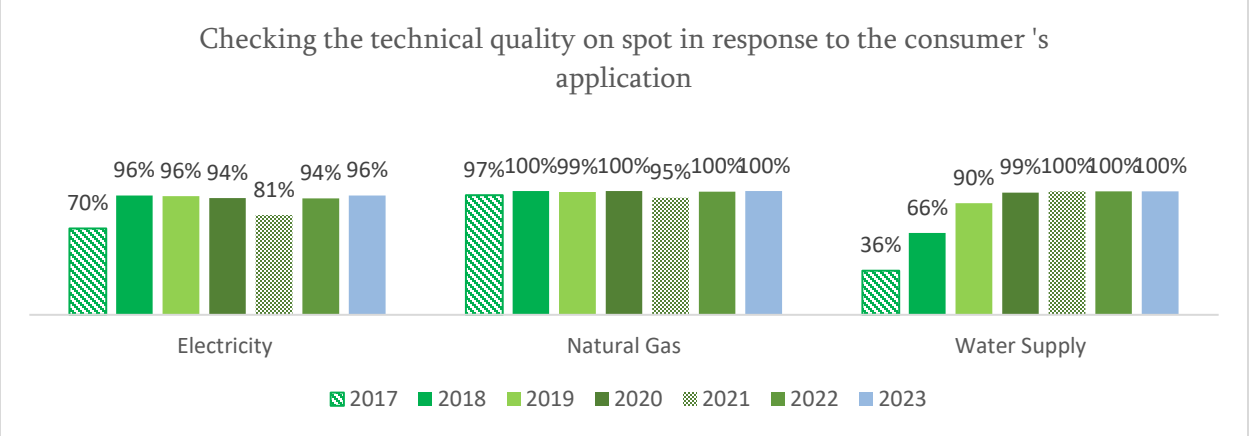


Figure 6.8. Checking the Technical Quality on Spot in Response to the Consumer's Application

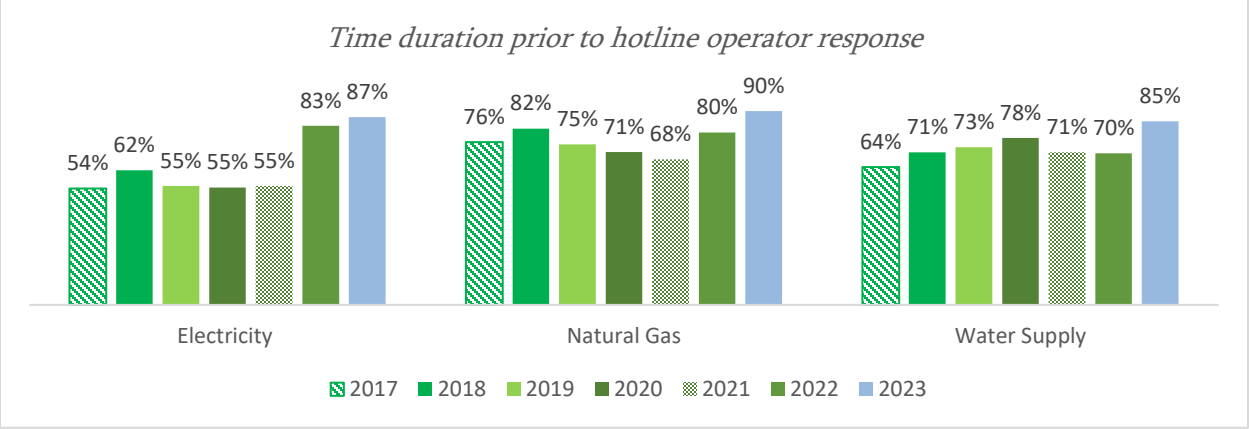


Figure 6.9. Time Duration Prior to Hotline Operator Response

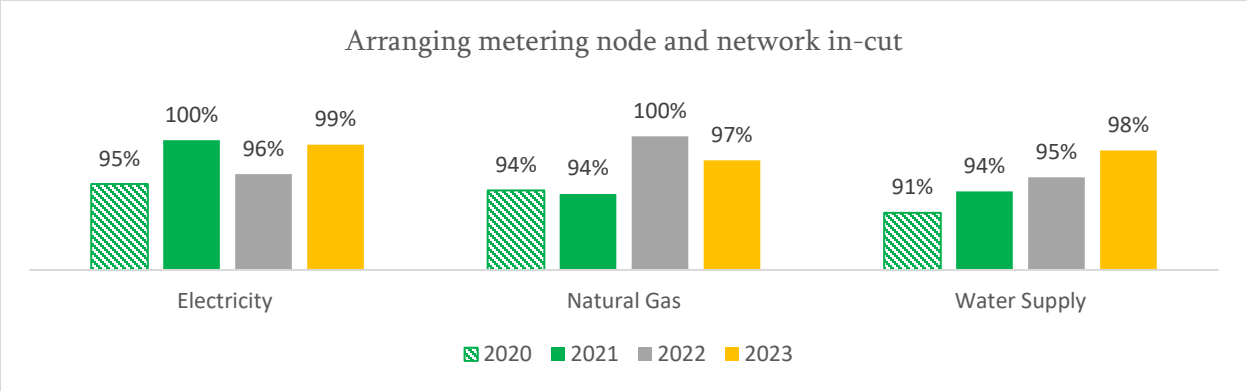


Figure 6.10. Arranging Metering Node and Network in-cut

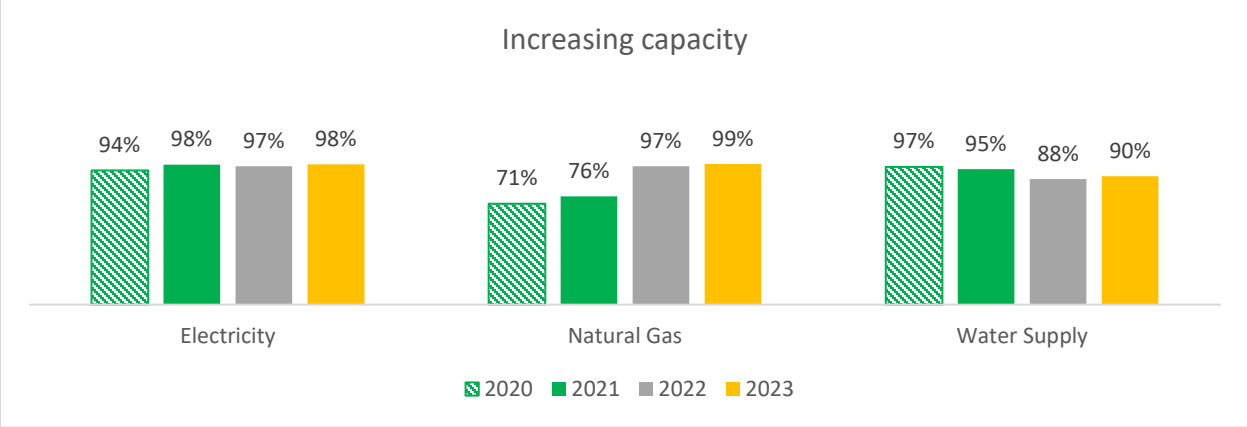


Figure 6.11. Increasing Capacity

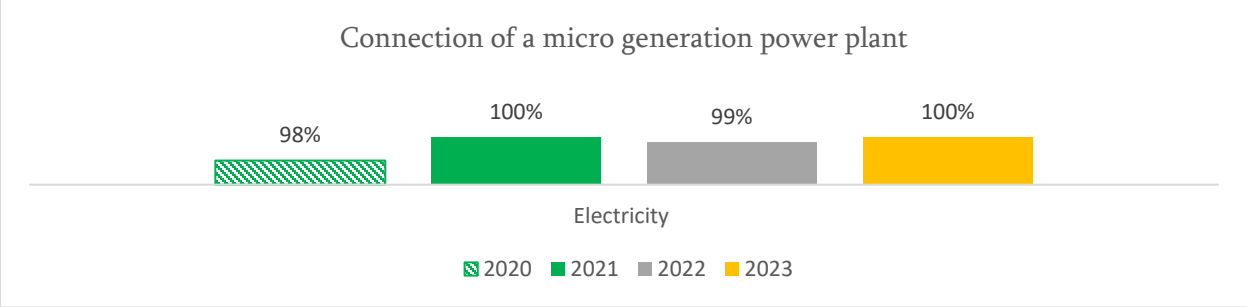


Figure 6.12. Connection of a Micro Generation Power Plant

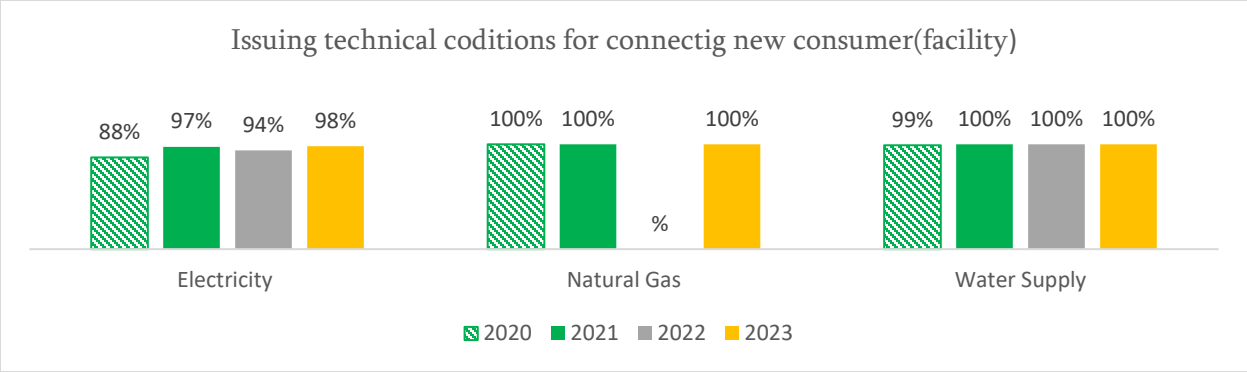


Figure 6.13. Issuing Technical Conditions for Connecting New Consumer (facility)

Compliance of the overall standards of the service quality doesn't depend on the service provided to only one customer. Target indicators for the overall standard of service quality are set by the enterprise for an indefinite number of customers during a calendar year. In assessing the target indicator of the overall standards, the cases of non-compliance caused by the external factors are not taken into account.

The annual service provision indicators envisaged by overall standards are evaluated annually for each service separately and as a result of the evaluation of these indicators, the Commission uses financial mechanisms towards certain utility company, for encouraging or sanctioning it, which is reflected in the tariff set by the Commission for the relevant services for this utility according to the following principle: In case of improvement / deterioration of the annual target rate of the overall standards, the regulated cost base of the enterprise will increase / decrease accordingly by 0.01% of the regulated cost base for each improved / deteriorated 1 percent, except to the standard for reducing the average duration of a power outage, for which in each region, according to the territorial district, in case of improvement or worsening of the average duration of power outage by the utility, the Commission is authorized to increase or decrease the base of regulated costs in calculating the tariff of the utility company in accordance with the Q factor.

In the event of the failure to perform services envisaged by guaranteed standards due to the internal reasons, the utility is obliged to provide specified compensation to the customers for nonperformance of services:

- In case of non-compliance with the standards related to the connection of a new customer to the network/increasing capacity, arrangement of metering node in electricity, natural gas and water supply sectors and connection of micro generation power plant in the electricity sector in the specified timeframe, the compensation is defined as follows:
  In case of missing the deadline for connection to the network (system) defined by the package set by the Commission for the first time – the fee for connection of the new customer is decreased by 50%; in case of missing the deadline for the second time, if the works for the connection to the network (system) are not finished - the connection fee is reduced to zero. As of 2019, in case of missing the deadline for connection to the network (system) in the electricity, natural gas and water

supply sectors for the third and every next time, the licensee is obliged to compensate 50% of the connection fee to the person willing to connect - every time the deadline is missed

- For the violation of other guaranteed standards, the compensation is a one-time action and amounts: 5 GEL – for household customers and 10 GEL – for non-household customers.

The compensation envisaged by the guaranteed standards shall be accrued on the customer's subscriber card as a credit for further settlement, whereas in case of advanced payment, the compensation shall be accrued on the customer's credit card, indicated in the application. In addition, the compensation shall be reflected in the customer's subscriber card within 15 working days from the violation of guaranteed standard of service. In case individual is not yet registered as the customer, the compensation shall be accrued on his subscriber card, within the term of 15 days since beginning of the supply.

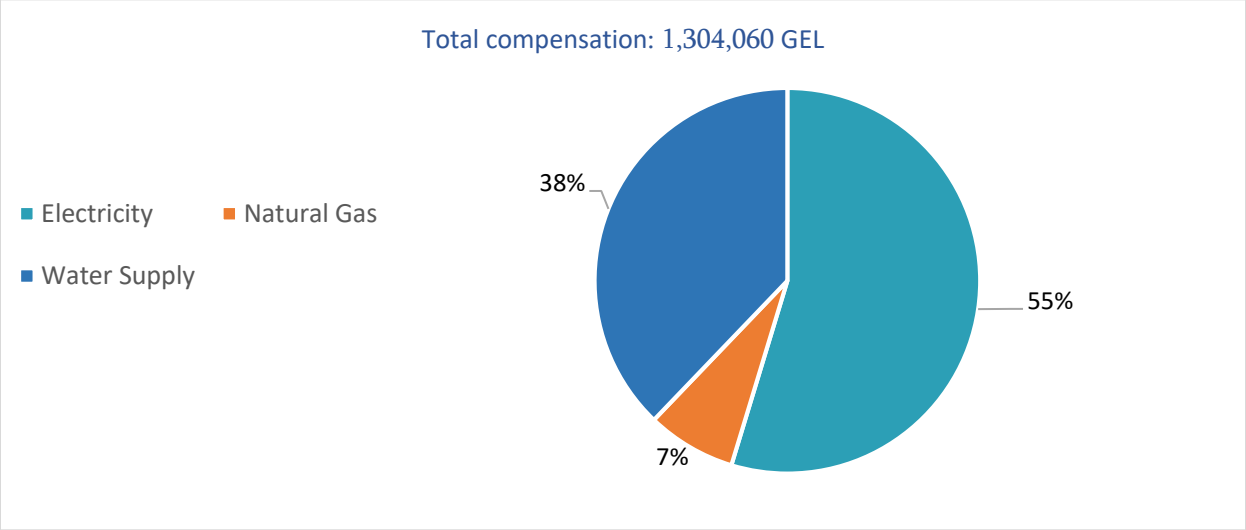


Figure 6.14. Total Accrued Compensations on Guaranteed Standards by Sectors in 2023

In 2023, due to the violation of guaranteed standards, the distribution companies paid 1 304 060 GEL to the customers as compensation. Out of this amount, 1 080 800 GEL was paid due to violation of the standard for connection a new customer to the network and 223 260 GEL for the violation of the rest of the guaranteed standards that is allocated as follows:

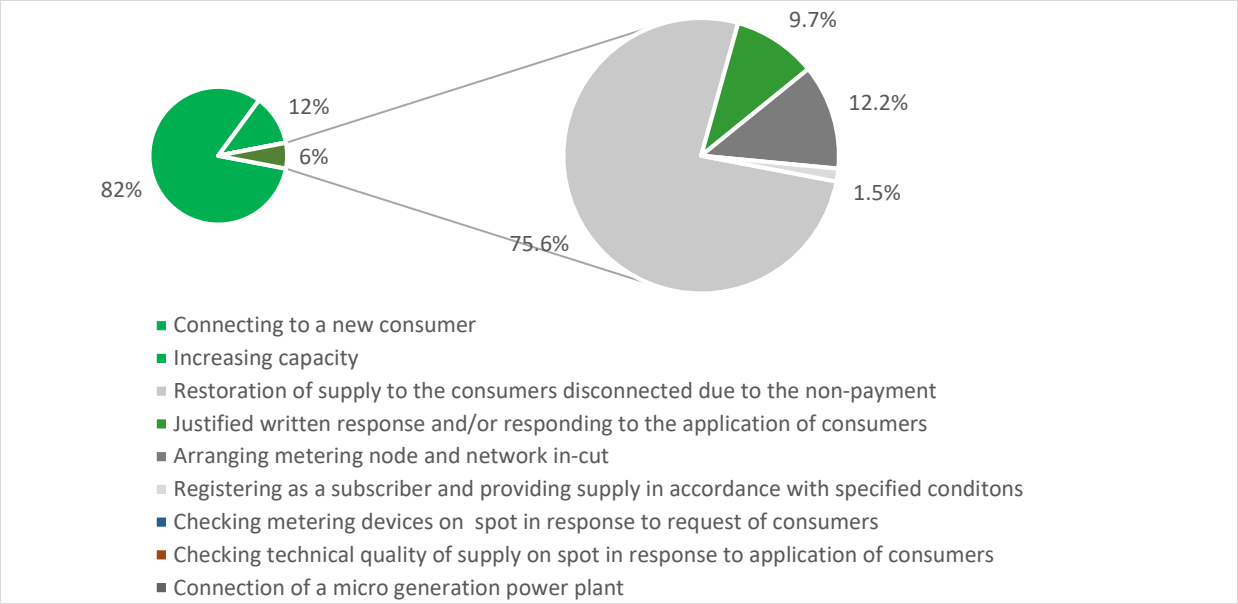


Figure 6.15. Total Accrued Compensations on Guaranteed Standards by Sectors in 2023

Utility	Accrued compensation (GEL)						
	2017	2018	2019	2020	2021	2022	2023
"Georgian Water and Power" LLC	1,821,010	1,481,535	554,775	401,060	553,885	581,990	461,135
"Telasi" JSC	117,830	210,155	45,240	10,290	394,420	847,680	510,070
"Socar Georgia Gas" LLC	647,375	353,410	143,640	82,815	196,045	125,685	78,950
"Energo-Pro Georgia" JSC	317,655	236,085	285,950	488,865	598,755	528,920	203,090
"Tbilisi Energy" LLC	56,630	52,835	436,775	146,235	7,245	2,290	7,920
"SakOrgGas" JSC	130,250	41,850	59,315	13,685	27,915	12,920	7,990
"Rustavi Water" LLC	44,730	94,140	4,555	3,390	810	270	29,785
"United Water Supply Company of Georgia" LLC	630	3,045	71,260	194,470	13,880	1,475	2,415
"Batumi Water" LLC	0	188,735	170	2,300	15	730	0
"Telavgazi" LLC	0	0	10,585	5,720	0	5	190
Other small utilities	650	1,315	1,630	3,220	20,515	1,805	2,515
Total	3,136,760	2,663,105	1,613,895	1,352,050	1,813,485	2,103,770	1,304,060

Table.1. Amount of Compensation Accrued to Consumers

The amount of the compensation accrued to the customers for non-performance of the guaranteed standards in the defined timeframe in the years of 2017-2023 according to the distribution licensees is highlighted in the Table[22]

Reduction of the total amount of the compensation accrued to the consumers is mainly the result of improved performance of the companies, regarding implementation of the guaranteed standards

[22]Note: Amount of accrued compensation presented on Table 1 might differ from the amount recorded in the Commission's annual report of the previous year. In the 2023 report, the data of 2022 is clarified, since the amount accrued in the calendar year may be adjusted during the following year.

