LAW OF GEORGIA
ON ENERGY AND WATER SUPPLY

SECTION I
GENERAL PROVISIONS

Chapter I - Scope, purpose and objectives of the Law

Article 1 - Scope and purpose of the Law

1. This Law establishes a general legal framework for the generation, transmission, distribution, supply of and trade in electricity, and for the transmission, distribution, supply, storage of and trade in natural gas sector with a view to the facilitated emergence, opening, development and integration of well-functioning, transparent and competitive electricity and natural gas markets.

2. This Law lays down the issues related to governing and organisation, regulation, monitoring and supervision of electricity and natural gas sectors as well as those connected with regulation, monitoring and supervision, open access to electricity and natural gas markets, cross-border trade of electricity and natural gas, the criteria and procedures applicable to calls for tenders and the granting of authorisations for energy activities, operation of and access to electricity and natural gas systems, public service obligations in electricity and natural gas sectors, and the rights of customers and their protection.

3. This Law establishes measures to safeguard an adequate level for the security of supply so as to ensure proper functioning of electricity and natural gas sectors. It also establishes a legal framework within which security of supply policies is being defined, responsibilities of market participants set, and procedures to safeguard security of supply determined in compliance with the requirements of competitive electricity and natural gas markets.

4. This law establishes legislative framework to take into consideration in the legislation of Georgia the requirements of the following legislative acts in EU and activate them:

a) EU Directive N 2009/72/EC of July 13, 2009 on common rules for the internal market of electric power with which directive N 2003/54/EC was abolished;

b) EU Directive N 714/2009 (EC) of July 13, 2009 on common rules for the internal market of electric power with which regulation (EC) N 1228/89/EC was abolished;

c) EU Directive N 2005/89/EC of January 18, 2006 on supplying electric energy and measures of ensuring security of investments in infrastructure;

d) EU Directive N 2009/73/EC of July 13, 2009 on imposing common laws for the internal market of natural gas with which directive N 2003/54/EC was abolished;
e) EU Directive (EC) N715/2009 of July 13, 2009 on the conditions of admitting to the natural gas transmission lines with which directive (EC) N1715/2005 was abolished;
5. Taking into consideration and activating the requirements of legislative acts indicated in point 4 of this article are carried out in an adapted manner defined for the energy union, according to respective decisions of the council of ministers of the energy union and in accordance with the protocol on joining of Georgia to the founding agreement of the energy union.
6. The rules established by this Law for natural gas, including LNG, shall also apply in a non-discriminatory way to biogas and gas from biomass or other types of gas in so far as such gases can technically and safely be injected into, and transported through, the natural gas system.
7. This Law also establishes the terms and conditions for the participation of natural gas producers in the natural gas market of Georgia which also include those requirements which are related with connection of natural gas production facilities to transmission or distribution networks, access to the natural gas system and sale of natural gas on the market.
8. This Law shall not apply to the exploration, extraction and processing of natural gas or other hydrocarbons, as well as selling natural gas by means of petrol stations, production of gas products and any relations thereto, except for activities related to the processing of natural gas at LNG facilities.
9. This Law also regulates the drinking water supply and establishes a general framework for legal relations thereof.
10. Provisions of this Law shall not apply to intake and/or extraction of water from the site at the surface or under the ground.
11. This law shall not apply to those relations emerged from the inter-governmental agreement between Azerbaijan and Georgia, which apply to transit of natural gas via the pipeline system of South Caucasus, its transportation and sale both on and beyond the territories of Georgia and Azerbaijan.