7. Review of Disputed Issues

7.1. Overview of the Regulatory Framework Related to the Review of Disputed Issues

Based on Article 29 (1) (k.c) and Article 155 of the Law of Georgia on "Energy and Water Supply", one of the main functions of the Commission is to resolve, within its competence, the disputed issues between enterprises and consumers and between enterprises themselves, as well as to review and resolve the requests of enterprises concerning the deferral of the deadlines established by the law for the connection of new consumers to the distribution network.

The aforementioned competences, in addition to the above-mentioned Law, are also defined by the Code of Administrative Violations of Georgia, the General Administrative Code of Georgia and the following normative administrative-legal acts of the Commission: "Dispute Settlement Rules" approved by Resolution No. 24 of June 4, 2020; "Natural Gas Supply and Consumption Rules" approved by Resolution No. 12 of July 9, 2009; "Electricity Retail Market Rules" approved by Resolution No. 47 of August 13, 2020, "Electricity Distribution Network Rules" approved by Resolution No. 19 of June 28, 2021, "Drinking Water Supply and Consumption Rules" approved by Resolution No. 32 of November 26, 2008.

The Commission is independent in resolving disputes and adheres solely to the legislation of Georgia. It resolves the disputed issue impartially, in full compliance with the requirements of the law. Although the Office of the Energy Ombudsman operates independently of the Commission, the protection of consumers' interests remains an important function of the Commission. Therefore, when reviewing and resolving disputes, the Commission strives to implement its functions in full compliance with the legislation.

The Commission, as a result of reviewing the dispute, issues an individual administrative-legal act - a Decision. In addition, the administrative proceedings on a number of disputed issues are terminated by an individual administrative-legal act of the Commission's apparatus - a Letter.

When reviewing a dispute, the function of the Commission defined by the legislation on protection of consumers' rights does not exclude its right to also protect the interests of the company, if the company presents its reasoned, evidence-based and legally compliant position.

In the previous reporting period, the Commission received a total of more than 6,000 applications with requests of various contents (clarification of the provisions of the normative administrative-legal act adopted by the Commission, public information requests, restoration of supplies, etc.). It should be noted that among the applications received by the Commission, the most frequent are the requests of the consumer regarding the revocation of the Resolution on the administrative violation, the connection of a new consumer to the distribution network and the adjustment/deduction of billing, as well as the requests of the regulated enterprise - deferral of the deadline for connecting a new consumer to the system. Such applications make up almost half of the total applications received by the Commission - 2959 applications/complaints. Their distribution by sector is given in Figure 7.1, while detailed statistical data on companies, written-off amounts, application satisfaction rates and other important issues are analyzed in the subsequent subsections.

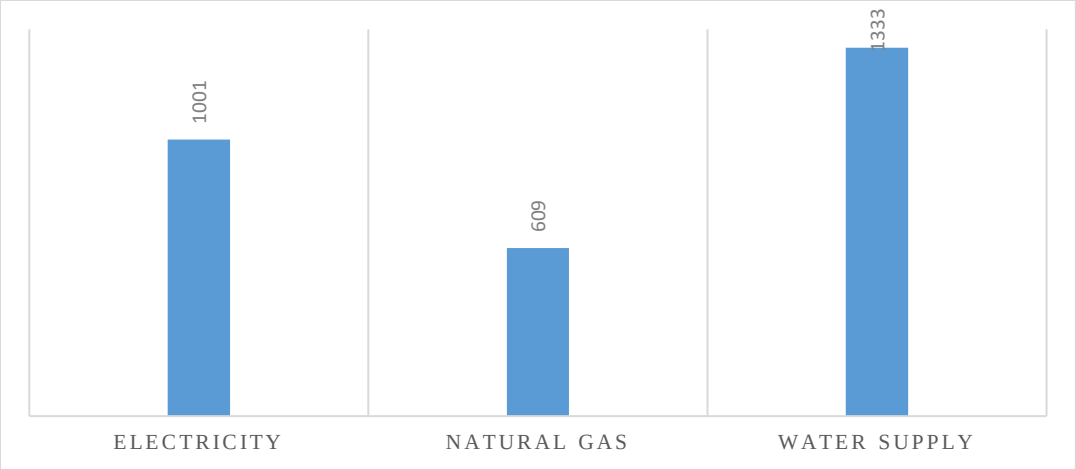


Figure 7.1. Distribution of Consumers' Complaints by Sector

7.2. Consumers' Complaints in the Electricity Sector

The relationship between the consumer and the energy enterprise in the electricity sector is subject to regulation by the "Electricity Retail Market Rules" approved by the Commission Resolution №47 of August 13, 2020 and the "Electricity Distribution Network Rules" approved by the Commission Resolution №19 of June 28, 2021.

Throughout the reporting period, the cause of the dispute was the non-fulfillment or improper fulfillment of requirements of the Rules by the energy enterprise, particularly, incorrect billings during the period when the meter was damaged, incorrect charging of the deposits, and incorrect determination of supervision and billing period. In the reporting period, the part of the disputes related to the old debt, as well as the issues of connecting new consumer to the distribution network, is important.

In the reporting period, the Consumers' Complaints Department of the Commission received 1001 applications/complaints concerning disputed issues in the electricity sector.

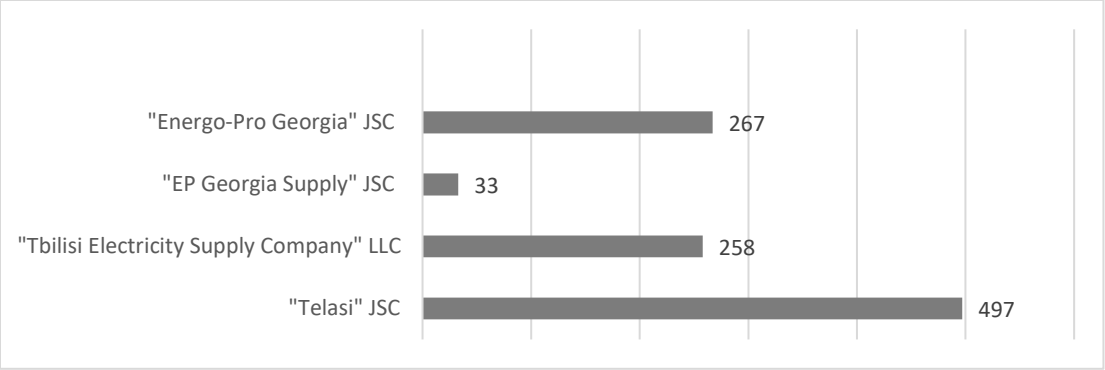


Figure 7.2. Distribution of Consumers' Complaints by Companies[23]

Administrative proceedings on 674 applications/complaints were terminated in writing. 272 applications/complaints were fully satisfied, 36 partially satisfied and 366 applications/complaints were not satisfied.

As a result of reviewing the disputed issues submitted directly to the Consumers' Complaints Department, the Commission adopted 298 decisions. 242 applications/complaints were fully satisfied, 26 partially satisfied, 30 not satisfied, and proceedings were terminated for 126 applications/complaints.

Amounts written-off for consumers in the electricity sector amounted to 1,272,836.54 GEL.

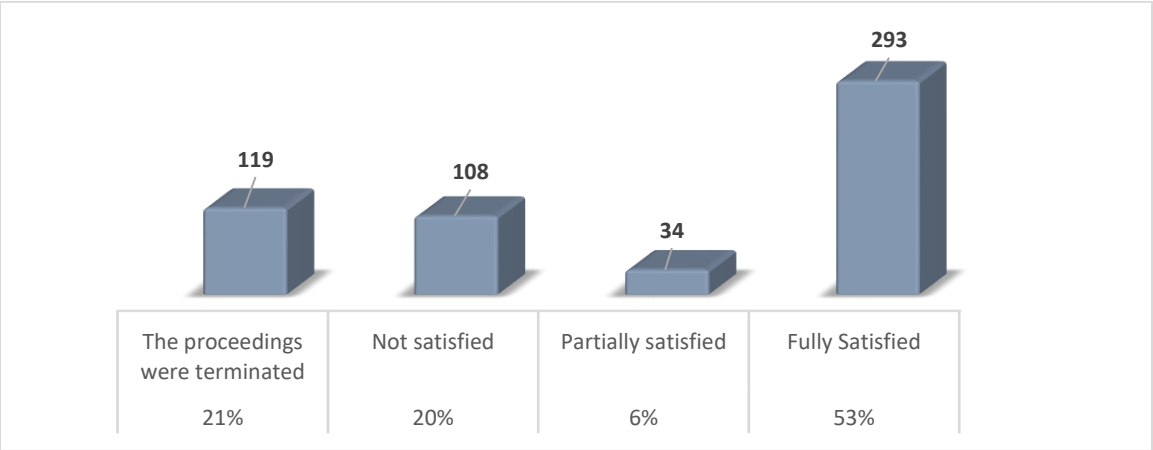


Figure 7.3. Results of Reviewing the Disputed Issues

Concerning the connection of a new facility to the electricity distribution network, the Commission reviewed 139 applications, out of which 25 were satisfied, 14 were partially satisfied, 88 were not satisfied, and the proceedings were terminated for 12 applications.

[23] Possible differences in figures are due to the fact that the same application is submitted concerning two different companies.

In relation to the deferral of the deadline for connecting a new facility to the electricity distribution network/capacity increase, the Commission reviewed 315 letters, out of which 168 were satisfied, 20 were partially satisfied, 20 were not satisfied, and the proceedings were terminated for 107 applications.

In the electricity sector, the amounts written-off related to the charging of the appropriate compensation to consumers due to the delay of a new facility connection to the distribution network amounted to 1,264,450 GEL.

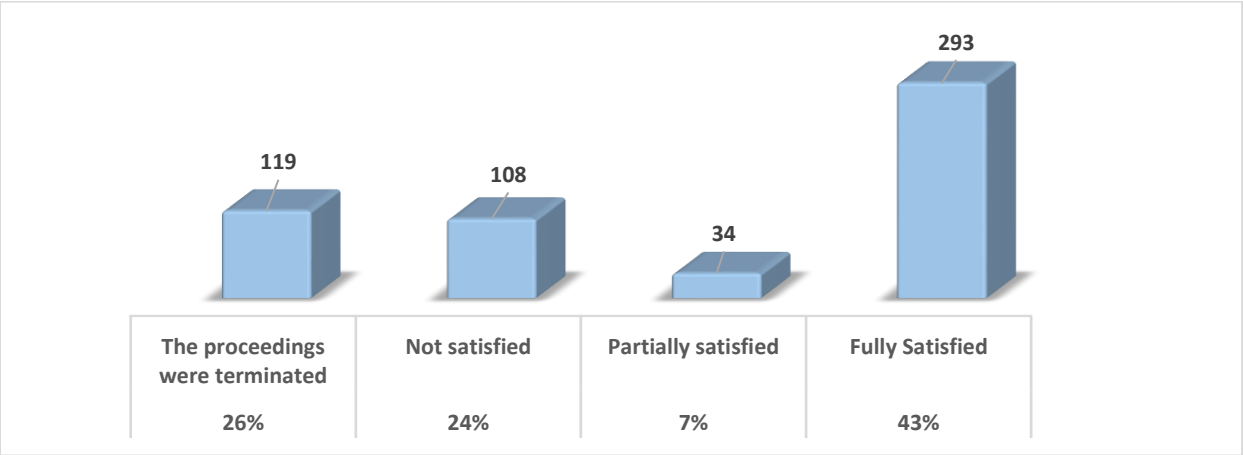


Figure 7.4. Results of Reviewing Issues Related to the Deferral of the Deadline for Connecting a New Consumer to the Electricity Distribution Network/Capacity Increase

7.3. Consumers' Complaints in the Natural Gas Sector

In the natural gas sector, the relations between consumers and energy enterprise are regulated by the Commission Resolution №12 of July 9, 2009, on Approving Natural Gas Supply and Consumption Rules. The main cause of disputes is incorrect fulfillment or failure to fulfill the requirements of the Rules by the company, namely: an incomplete review of the administrative offense case in the company; non-compliance with the requirements established by the 'Rules for Removing and Installing the Meter', as well as sealing the meter (drafting of an act noncompliant with the Rules), the problem of the consumer's attendance or non-attendance at the mentioned procedures. Consumer complaints were also caused by issues concerning the connection of new consumers to the distribution network.

During the reporting period, 609 applications/complaints were submitted directly to the Consumers' Complaints Department regarding disputed issues in the natural gas sector.

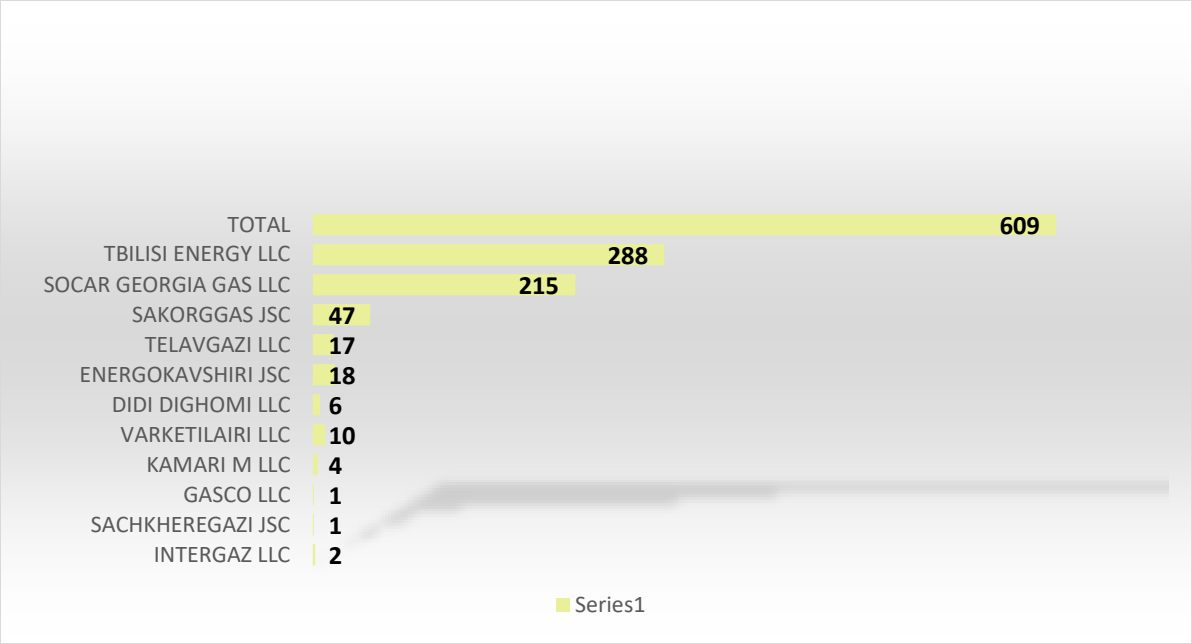


Figure 7.5. Consumers' Complaints by Companies in the Natural Gas Sector

Administrative proceedings on 365 applications/complaints were completed in writing. 93 applications/complaints were fully satisfied, 27 were partially satisfied, and 245 applications/complaints were not satisfied.