**Article 2 - Objectives of the Law**

Objectives of this Law shall be the following:

a) to establish a legal framework for uninterrupted supply of electricity and natural gas, as well as reliable drinking water supply at defined quality standards for the benefit of all categories of customers in Georgia;
b) to ensure secure, reliable and efficient operation of electricity and natural gas systems, and the provision of related services to all system users;
c) to define the rights and obligations of regulated undertakings under the terms and conditions stipulated in this Law and to set the rights and obligations of the Commission, as well as to establish a legal framework for mutual relations among regulated undertakings and their relations with the Commission and other state authorities;
d) to create conditions for a full opening of electricity and natural gas markets in Georgia based on the principles of competitiveness, transparency and non-discrimination aiming at
full opening of markets of power and natural gas with the view of unrestricted trade in electricity and natural gas;

e) to establish common rules for the organization and functioning of electricity and natural gas markets in Georgia, including, their further development and, subject to future interconnections with Energy Community Parties, their pan-European integration;

f) to set the terms and conditions for the provision of public service obligations in electricity and natural gas sectors, and to ensure the protection of interests of final customers;

g) to regulate and monitor the unbundling of transmission system operators and distribution system operators, as well as to ensure their effective independence from other energy activities and related commercial interests;

h) to create adequate conditions for investments in electricity and natural gas systems, including, interconnections with neighboring systems and in other facilities enhancing the security of supply, as well as in drinking water supply systems;

i) to establish a legal framework for regional and international cooperation of system and market operators, the Commission and other state authorities, as well as for mutual cooperation among competent national authorities, institutions and other public bodies of Georgia.

Chapter II - Definitions and use of terms

Article 3 - Definitions of terms

For the purposes of this Law, the following definitions shall apply:

a) “ancillary services” shall mean

a. a) for electricity sector – services necessary for access to electricity systems and for the operation of electricity transmission and/or distribution networks, including, frequency regulation, voltage control, and restoration of supply

a. b) for natural gas sector – services necessary for access to natural gas systems and for the operation of natural gas transmission and/or distribution networks, natural gas storage facilities and/or LNG facilities, including load balancing, blending and injection of inert gases, but not including facilities reserved exclusively for the transmission system operator for natural gas carrying out its functions;

b) “authorisation” - licensing, certification and permitting and any other applicable authorisations in electricity, natural gas and water supply sectors;

c) “available capacity” shall mean the capacity that is not allocated as is still available to the electricity or natural gas system;

d) “balancing” - all actions and processes through which the transmission system operator ensures a continuous maintenance and upkeep of predefined parameters and quality standards aimed at the operation of systems within the stability range allowing secure and reliable physical delivery of electricity or natural gas to customers, including management of capacities and of energy inputs to and outputs from the system as well as balancing of supply and demand;
e) balancing electricity” - electricity required for balancing in the electricity system, including, electricity used for the provision of ancillary services and electricity needed to cover the difference between actual and agreed contractual volumes in real time;

f) “balancing group” - a group made up of one or more electricity or natural gas market participants whose imbalances fall under the responsibility of a single balancing group responsible party;

g) “balancing group responsible party” – the balancing group participant who is responsible for imbalances of a balancing group and that has concluded a balancing and settlement contract with the respective operator;

h) “capacity”

h. a) for electricity – the maximum volume of electricity, as expressed in capacity units (MW), to which the electricity system user is entitled in accordance with the provisions of the electricity Transmission Network Code;

h. b) for natural gas – the maximum flow of natural gas, as expressed in cubic meters (or energy unit) per time unit, to which the natural gas system user is entitled in accordance with the provisions of the natural gas transport contract entered with the transmission system operator for natural gas and/or other contract entered with the natural gas storage system operator or LNG system operator;

i) “certification” - a procedure which establishes conformity of the transmission system operator with the conditions for its independence and unbundling;

j) “commission” - the Georgian National Energy and Water Supply Regulatory Commission;

k) “commissioner” - an appointed member of the Commission in accordance with this law;

l) “competition Agency” - the Competition Agency of Georgia – legal entity of public law;

m) congestion” - a situation in which an interconnector and/or systems concerned cannot accommodate all physical flows of electricity or natural gas requested by system users, including, those resulting from cross-border trade;

o) “congestion management” - management of the capacity portfolio of a system operator in charge with a view to optimal and maximum use of the capacity and timely detection of future congestions;