The Commission made 232 decisions as a result of reviewing disputes submitted directly to the Department of Consumers' Complaints. 107 applications/complaints were fully satisfied, 41 were partially satisfied, 84 were not satisfied, and proceedings were terminated for 28 applications/complaints.

The amount written-off for consumers in the natural gas sector constituted 118,567.31 GEL

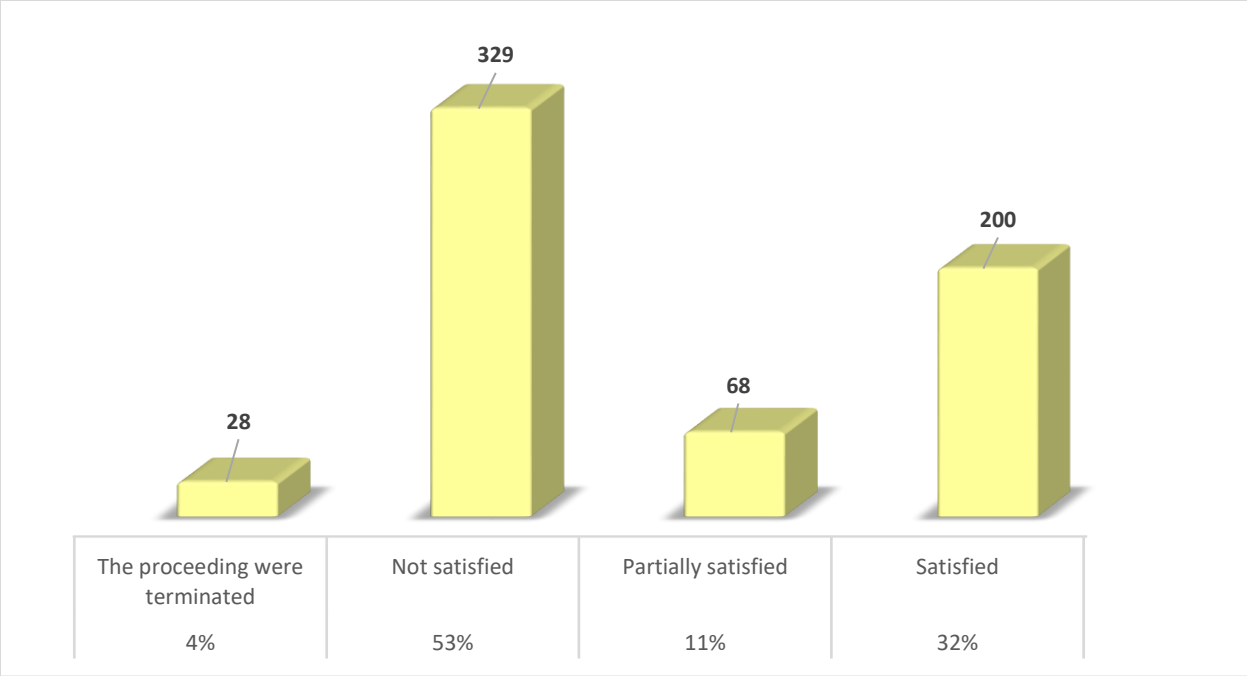


Figure 7.6. The Results of the Disputed Issues in the Natural Gas Sector

The Commission has reviewed 109 applications in relation to the connection of a new consumer to the distribution network, out of which 21 applications were satisfied, 10 were partially satisfied, 70 were not satisfied, and the proceedings were terminated for 8 applications.

The Commission has reviewed 58 applications concerning the deferral of the deadline for connecting a new consumer to the distribution network/capacity increase, out of which 31 applications were satisfied, 1 was partially satisfied, 10 were not satisfied, and the proceedings were terminated on 16 applications.

In the natural gas sector, the amounts written–off related to the charging of the appropriate compensation due to the delay of a new consumer connection to the distribution network constituted 15,400 GEL.

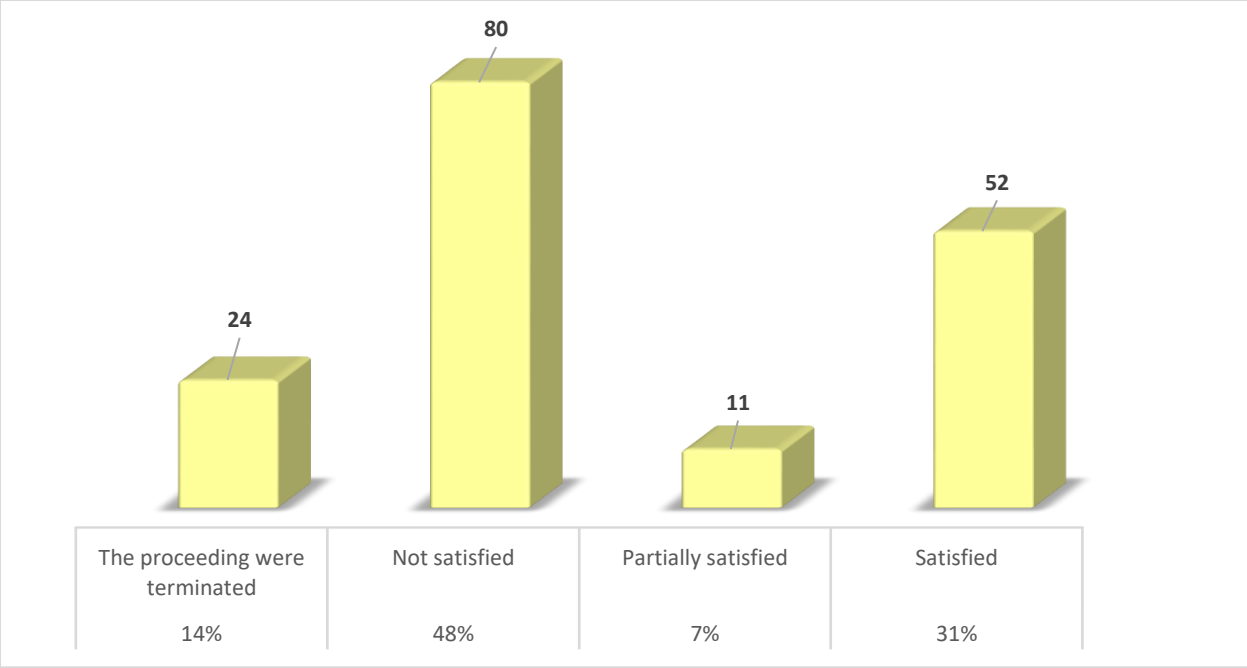


Figure 7.7. The Results of Reviewing Issues Related to the Connection of a New Consumer

7.4. Consumers' Complaints in the Water Supply Sector

In the water supply sector, the relations between consumers and water supply licensees are regulated by the Commission Resolution №32 of November 26, 2008, on "Approving Drinking Water Supply and Consumption Rules". The main reasons for disputes are incorrect fulfillment or failure to fulfill the requirements of the rules of the water supply licensee, namely: the company's demand for payment of old debts and conditional charges on consumers. Throughout the reporting period, taking meter readings untimely still remained a problem. Another reason of submitting the complaints related to the connection request as a new consumer.

During the reporting period, 1333 applications/complaints were submitted directly to the Consumers' Complaints Department of the Commission regarding controversial issues in the drinking water and sewerage sector.

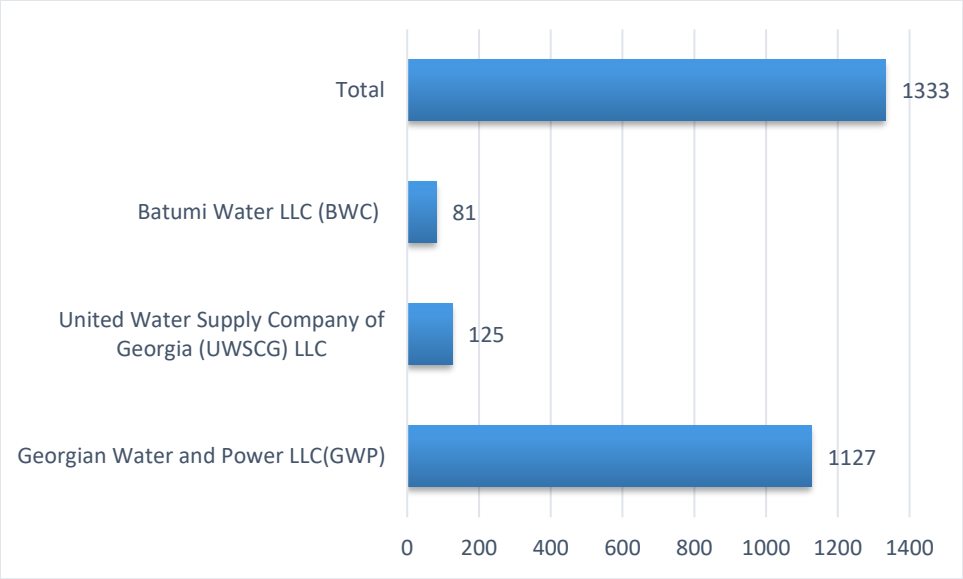


Figure 7.8. Consumers' Complaints by Companies in the Drinking Water and Wastewater Sector

Administrative proceedings on 738 applications/complaints were concluded in written form. Out of these, 285 applications/complaints were fully satisfied, 52 were partially satisfied, and 401 were not satisfied.

The Commission made 550 decisions as a result of reviewing disputes directly submitted to the Consumers' Complaints Department. 368 applications/complaints were fully satisfied, 110 were partially satisfied, 72 were not satisfied and the proceedings were terminated for 94 applications/complaints.

Amounts written-off for consumers in the water supply sector amounted to 443 336.13 GEL.

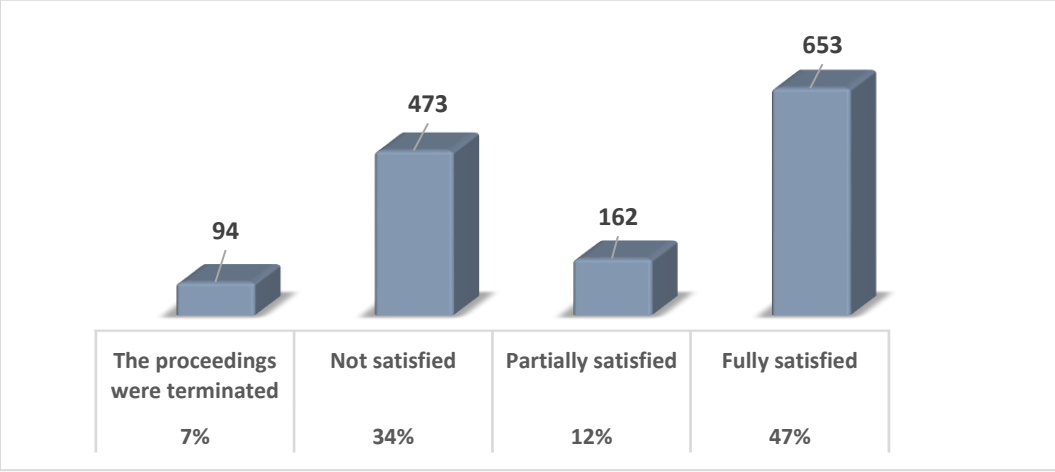


Figure 7.9. The Results of Reviewing the Disputed Issues

The Commission reviewed 209 applications regarding the connection of a new consumer to the distribution network. Among these, 56 applications were fully satisfied, 38 were partially satisfied, 92 were not satisfied and the proceedings were terminated for 23 applications.

The Commission has reviewed 439 applications concerning the deferral of the deadline for connecting a new consumer to the distribution network/capacity increase. Among these, 277 applications were fully satisfied, 58 were partially satisfied, 32 were not satisfied and the proceedings were terminated for 72 applications.

The amounts written–off related to the charging of the appropriate compensation due to the delay of a new consumer connection to the water supply system constituted 593,900 GEL.

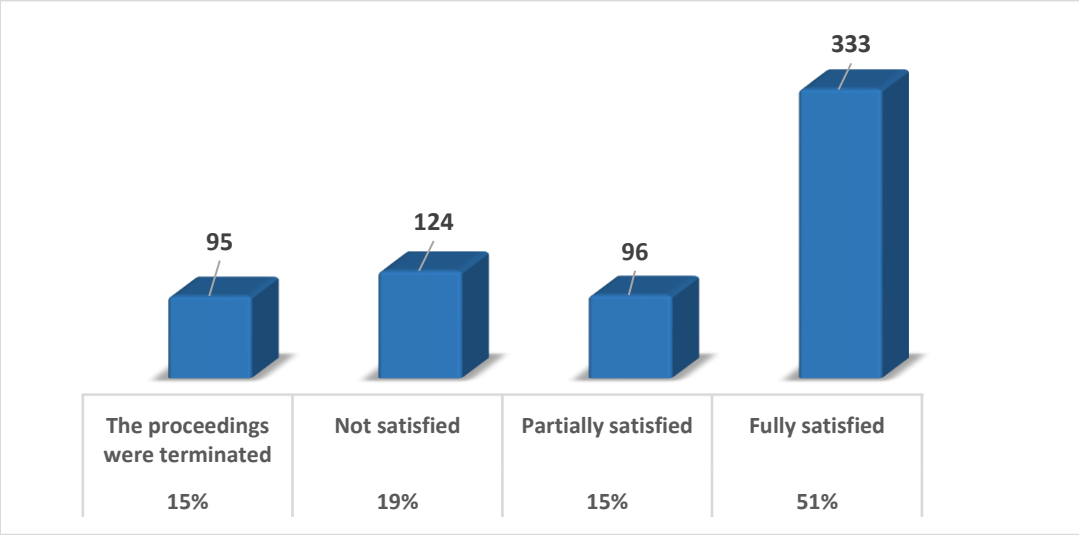


Figure 7.10. The Results of Reviewing Issues Related to the Connection of a New Consumer

7.5. Old debts

During the reporting period, the Commission reviewed 165 applications related to old debts, out of which 102 were fully satisfied, 20 were partially satisfied, and 43 applications were not satisfied. The written-off amount constituted 144 778.03 GEL.

In total, during the reporting period, the Commission made 1080 decisions as a result of reviewing 2959 complaints submitted to the Consumers' Complaints Department.

The total amount of written-off sums was 3 633 914.98 GEL. Out of this, the amount of written- off sums based on decisions constituted 1 248 204.79 GEL, and the amount of written-off sums based on letters was 2 385 710. 19 GEL.

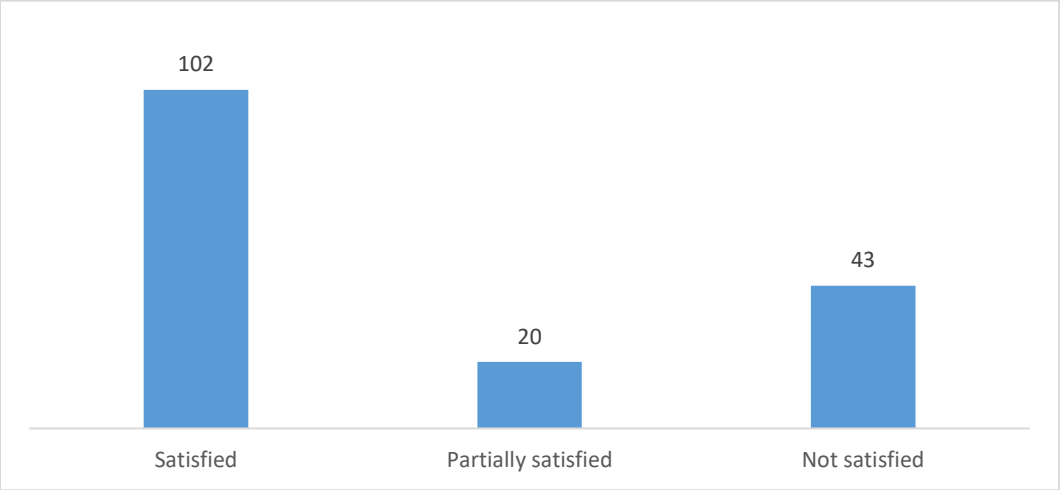


Figure 7.11. The Results Reviewing Old Debts

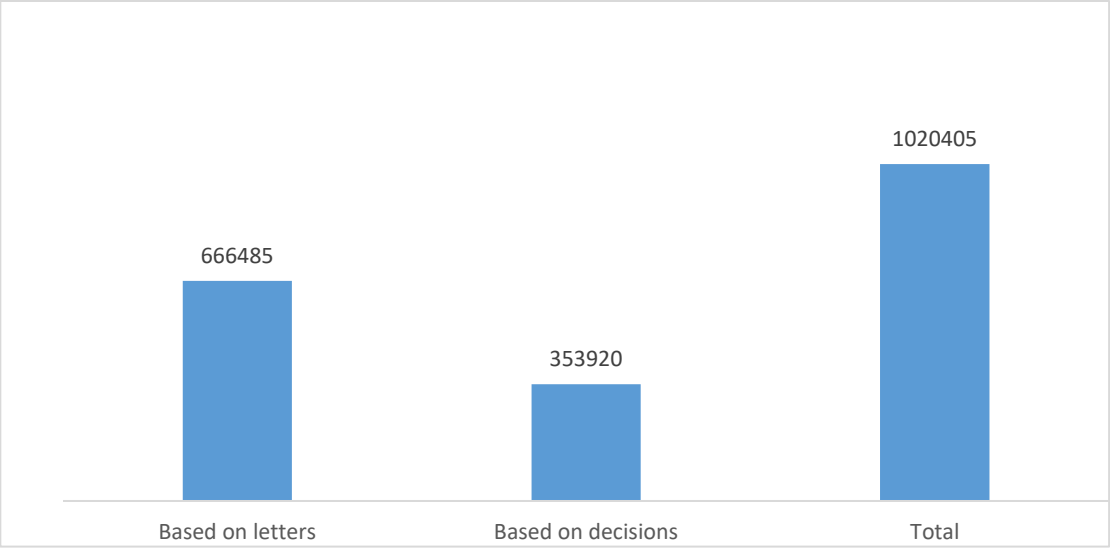


Figure 7.12. The Total Amount of Written-off sums

Considering the dispute resolution practice and the new legislation, the Commission is systematically improving the rules governing all three sectors, which will also affect the number of consumer applications/complaints and their content.

7.6. Issues Related to the Deferral of the Deadlines for Connecting New Consumers (Increasing Capacity)

During the reporting period, on the mentioned issue the Commission has received 842 letters in relation to 892 applications. As a result of the review, according to the Commission decision, 666 letters were satisfied in relation to 751 applications, 79 letters were partially satisfied and the company's request was refused in 62 cases.

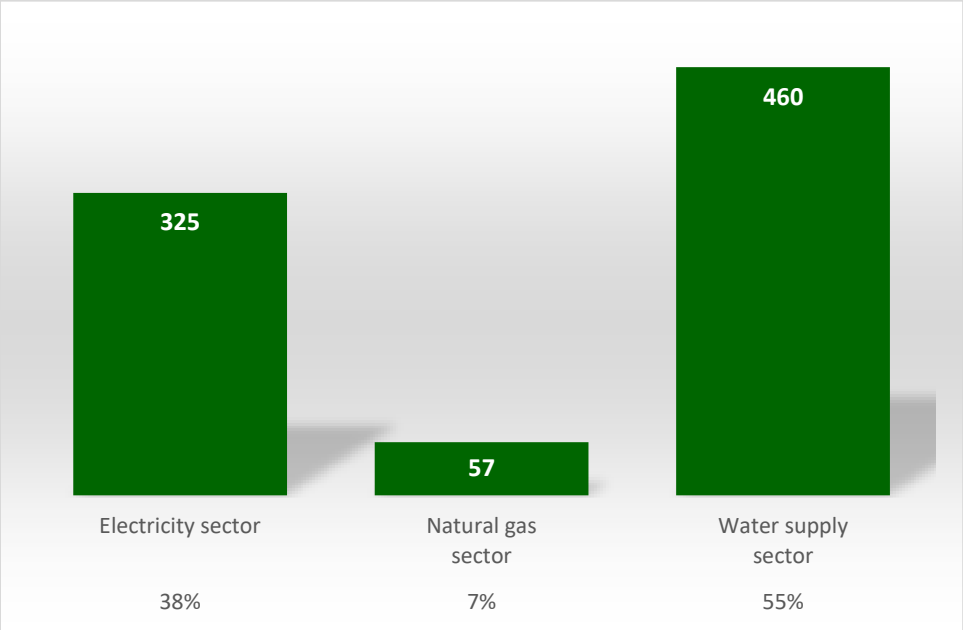


Figure 7.13. Distribution of Issues by Sectors Related to the Connection of a New Consumer (capacity increase)

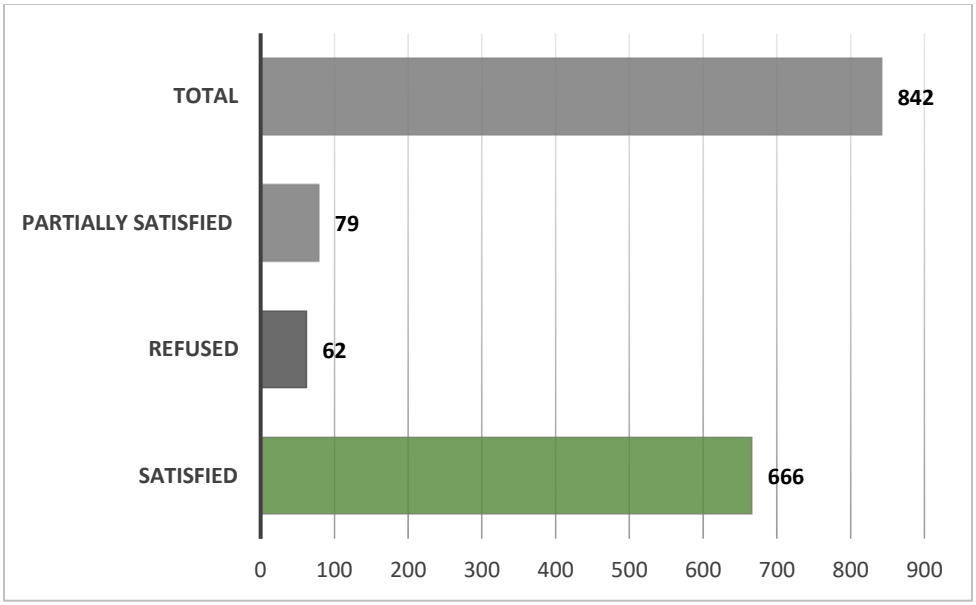


Figure 7.14. The Results of Reviewing Issues Related to the Connection of a New Consumer (capacity increase)

Constant evaluation and development are underway to ensure the protection of consumer rights. The introduction of effective mechanisms to safeguard consumer rights and the enhancement of existing ones are linked with the demands of society development and the maintenance of market stability, therefore, taking care of consumers, creating effective legal mechanisms for the protection of their rights is one of the main directions of the Commission's activity. Establishing a uniform practice of the Commission and the Court during dispute review process and resolving disputed issues significantly contributes to the protection of consumer rights and reduces their referral to the Commission.

8. Court Litigation

In 2023, 87 administrative-legal acts adopted by the Commission were appealed to the Court and 26 Court cases were concluded: 21 - in favor of the Commission, 2 – against the Commission and 3 cases were returned for reconsideration.

Several disputes are discussed in the report, the legal resolution of which is of interest due to the extent of the impact on consumers or regulated enterprises or because of the Court's clarifications of their legal status.

1. Lawsuit of "Energo-Pro Georgia Generation" JSC against the Commission concerning setting of generation tariffs

In 2017, "Energo-Pro Georgia Generation" JSC filed a lawsuit with Tbilisi City Court with a request to revoke the Commission Resolutions N 36 of December 23, 2016 and N3 of February 17, 2017 and impose 19,382,605 GEL on the Commission.

According to the mentioned Resolutions generation tariffs were set for hydropower plants owned by "Energo-Pro Georgia Generation" JSC.

According to the company's explanation, the Commission did not properly investigate the circumstances of essential importance for the case, the regulated assets base was incorrectly determined, and a number of assets were incorrectly classified as well as their value was not determined correctly. The mentioned errors has caused the generation tariff to be set at a much lower level than it would have been if the Commission had correctly applied the norms defined by the "Methodology for the Setting of Electricity Generation, Transmission, Dispatch, and Electricity Market Operator Service Tariffs" approved by Commission Resolution N14 of July 30, 2014.

The company considered that it suffered damages in the amount of 19,382,605 GEL due to the tariffs determined illegally by the Commission.

Court Decision: According to the Decision N3/3020-17 of June 12, 2018 of the Chamber of Administrative Cases of Tbilisi City Court, the lawsuit was not satisfied. The Court has resolved that the Commission did not violate the norms established by the legislation when adopting the appealed normative acts. The Court upheld the position of the respondent administrative authority that the value of the assets should be determined first by the cost of creation or initial purchase of the assets and only if it was impossible to determine the initial price of the assets, the Commission should use the reproduction cost assets valuation method. The legislation imperatively establishes the method by which the cost of the assets should be assessed and when a transition to another method is made, which excluded the possibility of the Commission to arbitrarily determine the assessment method. Thus, the position of "Energo-Pro Georgia Generation" JSC that the Commission determined the regulatory assets base using an inappropriate method was foundungrounded.

According to the Ruling of the Chamber of Administrative Cases of the Tbilisi Court of Appeals of March 29, 2022, the appeal of "Energo Pro Georgia Generation" JSC was not satisfied and the Decision of the Tbilisi City Court of June 12, 2018 has remained unchanged.

According to the Ruling of the Supreme Court of Georgia of May 31, 2023, the cassation appeal of "Energo-Pro Georgia Generation" JSC was considered inadmissible and the dispute has ended in favor of the Commission.

2. Lawsuit of "Georgian State Electrosystem" JSC against the Commission regarding the cancellation of the technical condition issued for direct consumer

In 2018, "Georgian State Electrosystem" JSC filed a lawsuit with the Tbilisi City Court requesting partial revocation of the Commission Decision N 27/23 of April 18,2018.

According to the Commission Decision N 27/23 of April 18, 2018, paragraph 10 of the technical condition issued by "Georgian State Electrosystem" JSC to "Geosteel" LLC was considered inappropriate with the "Network Rules". According to the position of "Georgian State Electrosystem" JSC, the mentioned technical condition was derived from the network security objectives.

Court Decision: According to the Decision N 3/3468-18 of April 08, 2021 of the Chamber of Administrative Cases of Tbilisi City Court, the lawsuit of "Georgian State Electrosystem" JSC was partially satisfied - the Commission's Decision was partially revoked and the case was returned to the Commission for reconsideration.

According to the Ruling N 3b/1272-21 of November 2, 2021 of the Chamber of Administrative Cases of Tbilisi Court of Appeals, the Commission's appeal was not satisfied and the Decision of the Tbilisi City Court of April 08, 2021 remained in force.

The Courts of both instances considered that paragraph 10 of the technical condition issued to “Geosteel” LLC, which was considered inconsistent with the "Network Rules" by the Commission, was in compliance with the general principles of the "Network Rules" in relation to security.

The Ruling of the Chamber of Administrative Cases of Tbilisi Court of Appeals of November 2, 2021 was appealed by cassation by the Georgian National Energy and Water Supply Regulatory Commission, on the basis that the determination of technical conditions, based on the reliable functioning and safety of the electricity system, arbitrarily disregarding the provisions of the normative act, was against the objectives of the regulation of the field and created a precedent, when a monopolistic enterprise could arbitrarily determine the security conditions of the network.

On June 21, 2023, the Supreme Court of Georgia considered the issue of admissibility of the Commission's cassation appeal during an oral hearing, at which, in addition to its admissibility, it considered the cassation appeal and considered it admissible by the Decision of July 25, 2023. Court’s Decision will be announced later.

3. Lawsuit of "Georgian Manganese" LLC against the Commission regarding revocation of the guaranteed capacity fee

"Georgian Manganese" LLC filed a lawsuit with Tbilisi City Court and requested the revocation of Commission Resolution N 30 of October 29, 2015, Resolution N 31 of December 21, 2016 and Guaranteed Capacity Sale Act N 01/249 of December 9, 2015 of "Electricity System Commercial Operator" JSC.

According to the applicant, based on the appealed acts, the guaranteed capacity fee was charged, which it considered illegal.

Court Decision: According to the Decision N 3/10160-15 of November 22, 2018 of the Chamber of Administrative Cases of Tbilisi City Court, the lawsuit of "Georgian Manganese" LLC was not satisfied. The Court resolved that the norms established by the legislation were not violated by the Commission when adopting the appealed normative acts regarding the fees of "Gardabni TPP" LLC, and they fully comply with the legislation.

According to the Ruling of Tbilisi Court of Appeals of June 29, 2022, the appeal of "Georgian Manganese" LLC was not also satisfied and the Decision of Tbilisi City Court of November 22, 2018 remained in force.

According to the Ruling of the Supreme Court of Georgia of November 24, 2023, the cassation appeal of "Georgian Manganese" LLC was accepted for admissibility verification.

4. Lawsuit of "Georgian Water and Power" LLC against the Commission regarding the setting of water supply tariff

On May 18, 2015 the Commission adopted Resolution N 13 on the tariff setting of "Georgian Water and Power" LLC. "Georgian Water and Power" LLC filed a lawsuit with the Tbilisi City Court with a request to revoke Resolution N 13 of May 18, 2015 of the Georgian National Energy and Water Supply Regulatory Commission. According to the company's position, the Commission did not consider a number of tariff components when setting the tariff, thereby tariff was determined incorrectly. In particular, according to the current tariff methodology, the net profit on the regulated asset base can be calculated based on the return on capital. The rate of return on capital is determined by the Commission using the Weighted Average Cost of Capital (WACC) method. The company considered that the Weighted Average Cost of Capital was determined illegally, which led the tariff setting at a low level and caused significant damage to "Georgian Water and Power" LLC.

Court Decision: According to the Decision N3/3292-20 of June 28, 2022 of the Chamber of Administrative Cases of Tbilisi City Court, the lawsuit of "Georgian Water and Power" LLC was not satisfied. The Court noted that the applicant did not point to the fact of incorrect determination of any component of the costs required for the tariff calculation provided by the methodology approved by the Commission

Resolution N18 of August 29, 2008. Thus, only the Commission's questioning of the Weighted Average Cost of Capital (WACC) calculation methodology was not sufficient ground for revoking the normative administrative-legal act, while the calculation of the Weighted Average Cost of Capital calculated in the audit reports presented by the applicant itself was also the result of a specific methodology. In addition, the applicant failed to prove the superior nature of the methodology used by it in relation to the principle used by the respondent administrative body.

The Decision of Tbilisi City Court of June 28, 2022 was appealed by the "Georgian Water and Power" LLC to the Tbilisi Court of Appeals in May 2023, and the company's appeal is currently being considered in the aforementioned Court.

5. Lawsuit of "Energo-Pro Georgia" JSC against the Commission regarding the setting of generation tariffs

"Energo-Pro Georgia" JSC has filed a lawsuit with the Tbilisi City Court, seeking the revocation of the Commission Resolutions N33 of November 27, 2015, and N42 of December 25, 2015, and requesting imposition of 21,603,616 GEL upon the Commission.

Under the resolutions mentioned above, amendments were introduced to the Commission Resolution N33 of December 4, 2008, to set the tariffs for electricity generation at the HPPs owned by "Energo-Pro Georgia" JSC. As per the company's explanation, the Commission failed to thoroughly investigate the substantial circumstances of the case, incorrectly determined the Regulated Assets Base (RAB), and made errors in asset classification and valuation. The aforementioned errors resulted in the generation tariff being set at a significantly lower level than it would have been had the Commission correctly adhered to the norms outlined in the Methodology for the setting of electricity generation, transmission, dispatch, and electricity market operator service tariffs, as approved by Resolution N14 of 30.07.2014.

The company asserted that the Commission's determination of the tariffs had been unlawful, resulting in damages of 21,603,616 GEL.

Court decision: According to Decision N3/1484-16 of 10.07.2018, of the Chamber of Administrative Cases of Tbilisi City Court, the claim was dismissed. The Court resolved that, following regulatory norms, tariffs are invariably established using the historical cost valuation method. This method entails estimating the value of an asset based on its original cost at the time of creation or initial purchase. An exception to this rule arises when the asset's creation or initial purchase price has not been determined. In such instances, the Commission uses the asset reproduction cost, which represents the total expenses necessary to replicate an asset comparable to the one under evaluation. Therefore, the assertion by "Energo-Pro Georgia" JSC that the Commission employed an improper methodology in determining the Regulatory Cost Base (RCB) was unsubstantiated. The court determined that the Commission's adoption of the appealed normative act did not violate the norms established by the legislation, and the act is fully compliant with legal requirements.

According to the Ruling N3b/518-19 of April 4, 2022, of the Tbilisi Court of Appeals, the lawsuit of JSC "Energo-Pro Georgia" JSC was dismissed, and the Decision of the Tbilisi City Court of July 10, 2018, remained in force.

According to the Decision of the Supreme Court of Georgia of February 6, 2023, the cassation appeal of "Energo-Pro Georgia" JSC was accepted for admissibility verification.

6. Lawsuit of "Rustavi Water" LLC against the Commission regarding the setting of the water supply tariff

In 2016, "Rustavi Water" LLC filed a lawsuit with the Tbilisi City Court requesting the revocation of the Commission Resolution of November 26, 2015.

Pursuant to Resolution N31, of November 26, 2015, the drinking water supply tariff of "Rustavi Water" LLC was established. According to the company's position, the Commission did not consider certain tariff components when setting the tariff, and thereby incorrectly determined the tariff. In particular, according to the current tariff methodology, the net profit on the Regulated Assets Base (RAB) can be calculated based on the return on capital. The rate of return on capital is determined by the Commission using the Weighted Average Cost of Capital (WACC) method. The company asserted that the determination of the WACC had been unlawful, resulting in the tariff being set at a low level and causing significant harm to "Rustavi Water" LLC.

Court Decision: According to Decision N3/9578-15 of 20.09.2018, of the Chamber of Administrative Cases of Tbilisi City Court, the claim was dismissed. The court emphasized that the water supply to consumers falls within the scope of entrepreneurial activity, constituting a natural monopoly. As a result, the state is obligated to safeguard the rights and interests of consumers through appropriate tariff regulation. This ensures protection against unjustified water supply fees stemming from such activity, without prejudice to the reasonable, well-founded and justified interests of the entrepreneurial entity itself. The Court explained that to ensure proper tariff regulation for water supply activities, a methodology is established by a normative act, which forms the foundation for calculating tariffs and ensuring adherence to the stated principles.