p) “contractual congestion” - a situation where the level of firm capacity demand exceeds the technical capacity of the natural gas transmission network, the natural gas storage facility or the LNG facility;

r) “control” - rights, contracts or any other means which, either separately or in combination and having regard to the considerations of fact and law involved, confer the possibility of exercising decisive influence on an energy undertaking. The mentioned possibility may be flowing from the right of property, the right to use all or part of the assets of an energy undertaking, and rights or contracts which confer decisive influence on the composition, voting or decisions of the bodies of an energy undertaking;

s) “contracted capacity” - capacity that the transmission system operator for natural gas, the natural gas storage system operator or the LNG system operator has allocated to a system user by means of a respective natural gas transport contract;

t) cross-border exchange

   t. a) in electricity” - a physical flow of electricity on the electricity transmission network of Georgia, which results from the activity of electricity market participants related to cross-border trade in electricity with persons operating in neighbouring electricity systems;
t. b.) in natural gas” - a physical flow of natural gas in the natural gas transmission network of Georgia, which results from the activity of natural gas market participants related to cross-border trade in natural gas with persons operating in neighbouring natural gas systems;

u) “customer” end user of electricity and/or natural gas or a trader, or an energy undertaking which purchases electricity and/or natural gas, user or drinking water;

v) “day-ahead electricity sector”

v. a) in the electric energy field - an organised wholesale electricity market (stock exchange) where the purchase and sale of electricity take place on hourly basis each day prior to the day of actual sale and physical delivery of electricity;

v. b) “in natural gas sector” - an organised wholesale natural gas market (stock exchange) where the purchase and sale of natural gas take place each day prior to the day of physical delivery of natural gas;

w. “direct line”:

i) in the energy sector – the electric transmission line, which connects the isolated place of generating energy with the isolated user or the connecting line of electricity generators and providers through which direct supply with electricity is provided to their own place, daughter companies and qualified consumer;

ii) in the natural gas sector – the pipeline complementary to the interconnected natural gas system connecting a natural gas undertaking with a customer or the pipeline connecting the natural gas producer and supplier through which direct supply with electricity is provided to their own place, daughter companies and qualified consumer;

iii) “dispatching” - the management of operational capacities, energy outputs of and/or energy flows from production facilities to the transmission system, and/or the management of overall energy flows in the transmission system, including the use of interconnectors with other systems;

x) distribution:

i) in the electric power sector – transporting electric energy with the view of providing electric power to the end user through the electric distribution network of low and medium voltage (0,4-3,3-6-10-35-110 kwt) (except supply);

ii) in the natural gas sector – transporting natural gas by means of the natural gas distribution system (including, through the locally organized network which is not connected to the transmission network) with the view of providing natural gas to the end user (except supply);

y) “distribution network” - the electricity distribution network and/or the natural gas distribution network;

z) “distribution system operator”:

z. a) “distribution system operator for electricity” shall mean an electricity undertaking carrying out the distribution of electricity and responsible for operating, ensuring the maintenance of and, if necessary, developing the electricity distribution system in a given area and, where applicable, its interconnections with other systems, which is possible and for ensuring the long-term ability of the system to meet reasonable demands for the distribution of electricity;

z. b) “distribution system operator for natural gas” shall mean a natural gas undertaking carrying out the distribution of natural gas and responsible for operating, ensuring the maintenance of, and, if necessary, developing the natural gas distribution system in a given area and, where applicable, its interconnections with other systems, and for ensuring the long-term ability of the system to meet reasonable demands for the distribution of natural gas;

i) Water supply licence holder – the enterprise which carries out water supply activities;
ii) **Water supply activities** – operation of the drinking water supply and/or reservoir systems, supply of drinking water to water users and/or water reservoir within the scope of the specific drinking water supply and/or the system/systems of reservoirs;

iii) “**drinking water supply**” supply of drinking water to drinking water customers through the system of water supply;

iv) “**water transmission**” – transmitting the sewage water and cleaning to the applicable level by means of the acceptable norm;