The Court acknowledges that based on the expert opinion submitted in the case and the explanation of the expert convened to the court, the tariff calculation formula employed by the Commission during administrative proceedings aligns with the Tariff Setting Methodology for Water Supply approved by the Commission's Decision N18 of August 29, 2008. The formula employed to calculate the Weighted Average Cost of Capital (WACC) and its components aligns with internationally recognized methodologies. Thus, the court determined that the norms established by the law were not violated by the Commission when adopting the appealed normative act, and it fully complies with the established legislation.

According to the 2023 Ruling of the Court of Appeals, the lawsuit of Rustavi Water was rejected and the Decision of the Tbilisi City Court of September 20, 2018 remained in force.

7. Lawsuit of "Energo-Pro Georgia" JSC against the Commission on the refusal of the agreement of the candidate of compliance officer

In 2023, "Energo Pro Georgia" LLC and physical person V.K. filed a lawsuit with the Tbilisi City Court, requesting the revocation of the Commission Decision N61/1 of December 23, 2022.

By Decision No. N61/1, of December 23, 2022, the Commission declined to agree on the candidacy of V.K. for the position of Electricity Distribution System Operator Compliance Officer submitted by "Energo-Pro Georgia" JSC. The Commission, having considered the requirements of the Law of Georgia on Energy and Water Supply and the Distribution System Operator Unbundling Rules approved by the Commission's Resolution N39 of July 16, 2020, as well as the report presented by the candidate for the compliance officer position and the results of its discussion at the public meeting, has determined that the candidate does not meet the independence and qualification requirements established by the first paragraph of Article 18 of the Unbundling Rules. Therefore, in the event of an appointment, the candidate would not be able to fulfil the obligations imposed by the law and the Unbundling Rules. This could consequently compromise the company's efficiency as the electricity distribution system operator in adhering to the law and Unbundling Rules, which is vital for the successful implementation of the electricity sector reform.

"Energo-Pro Georgia" JSC argued that the Commission's Decision should have been suspended as a result of the appeal. Consequently, until the Court resolved the dispute, the company's proposed candidate, whom the Commission had determined did not meet the independence and qualification requirements, would have continued to perform the functions of the compliance officer.

In response to the Commission's petition, the Tbilisi City Court's Decision of April 26, 2023, established that the appeal did not automatically suspend the validity of the Commission decision. Thus, despite the judicial dispute, "Energo-Pro Georgia" JSC was obliged to implement the Commission's decision to present a new candidate.

According to the Ruling of the Tbilisi Court of Appeals of June 26, 2023, the private complaint of "Energo-Pro Georgia" JSC was not satisfied. Consequently, the Ruling of the Tbilisi City Court of April 26, 2023, which pertained to the refusal to suspend the Commission's decision automatically, remains in effect. The rulings referenced above have determined the dispute's outcome for both parties involved. In February 2024, "Energo-Pro Georgia" JSC and the physical person V.K. submitted a request to the Tbilisi City Court for the withdrawal of the lawsuit, which was accepted by the Tbilisi City Court. The dispute ended in favor of the Commission.

9. International Relations

9.1. Partner International Organizations

To achieve the Commission's goals and objectives, it is crucial to establish robust relationship with international organizations. The exchange of information concerning news, challenges, progress, and achievements of different countries is of particular significance in the context of executing the Commission's activities.

Throughout 2023, the Commission collaborated with the Council of European Energy Regulators (CEER), the Energy Community (Energy Community), the Energy Regulators' Regional Association (ERRA), the United States Agency for International Development (USAID), the National Association of Utility Regulatory Commissioners (NARUC) and various other international organizations.

In 2023, the VIII World Forum on Energy Regulation (WFER VIII) took place in Lima, Peru, with the participation of the Commission Chairman, Davit Narmania, Commission member Giorgi Pangani, and Senior Adviser to Chairman, Maya Melikidze. During the same Forum, a decision to host the IX World Forum on Energy Regulation (WFER IX) in Georgia in 2026 was made. The World Forum on Energy Regulation has been held every three years since 2000 under the auspices of the International Confederation of Energy Regulators (ICER). Along with various organizations, ICER members are the Council of European Energy Regulators (CEER), the National Association of Regulatory Utility Commissioners (NARUC), and the Energy Regulators' Regional Association (ERRA).

Since 2017, the Commission enjoys observer status in the Council of European Energy Regulators (CEER). In 2023, the Commission staff attended the CEER General Assembly and actively engaged in the meetings of various working groups.

In 2023, CEER initiated the second phase of the "EU4Energy" program (**EU4Energy Phase II programme)**, aimed to promote the transition towards low carbon and clean energy in six countries of the Eastern Partnership, including Georgia. Within the framework of the mentioned program, number of meetings and training sessions were conducted with the participation of the Commission representatives.

In 2023, the Commission representatives actively cooperated with the Energy Community and participated in the events and working group meetings organized by the Energy Community Secretariat. In the same year, Artur Lorkovsky, the Director of the Energy Community Secretariat, visited Georgia. Georgia's energy market challenges were discussed during the meeting at the Commission.

The Commission has been collaborating with the Energy Regulators Regional Association (ERRA) for many years and is a founding member of the organization. In 2023, the Commission's staff actively participated in ERRA's General Assembly, engaging in the meetings of regulatory body chairmen, committees, working groups, and training sessions. Throughout 2023, ERRA initiated the 'Women in Energy'

project, in which the Commission played an active role. Additionally, the Regulation Leaders Forum and the 20th Annual Conference of ERRA took place in the same year. The Commission representatives served as speakers in the meetings held within the framework of the joint project between ERRA and the World Bank, focused on aiding the Kazakh Government in the tariff reform efforts and facilitating the exchange of international experience.

In 2023, the Commission actively cooperated with the National Association of Regulatory Utility Commissioners (NARUC). Number of meetings and training sessions were organized by NARUC and funded by the United States Agency for International Development (USAID). The Commission representatives were invited as experts for the energy regulatory bodies of Uzbekistan and Kazakhstan.

The Commission representatives also participated in the General Assembly meeting of the Association of European Regulators for Water and Wastewater (WAREG).

The Commission actively cooperates with the regulatory bodies of other countries. In 2023, upon the invitation of the Lithuanian National Energy Regulatory Council (Vert), bilateral meeting took place. The Commission Chairman, Davit Narmania, the Commissioner Maya Melikidze, Electricity Department Director - Nugzar Beridze and the Tariff and Economic Analysis Department Director - Givi Sanikidze participated in the meeting. The purpose of the meeting was to share knowledge on the transformation of Lithuania's liberalized electricity market, tariff regulation, network connection rules and other relevant issues.

In 2023 the meeting was held between the representatives of Department of the Fuel and Energy Complex Regulation Under the Ministry of Energy of the Kyrgyz Republic and Commission staff. During the meeting, the Commission representatives provided information to their Kyrgyz colleagues on the Commission independence and aspects related to tariff regulation.

In 2023, a Memorandum of Cooperation was signed between the National Agency for Energy Regulation of the Republic of Moldova and the Commission.The Memorandum of Cooperation is intended to facilitate the exchange of experience and cooperation between the parties in the areas of electricity, natural gas, water supply, activity licensing, and information technology.

9.2. Implemented and Ongoing International Projects:

The EU-funded Twinning Light project on assisting Georgian National Energy and Water Supply Regulatory Commission (GNERC) in Creating Enabling Environment for Digitalization and Developing Digitalization Strategy was executed by the Manager of Energy Services (GSE) and successfully completed in February 2023. Within the framework of the mentioned project, Italian experts collaborated with the Commission staff on the development of the Commission's digitalization strategy and working plan project.

The Commission has successfully concluded the 4th EU-funded Twinning Project, titled "Development of Network Tariff Setting Methodologies, Energy Efficiency and Renewable Energy

Regulatory Strategy and Creating Regulatory Framework for Enabling Demand Side Involvement“. The project was implemented in collaboration with the Austrian Energy Regulatory Authority (E-Control) and the German Federal Network Agency (BNETZA). Experts from the French Energy Regulatory Commission (CRE) and the Lithuanian National Energy Regulatory Council (VERT) were involved in the project. The project was financed in the amount of 1,500,000 EUR.

In 2023, the EU-funded Technical Assistance and Information Exchange Program (TAIEX) on "Increasing Capacities on the Regulation of Electrical Battery Storage" was underway. The program is intended to exchange the experience on the regulation of storage batteries and their integration into the network.

In 2023, "Preparing Energy Storage and Green Hydrogen Sector Development Program” funded by the the Asian Development Bank (ADB) was in progress. The program goals are to enhance Georgia's electricity network security, improve the regulatory framework, and foster the development of renewable energy.

The following initiatives were implemented by the National Association of Regulatory Utility Commissioners (NARUC) and funded by the United States Agency for International Development (USAID):

- Internship program, intended to enhance the capabilities of female students in the energy sector. Within the framework of the program 4 female representatives completed a 6-month internship in the electricity, natural gas and legal departments of the Commission.
- The program for “Advancing Women Leaders in Energy” (AWLE), which included training sessions on topics such as "Unconscious Bias" and "Mid-career leadership training".

The Commission actively cooperated with the "Securing Georgia's Energy Future Program” of the United States Agency for International Development (USAID). Within the framework of the program, number of significant activities were organized, including important cybersecurity training sessions, the "Women's Involvement in Energy" Conference, an Energy Policy Forum, and an International Conference Focusing on Investments in Renewable Energy. The program aims to achieve improved planning of the energy system, increased investments to promote energy sector sustainability, improved governance and operation for the proper functioning of the Georgian energy market, and reduced cyber security vulnerabilities.

The Human and Institutional Capacity Development Activity (HICD) funded by the United States Agency for International Development (USAID) was implemented in 2023, which aimed to develop the Commission's institutional development plan and communication strategy.

10. Public Relations

The Commission's endeavors are grounded in a commitment to public accountability, transparency, and the adoption of objective and impartial methodologies in addressing diverse segments of society. This involves fostering strong collaboration with non-governmental and international organizations. Furthermore, the Commission upholds principles of timely and unbiased information-sharing, benefiting both utility service consumers and companies engaged in sectors such as electricity, natural gas, water supply, and amelioration.

The Public Relations Department strives to elevate public awareness in the energy and water supply sectors and to promptly disseminate information to consumers regarding their rights. Consequently, the Commission actively communicates adopted public decisions and legislative activities to the public. Additionally, it maintains close ties with media representatives, non-governmental sectors, and experts.

The Commission representatives actively engaged in television and radio programs, conducting regular briefings and press conferences with mass media representatives. This systematic approach aimed to foster a comprehensive understanding of the Commission's activities among diverse segments of society.

Regular updates and publications on the regulations enacted by the Commission, along with the latest news in the energy and water supply sectors, were consistently maintained on the Commission's website at www.gnerc.org. Additionally, information was disseminated through official social media platforms such as Facebook, Twitter, Feedc, Youtube, and Linkedin.

Customer Relations

Due to various projects aimed at enhancing service quality, there was an average 15% reduction in customer interactions through social networks and the Commission call center during the reporting period.

In the course of 2023, the Commission received communication from 1138 consumers via social networks. Through the monitoring process of incoming calls, the call center handled 13,396 calls. The consultations provided to citizens revealed that the predominant concerns were linked to issues arising in their interactions with utility companies. Specifically, in the electricity sector, problems were associated with the frequent electricity supply outages in the regions, while in the water supply sector, concerns included both the quality and continuity of water supply, as well as wastewater problems in Tbilisi and regions.

11. Management Functions

11.1. International Standard ISO 9001:2015

In 2023, one of the principal strategic objectives of the Commission was to align its activities with international standards. The adherence to the international standard ISO 9001:2015 for a quality management system received reconfirmation from both national auditors and the international certification body (TUV NORD) over the preceding three years. Following thorough audit inspections and subsequent assessments, the Commission received commendations and a recommendation to extend the validity period of the ISO 9001:2015 certificate.

11.1.1. Results of the Development of ISO 9001:2015

Within the reporting year amendments have been introduced to a set of documents, specifically strategic program, positive and negative factors of the organization, organizational risks, process description (PD) documents, key performance indicator templates, risk assessment templates and etc. have been formulated anew. This has significantly assisted the Commission on its way to full adaptation with the international procedures in accordance with the ISO 9001:2015 implemented in 2020 into the practice.

11.2. Budget and Main Parameters of its Execution

According to Article 26 of the Law of Georgia "On Energy and Water Supply", the Georgian National Energy and Water Supply Regulatory Commission approves the detailed budget for the next year by the end of each year, which also includes the expenses of the public defender of consumers' interests which is independent from the Commission's apparatus.

The Commission is financed from the regulation fee set by the Commission for regulated activities, which is paid by the relevant licensees and other regulated enterprises under the Law of Georgia "On Regulation Fees".

The regulation fee is the main source of the budget formation of the Georgian National Energy and Water Supply Regulatory Commission, which covers the expenses of the Commission and which ensures the financial independence of the Commission and the exercise of its powers defined by the legislation of Georgia.

The coefficient of the regulation fee to be paid by the regulated enterprises in the electricity, natural gas and water supply sectors is determined by the Commission's Resolution N 63 of December 9, 2020, and it amounts to 0.003.

The information on the planned and actual revenues of the Commission in the 2023 budget is given below:

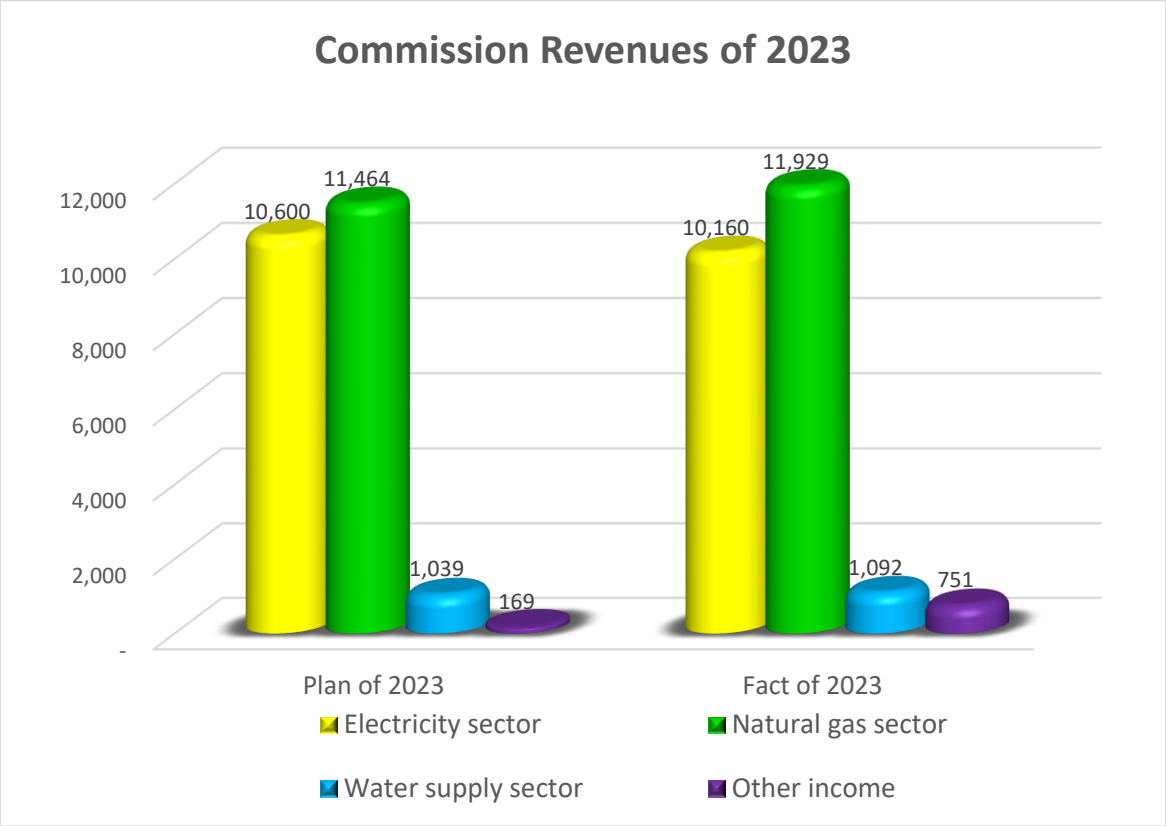


Figure 11.1. Planned and actual revenues of the Commission in 2023 (1,000 GEL)

Forecasting of Commission costs in the budget is carried out taking into account the forecased volume of acceptable regulation fees. The Commission's budget is formed with a grounded justification for each expenditure, based on the need for smooth operation of the Commission.

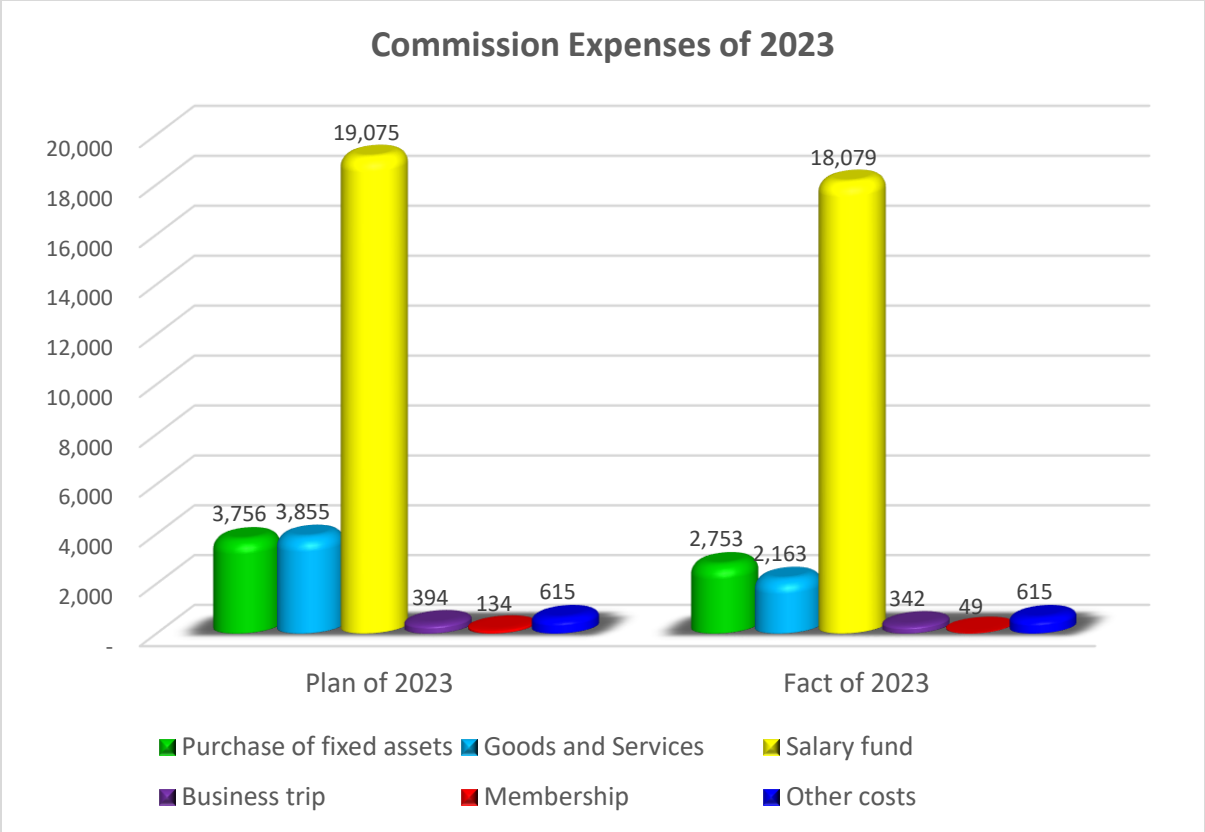


Figure 11.2. Planned and actual expenses of the Commission in 2023 (1,000 GEL)

The approved budget of the Commission for 2023 amounts to 27,828,945 GEL.

The Commission's 2023 financial statement audit report is attached to this annual report as an annex. According to the audit report, the financial statements, taking into account all material aspects, fairly reflect the financial situation of the Georgian National Energy and Water Supply Regulatory Commission as of December 31, 2023, in accordance with International Financial Reporting Standards (IFRS).

11.3. Procurement of Goods and Services

The Commission procures goods and services in accordance with the „Law of Georgia on State Procurement“. Procurement during 2023 was carried out in accordance with the existing annual procurement plan. The amount provided by the annual procurement plan was 3,034,756 GEL. Figure 11.3 displays the information about the procurements carried out according to the Commission's annual procurement plan for 2020-2023 years.

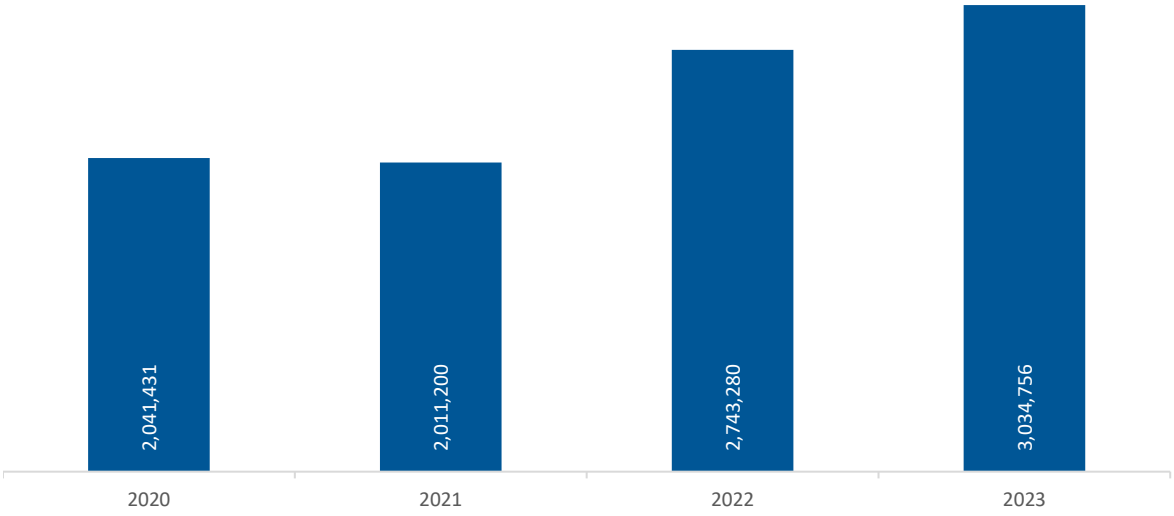


Figure 11.3. Procurement Plan of the Commission for 2020-2023

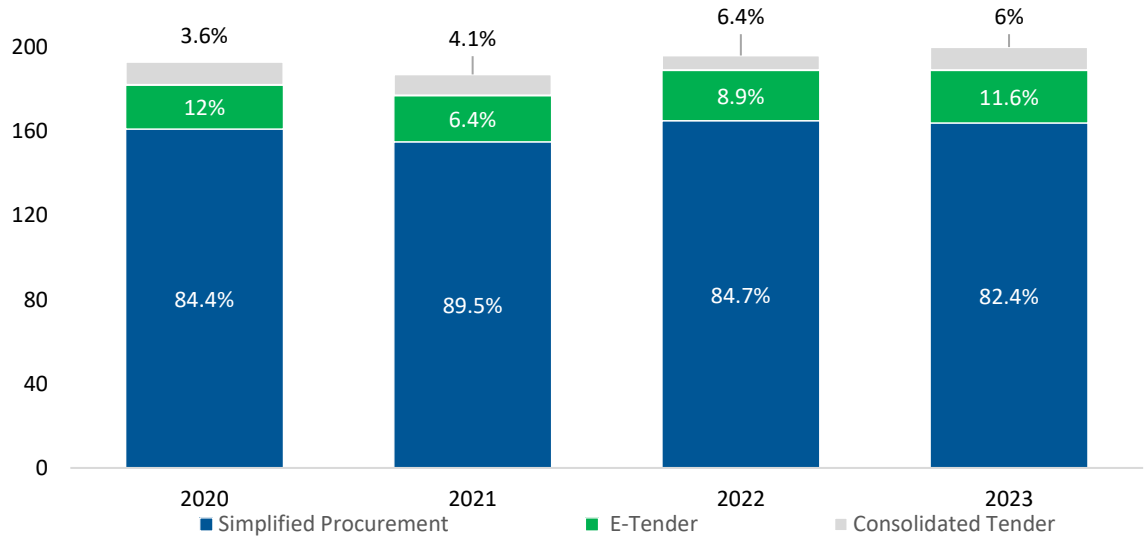


Figure 11.4. Number of 2023 Contracts according to the Means of Procurement

11.4. Human resources management and administration

11.4.1. Human Resources Management

According to the Georgian National Energy and Water Supply Regulatory Commission Decision №55/1 of November 23, 2023 “On approval of the Georgian National Energy and Water Supply Regulatory Commission Apparatus Staff List, the new staff structure of the Commission was approved.

8 recruitments have been carried out on the basis of the competition, which was held in accordance with the Government of Georgia Resolution N412 of June 18, 2015 on “On Approval of the Procedure for Holding the Competition” envisaged by the Law of Georgia on Civil Service and the Georgian National Energy and Water Supply Regulatory Commission Resolution N23 of September 14, 2017 "On Approval of the Statute for Holding A Competition in the Georgian National Energy and Water Supply regulatory Commission Apparatus”.

In accordance with the requirements of ISO 9001:2015 standard, the process description documents, of the human resources management, including the job descriptions has been developed. The employees have carefully reviewed their own job descriptions.

In order to ensure the equal enjoyment of the rights established by the legislation of Georgia, the Commission implemented the following measures:

Based on the decision N39/4 of July 28, 2023 of the Commission on Appraisal Rules of the employees of the Commission the Methodology for staff appraisal has been developed. The Methodology of the Employee Appraisal System was determined by the "Rule of Appraisal of the Georgian National Energy and Water Supply Regulatory Commission Employees” approved by the Commission Decision No. 39/4 of July 28, 2023. Based on those methodologies, employee appraisal was conducted and necessity of the mandatory program of the organisational and human resources increase, career and professional development of the staff has been identified. Each employee was provided with the equal opportunity to formulate their aims in the process of their implementation and assessment of work carried out.

The database, which includes personal data of employees, has been updated and is accessible to the relevant structural unit within its competence.

During the reporting period, the personal data requested, processed and stored by the Commission were in the following form:

- personal files of employees;
- personal files of interns and trainees;
- documentation of participants in the competition announced for appointment to a vacant position;
- Electronic database for storing personal data specified in applications submitted by citizens to the Commission in the electronic document circulation system.

Information about personal data was stored in the Commission both electronically and in physical form. In both cases, the rules established by the information storage legislation were followed and no complaints were made.

According to the Law of Georgia on Personal Data Protection, principles of data processing and storage rules were developed and the rights obligations of the data processor were defined. File system catalogues were placed in the file system, where the following information was recorded: name of the file system, name and address of the person processing the data, place of data storage and/or processing, legal basis for data processing, category of data subject, category of the file system, purpose of data processing, data storage period; Data receivers and their categories in the file system; purpose of data processing; data storage period; Data receivers and their categories located in the file system; general description of the data security protection procedure.

According to the "Rule of Internship and Study Practice in the Georgian National Energy and Water Supply Regulatory Commission", internship and study practice of students of Georgian Technical University, Ivane Javakhishvili Tbilisi State University, International School of Economics, GIPA- Georgian Institute of Public Affairs was carried out in the Commission. In total 8 students had internship and 1 had a traineeship. 4 of them completed an internship in the Commission's office with the support of USAID, within the framework of the National Association of Utility Regulatory Commissioners (NARUC) Gender Equality Program - "Advancing Women Leaders in Energy" in order to strengthen the role of women in the energy sector.

The human resources management software package was updated. Modules for recording and managing the orders of the Commission's departments, staff of the apparatus and the Commission Chairman were uploaded to the Commission's portal, which aims to strengthen and develop the human resources management function through the development/implementation of an electronic strategy.

In the Commission, the equal individual rights and freedoms of men and women are ensured on the basis of protection of gender equality. Both in terms of employment in the Commission and professional development, they enjoy equal opportunities. Distribution of Commission members and staff of the apparatus by gender is given in figure 11.5.

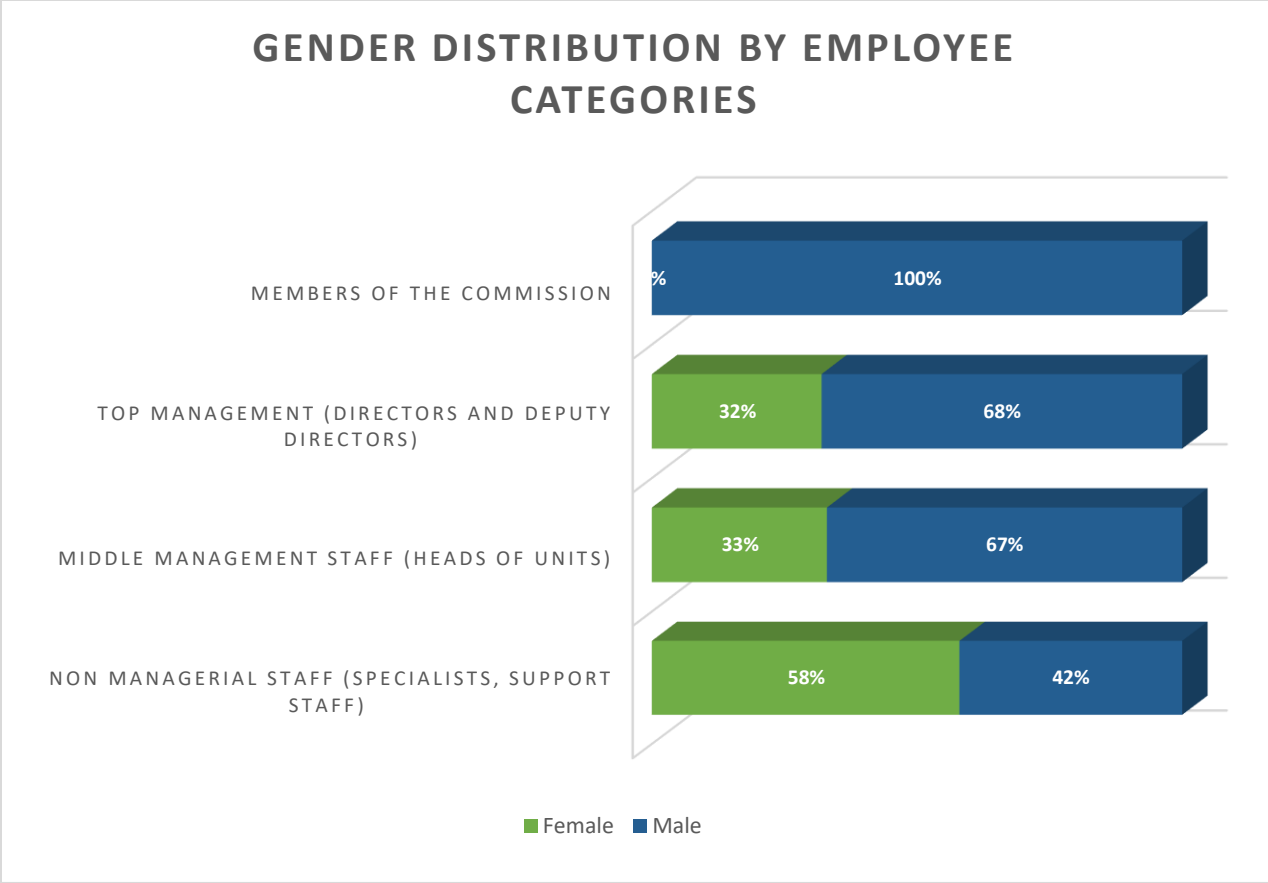


Figure 11.5. Distribution of Commission Members and Employees by Gender

In 2023, measures to raise the level of professional education of the employees of the Commission were constantly implemented. The annual program of trainings and instructions, and registration journal of staff trainings of 2023 were prepared. In 2023, the employees of the Commission completed 32 training courses, which were conducted by the Energy Regulators Regional Association (ERRA), the Council of European Energy Regulators (CEER), the United States Agency for International Development (USAID), the Levan Mikeladze Diplomatic Training and Research Institute, the Security Academy, the Public Audit Institute of the State Audit Office and Elizbar Eristavi Energy Training Center.

The employees of the Commission undertook the following trainings: "Program for Promotion of Women Leaders Employed in the Energy Sector", "Entrepreneurial/Corporate Law", "Quality Management System Internal Auditor ISO 19011:2018", "Administrative Law", "Determination of Weighted Average Cost of Capital (WACC)", "Work Safety Accredited Program", "Digital Product Management and Business Analysis", "Software PLEXOS (Energy Modeling and Simulation Summit Xcelerate 2023)", "Methods for the Implementation of the European Union (EU) Regulation 2017/1938 Concerning Measures to Safeguard Security of Gas Supply", "Introduction to EU Energy Regulatory Framework and Policy - Module 1", "Introduction to the European Electricity and Gas Market Regulation - Module 2", "Programming Language

- React", "International Financial Reporting Standards (IFRS, IAS)", "UI/UX Design (Web and Mobile Application Design), "Basics of Diplomatic

Protocol and Etiquette", "Equality and Anti-Discrimination Mechanisms", "Basic Life Support Algorithm", "Transmission and Distribution Network Tariffs", "Introduction to Energy Regulation", "Gender Equality", "Climate Change and Renewable Energies", "Promotion of Cybersecurity", "Regulation of Battery Storages", "Advanced Excel", "Electricity Regulation", "Regulatory Environment Related to Guarantees of Origin of Electricity Produced from the Renewable Sources", "Practical accounting (according to the IFRS)", "Financing and Deploying clean energy", "Professional Development in HR".

During the reporting period, one employee of the Commission staff completed an internship at the Energy Regulators Regional Association (ERRA) focusing on a research and analysis of energy law. Another staff member (with funding of a study) pursued an important master's program: "Business Administration" at a leading UK University (London Business School). Two staff members (independently of the Commission, with the right to study individually) studied at the training programs: "Financing and Deploying Clean Energy" (Yale University) and "Supporting Young Scientists" (University of Macedonia).

11.4.2. Proceedings

The Commission's proceedings are governed by the Decree N414 of the President of Georgia of July 1, 1999, on Approval and Enactment of the Uniform Rules of the Proceedings, and the Rules of the Commission on proceedings, approved by the Decision of the Chairman of the Commission N45 of January 24, 2020.

The departmental registers of the Commission are maintained in the Commission (including the register of received and sent correspondence). In 2023, the Commission received a total of 12367 applications/letters.

The Commission's portal contains modules for recording and managing disputes discussed at the Commission, public sessions held by the Commission, Resolutions and Decisions issued by the Commission. This significantly contributes to the successful functioning of the unified system of proceedings at the Commission.

All legal, economic, licensing and scientific-technical documents received by the Commission, as well as those created in the course of its activities, are included in the archive fund of the Commission. An individual specifically appointed by the order of the Chairman is responsible for archival proceedings. The Commission organizes its departmental archive according to the “Combined Nomenclature of Cases for the Apparatus of the Georgian National Energy and Water Supply Regulatory Commission and the Public Defender of Consumers' Interests Existing with the Commission”, approved by Order N118 of the Chairman of the Commission on March 6, 2017. The Commission cooperates with the State National Archive. The

Commission's departmental archive management module and electronic archive, which includes information from 1996 to 2017 were updated.

The person appointed by the Order of the Chairman of the Commission is responsible for managing confidential documents received and sent out from the Commission.

According to the Law of Georgia on Licenses and Permits, the Commission maintains a departmental license register. During the reporting period, the Commission added six new records and modified seven existing ones due to license issuances and amendments. An electronic license management program was updated, which includes information from 1998 to the present day.

Following the Commission's filing, the data stipulated by Article 13 of the Law of Georgia on Licences and Permits will be incorporated in the state license register and information on the issuance of the license will be published on the website of the LEPL Legislative Herald of Georgia.

In 2023, the Commission has established and successfully operates the citizens' reception and pass bureau for the first time in its history to improve customer service.

11.4.3. Publicity of the Information

The Commission ensures proactive publication of public information on its own electronic resource (the Commission's website – www.gnerc.org) according to the Resolution №7 "On Approving Rules of Electronically Requesting Public Information Kept at the Georgian National Energy and Water Supply Regulatory Commission and Its Proactive Publication" which is adopted by the Commission on March 28, 2014.

In compliance with the requirements of Article 49 of Chapter III of the General Administrative Code of Georgia, a report on public information was prepared and approved by the Commission's Decision №55/1 on December 8, 2022, which included insuring the freedom of information in the Commission in 2023, availability of public information, as well as analysis of the fulfillment of the obligation to provide public information envisaged in Article 40 of the same Code and compliance with the deadlines specified in the Code.

The above-mentioned document was sent to the President of Georgia, the Prime-Minister of Georgia, the Parliament of Georgia and published in the LEPL Legislative Herald of Georgia pursuant to the Article 49 of Chapter III of the General Administrative Code of Georgia. In 2023, 68 written requests for public information were submitted to the Commission from which 56 requests were fully satisfied, 6 requests were partially satisfied and 6 applications were refused. Partial satisfaction or refusal to satisfy the request was caused by the absence of requested information at the Commission, confidentiality or existence of relevant legal basis.

In relation to issuance of public information, a person responsible for ensuring availability of public information maintained a register of letters received via the Commission's email (publicinfo@gnerc.org) or chancellery for issuance or clarification of public information.

A management module of public information issuance has been created, which is placed on the electronic portal and includes information of 2016-2023.

11.4.4. Public Sessions and Protocol Proceedings of the Commission

The Commission fulfills the requirements of Article 32 of the General Administrative Code of Georgia, which concerns the publicity of the Commission's sessions, in particular, the Commission's sessions are public and all interested persons are authorized to attend them, except the cases when the public hearing or its part is closed. During the reporting period, the Commission did not make a decision on the closure of the public session or part of the public session.

The Commission Decisions are made according to the rules defined by the law, at the public sessions with or without oral hearings. Public discussions are organized before the decisions are made by the Commission through oral hearing (including the decisions on the issuance of licenses, their modification or revocation, suspension of their validity, setting, adjustment or revocation of tariffs, as well as individual disputes between citizens and regulated companies, or between these companies). Notifications on holding public sessions are published on the Commission's official website. In 2023, 64 public sessions were held at the Commission and 82 Resolutions and 961 Decisions were adopted and 475 Decisions were made without oral hearings.

Resolutions and Decisions adopted by the Commission are published on the Commission's official website: www.gnerc.org.

Upon request, the Commission may designate information submitted by licensed companies as a commercial secret. However, during the reporting period, no decisions involving information on commercial secrets were made.The Commission conducts its public sessions electronically via specialized software.

11.4.5. Internal Regulatory Acts of the Commission

The Commission implemented various legal regulations to enhance working conditions, foster a healthier work environment, and promote awareness of modern labor relations, aligning its approach with international standards, namely:

According to the Commission's Decision №39/4 of July 28, 2023, the "Rule of Appraisal of the Georgian National Energy and Water Supply Regulatory Commission Employees" was approved, which considered the existing challenges and new appraisal criteria were introduced;

According to the Order of the Commission Chairman №1163 of November 27, 2023, "New Employee Guide" and "New Employee Onboarding" were approved. "New employee guide" helps new employees to understand the Commission's activities, values and corporate culture, adapt to a new work environment and integrate into a new team, while "New Employee Onboarding" is a kind of instruction to introduce the Commission's internal procedures and regulations, as well as personal functions and official duties to the employees. The "New Employee Onboarding" enhances the "New Employee Guide";

According to the Order of the Commission Chairman No. 1127 of November 15, 2023, "Human Resources Management Policy of the Georgian National Energy and Water Supply Regulatory Commission" was approved, which is a set of processes, approaches, values and principles related to the selection, employment, professional development and maintenance of highly qualified professionals in the Commission;

According to the Order of the Commission Chairman №1128 of November 15, 2023, "Rule of Internship and Practice at the Georgian National Energy and Water Supply Regulatory Commission" was approved, which serves to strengthen the professional knowledge and experience of new personnel in the field of energy, develop practical skills, and train qualified human resources.

According to the Order of the Commission Chairman №1193 of December 4, 2023, "Diversity, Equality and Inclusion Policy of the Georgian National Energy and Water Supply Regulatory Commission" was approved, which is a comprehensive approach towards recognizing and respecting differences at the workplace, providing equal opportunities, and promoting the active involvement of all employees in the Commission's activities and creating an atmosphere of support. It is a crucial aspect of modern organizational culture that promotes employee satisfaction, innovation and overall success.

12. Annexes

Annex №1. List of Licensees in the Electricity Sector

Types of Activities/Years	2016	2017	2018	2019	2020	2021	2022	2023
Electricity Generation	18	20	20	21	21	21	21	22
Electricity Distribution	3	2*	2	2	2	2	2	2
Electricity Transmission	3	3	3	3	3	1	1	1
Electricity Dispatch	1	1	1	1	1			
Market Operation					2	2	2	2
Total	**25**	**25**	**25**	**26**	**27**	**26**	**26**	**27**

* Since 1st of September, 2017 "Energo-Pro Georgia" JSC has been conducting electricity distribution and supply activities in the licensed area of "Kakheti-Energodistribution" JSC.

Generation

- "Khrami I HPP" JSC
- "Khrami II HPP" JSC
- "Georgian Water and Power" LLC (Jinvali HPP)
- "Vardnili HPP Cascade" LLC
- "Enguri HPP" LLC
- "Eastern Energy Corporation" LLC (Khadori HPP)
- "Mtkvari Energy" LLC
- "Vartsikhe-2005" LLC
- "G-Power" LLC
- Energia LLC (Larsi HPP)
- "Gardabani Thermal Power Plant" LLC
- Sakartvelo-Urban Energy LLC (Paravani HPP)
- Darial Energy LLC
- "Old Energy" JSC
- "Svaneti Hydro" JSC (Mestiachala HPP 2)
- "Mestiachala Energy" LLC (Mestiachala HPP 1)
- EP Georgia Generation JSC
  - Rioni HPP
  - Lajanuri HPP
  - Dzevrula HPP
  - Atshesi HPP
  - Gumati HPP Cascade
  - Shaori HPP
  - Satskhene HPP
  - Chitakhevi HPP
  - Ortachala HPP
  - Zahesi HPP
- Georgian International Energy Corporation" LLC (Tbilsresi)
- "Kartli Wind Power Plant" LLC
- Adjara Energy – 2007" LLC (Khelvachauri HPP)
- "Adjaristsqali Georgia" LLC (Shuakhevi HPP)
- "Gardabani TPP 2" LLC

Transmission

- "Georgian State Electrosystem" JSC

Market operation

- " Georgian Energy Exchange" JSC
- "Georgian State Electrosystem" JSC

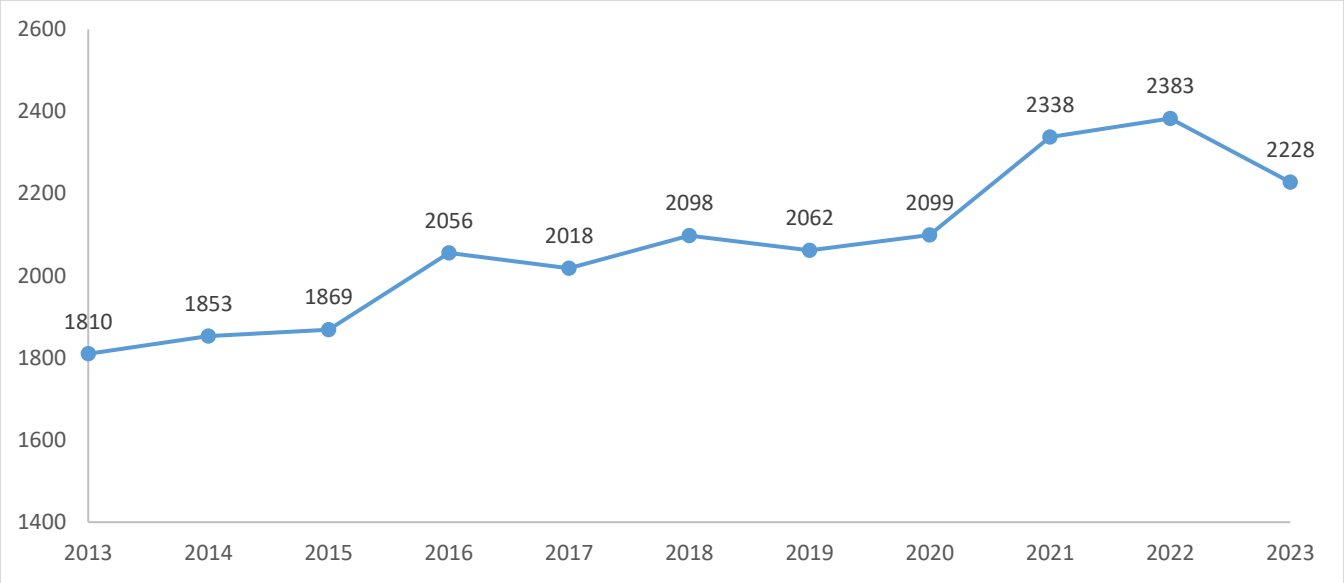
Distribution

- "Telasi" JSC
- "Energo-Pro Georgia" JSC

Annex №2. Number of Consumers in 2020-2023

Consumer Classification/Years	2020	2021	2022	2023
Retail Consumer	**1,847,971**	**1,649,386**	**1,598,426**	**1,675,978**
Household	1,736,840	1,551,308	1,499,281	1,536,762
Non-Household	111,131	98,078	99,145	139,216
Direct Consumer	17	47	54	64
Total	**1,847,988**	**1,649,443**	**1,598,480**	**1,676,042**

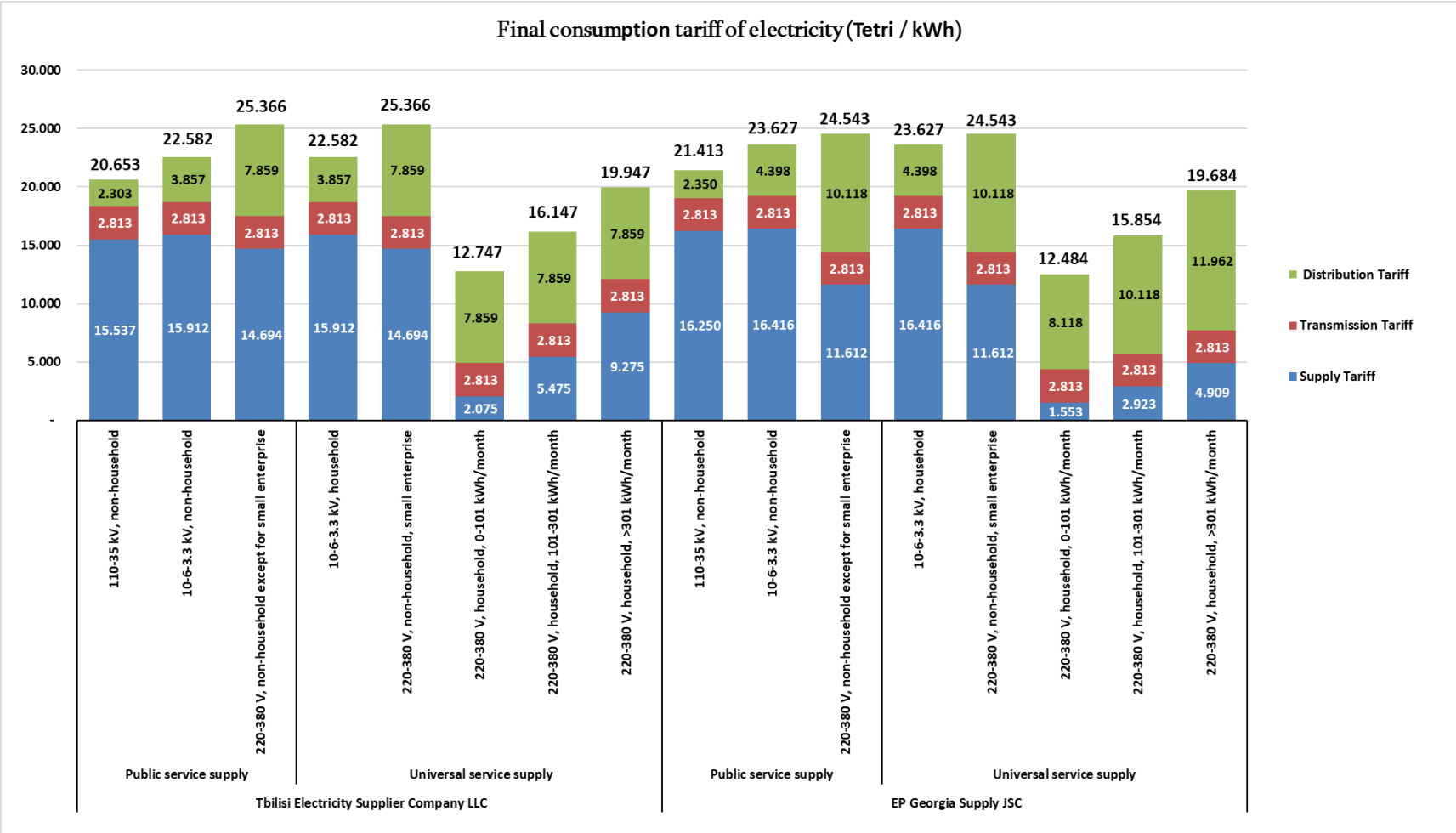
Annex №3. System Peak Load in 2013- 2023 (MW)



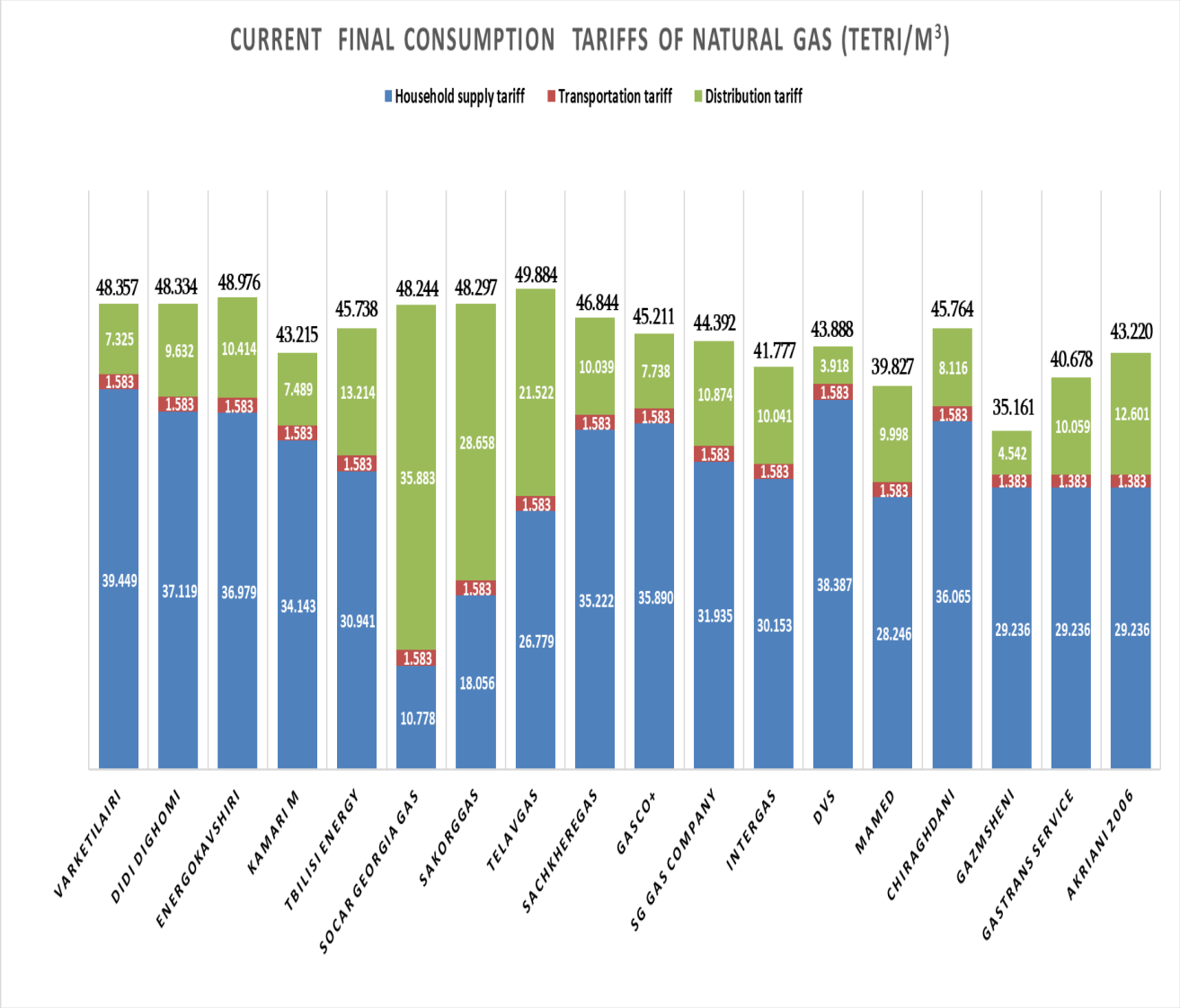
Annex №4. Electricity Losses in the Network of Distribution Companies in 2023

Losses	Distribution Companies in 2023	
	"Telasi" JSC	"Energo-Pro Georgia" JSC
Normative (%)	5.74 %	9.80 %
Actual (%)	5.8 %	10.4 %
Actual (gWh)	202	576

Annex №5. Final Consumption Tariffs of Electricity



Annex №6. Current Final Consumption Tariffs of Natural Gas (Tetri/m³)



Annex №7. List of Suppliers at the Wholesale and Retail Natural Gas Markets (Market Share)

	Supplier	Wholesale Market	Retail Market
1	Energokavshiri JSC		0.44%
2	Georgian Oil and Gas Corporation JSC	46.68%	0.55%
3	SakOrgGas JSC	3.46%	0.06%
4	Sachkheregas JSC		0.38%
5	Socar Georgia Gas Distribution JSC	0.25%	2.69%
6	Akriani-2006 LLC		0.09%
7	Bago LLC	0.08%	0.16%
8	Bookup solutions LLC	0.41%	3.36%
9	Gas Energy LLC	0.03%	0.25%
10	Gama LLC		0.13%
11	Gasco+LLC		0.30%
12	Gogochuri and Company LLC		0.03%
13	DVS LLC		0.05%
14	Didi Dighomi LLC		0.61%
15	Energia + LLC		0.13%
16	Energy Sales Company LLC	0.41%	4.24%
17	SG Gas Company LLC		1.14%
18	Varketilairi LLC		0.65%
19	Tbilisi Energy LLC	0.03%	24.19%
20	TelavGas LLC		0.85%
21	InterGas LLC		0.53%
22	Mamed LLC		0.11%
23	Construction Company Guarantee XXI LLC		0.03%
24	Georgian International Energy Corporation LLC	0.05%	0.26%
25	Socar Gas Export-Import LLC	26.81%	22.98%
26	Socar Georgia Gas LLC	21.79%	35.58%
27	Kamari M LLC		0.21%
28	Chiraghdani LLC		0.01%

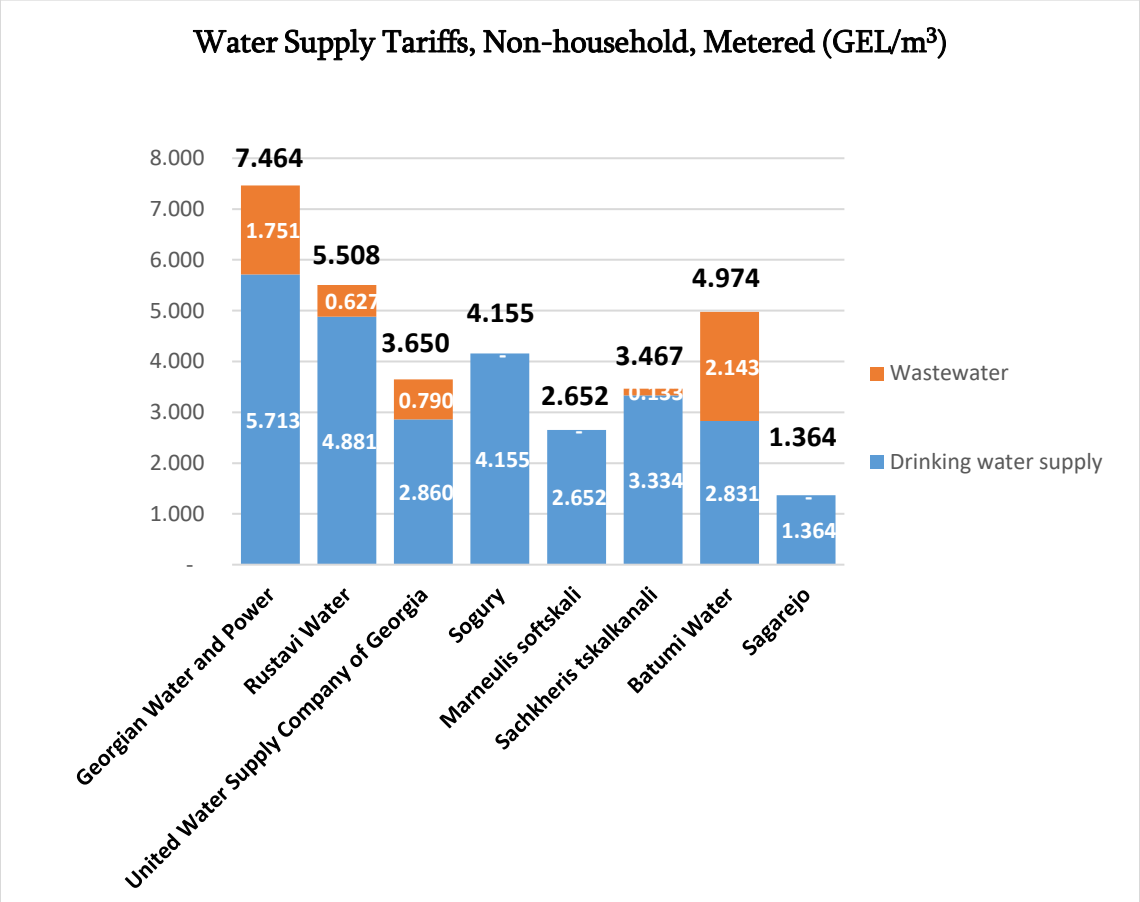
Annex №8. The List of Licensees and Number of Respective Consumers

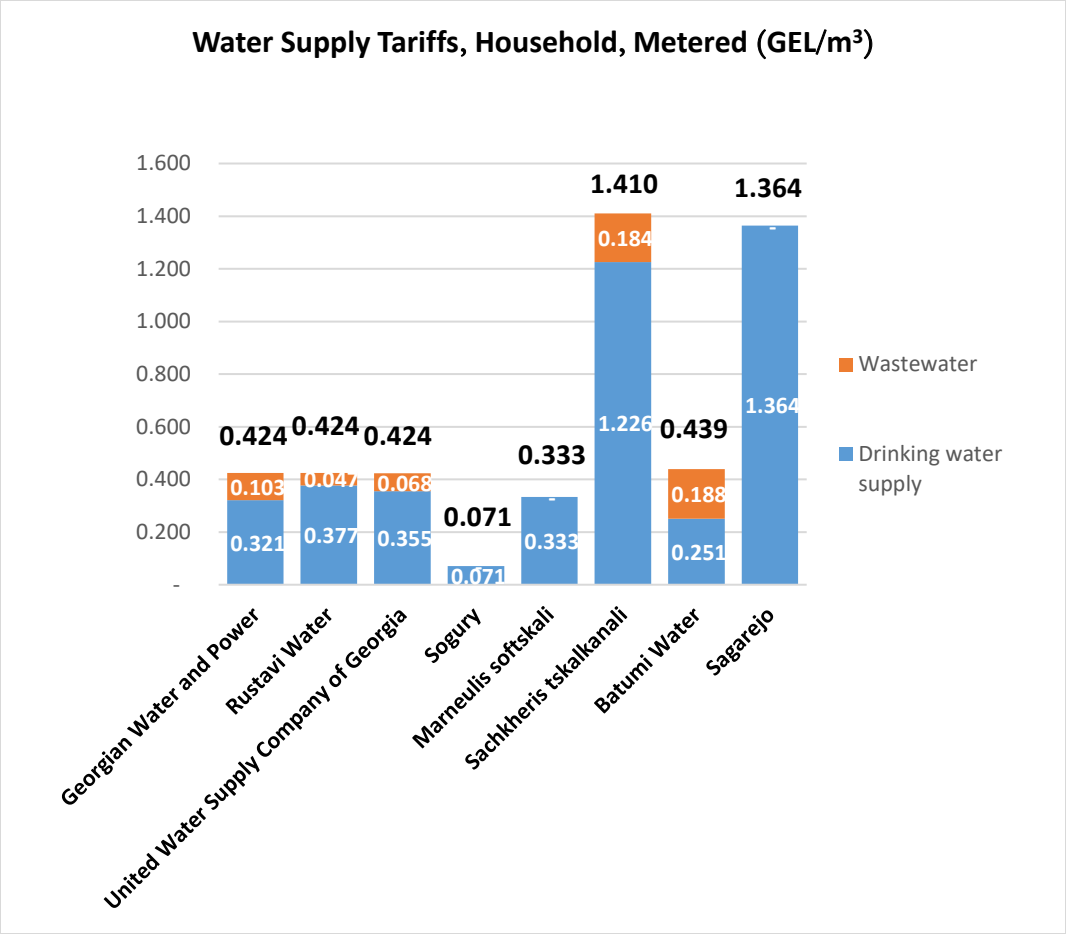
#	Name of the Company	Transportation License	Distribution Licence	Number of Consumers
1	Georgian Gas Transportation Company LLC	√		
2	Socar Georgia Gas LLC		√	559,125
3	Tbilisi Energy LLC		√	555,447
4	SakOrgGas JSC		√	299,215
5	TelavGas LLC		√	22,555
6	Didi Dighomi LLC		√	19,065
7	SG Gas Company LLC		√	18,308
8	Varketilairi LLC		√	17,617
9	Sachkheregas JSC		√	17,087
10	Energokavshiri JSC		√	13,596
11	InterGas LLC		√	12,665
12	Gasco+LLC		√	10,305
13	Kamari M LLC		√	3,988
14	Akriani-2006 LLC		√	2,351
15	Mamed LLC		√	2,080
16	Gazmsheni LLC		√	586
17	Chiraghdani LLC		√	325
18	Gama LLC		√	64
19	DVS LLC		√	29
20	Energia + LLC		√	18
21	Gogochuri and Company LLC		√	9

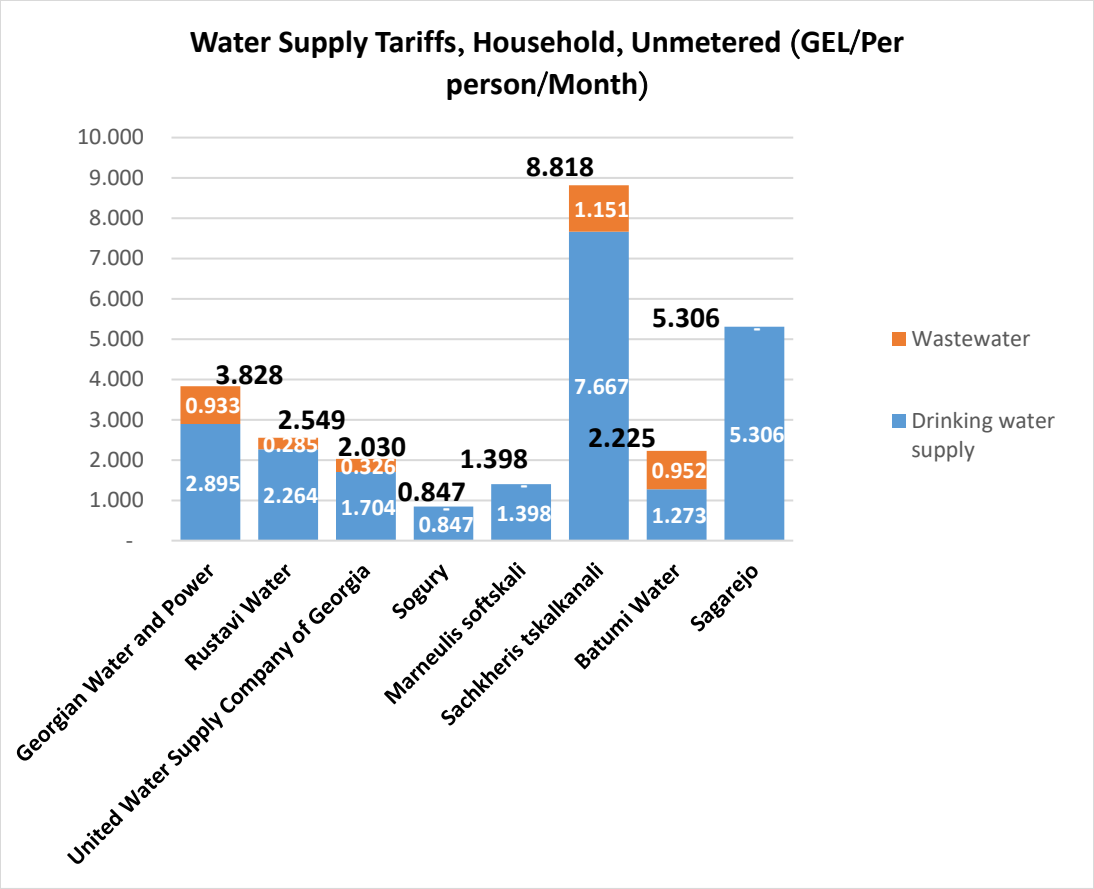
Annex №9. Consumption of Natural Gas by Consumers Connected to the Natural Gas Distribution Network by Region (m^3)

Region	Household	Non-household	Total
Tbilisi	648,494,041	162,065,186	810,559,227
Imereti	123,294,450	41,577,250	164,871,700
Kvemo Kartli	108,497,123	22,302,708	130,799,831
Adjara	98,429,114	40,717,880	139,146,994
Shida Kartli	83,280,812	20,704,836	103,985,648
Kakheti	83,087,669	17,909,280	100,996,949
Samtskhe-Javakheti	63,002,764	14,744,731	77,747,495
Mtskheta-Mtianeti	59,043,986	18,872,869	77,916,855
Samegrelo – Zemo Svaneti	49,431,290	10,630,651	60,061,941
Guria	17,779,668	7,760,449	25,540,117
Racha –Lechkhumi and Kvemo Svaneti	2,344,002	971,957	3,315,959
Total	**1,336,684,919**	**358,257,797**	**1,694,942,716**

Annex №10. Water Supply Tariffs




Water Supply Tariffs, Household, Metered (GEL/m³)
1.600
1.400
1.200
1.000
0.800
0.600
0.400
0.200
-
0.424
0.424
0.424
0.071
0.333
1.410
0.439
1.364
0.103
0.321
0.047
0.377
0.068
0.355
0.071
0.333
0.184
1.226
0.188
0.251
1.364
Georgian Water and Power
Rustavi Water
United Water Supply Company of Georgia
Sogury
Marneulis softskali
Sachkheris tskalkanali
Batumi Water
Sagarejo
Wastewater
Drinking water supply


Water Supply Tariffs, Household, Unmetered (GEL/Per person/Month)
10.000
9.000
8.000
7.000
6.000
5.000
4.000
3.000
2.000
1.000
-
3.828
0.933
2.895
2.549
0.285
2.264
2.030
0.326
1.704
0.847
0.847
1.398
1.398
8.818
1.151
7.667
2.225
0.952
1.273
5.306
5.306
Georgian Water and Power
Rustavi Water
United Water Supply Company of Georgia
Sogury
Marneulis softskali
Sachkheris tskalkanali
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