v) “**electricity balancing market**” - an organised market for the purchase and sale of electricity, as needed for balancing of the electricity system in real time;

vi) “**electricity derivative**”- the financial market instrument aimed to secure electricity market participants from possible fluctuations of the price of electricity in the market;

vii) “**electricity distribution network**” - an electricity network composed of electricity facilities, transformers, and medium-voltage and low-voltage lines of the voltage level not higher than 110 kV leading up to points of delivery within the electricity distribution system, in addition to other facilities, telecommunication and IT equipment and other infrastructure required for the functioning of the network, except the infrastructure dedicated to the category of the power transmission;

viii) “**electricity market**” - a market organized in accordance with the terms stipulated in this Law, the electricity market concept design, the Electricity Market Rules and other applicable legal acts defined by this law, for trading with electric power and supplementary services (including, the electricity market a day earlier, electric power daily market, electric power balance market) and/or the market of bilateral agreements;

ix) “**electricity market operator**” - an entity responsible for organising the defined segments of the electricity market in Georgia, as assigned pursuant to this Law and legislative acts adopted on its basis;

x) “**electricity market participant**” shall mean any natural or legal person authorised for purchase and/or sale of electricity, including, system operators, based on its right to participate in the electricity market in compliance with this Law, the Electricity Market Rules and other applicable legal acts;

xi) “**electricity producer**” - an electricity undertaking which operates an electricity generating facility (power plant) and generates electricity;

xii) “**electricity supplier**” - an electricity undertaking which carries out the function of the supply of electricity to the end user;

xiii) “**electricity system**” - any electricity transmission and/or distribution networks owned and/or operated by an electricity undertaking, including, its facilities supplying ancillary services and those of related undertakings necessary for providing access to transmission and distribution of electricity;

xiv) “**electricity system services**” - services which are necessary for due operation of the electricity transmission and distribution systems, including, managing the electricity transmission and distribution congestion and ancillary services;

xv) “**electricity transmission network**” - an electricity network composed of electricity facilities, transformers and lines of the voltage level higher than 110 kV leading up to points of delivery within the electricity transmission system, in addition to other facilities, telecommunication and IT equipment and other infrastructure required for the functioning of the network. On the basis of the decision of the government of Georgia, the line/sub-station less than 110 kilowatt
or exactly this amount, which is used for system and/or inter-system transit, may be regarded as the category of the electric transmission network, which is specially indicated in the transmission license;

i) “electricity undertaking” shall mean any natural or legal person carrying out at least one of the following activities: generation, transmission, distribution or supply of electricity, or ownership of electricity transmission and/or distribution networks, or trade in electricity, or operation of the electricity market, which is responsible for the commercial, technical and/or maintenance tasks related to those activities, but shall not include final customers;

ii) “eligible customer” shall mean an end user who is authorised to purchase electricity and/or natural gas from the supplier or trader of its choice or at the organised market in accordance with the rules of supply or market;

iii) “Energy Community Parties” shall mean the Contracting Parties to the Energy Community Treaty, as well as the European Union and its Member States;

iv) “energy market” shall mean the electricity market and/or the natural gas market;

v) “energy undertaking” shall mean an electricity undertaking and/or a natural gas undertaking;

vi) “final customer/end user” shall mean a customer/user purchasing electricity and/or natural gas for its own use;

vii) “firm capacity” shall mean the capacity of the natural gas transmission network or the natural gas storage facility or the LNG facility contractually guaranteed as uninterruptible by the transmission system operator for natural gas the natural gas storage system operator or the LNG system operator respectively;

viii) “guaranteed electricity generation capacity” shall mean a generating capacity of electricity generation facilities reserved and allocated to ensure the stability, safety and reliability of the electricity system, including, balance between supply and demand;

ix) “horizontally integrated electricity undertaking” shall mean an electricity undertaking performing at least one of the functions of generation of electricity for sale, transmission, distribution or supply of electricity, or trade in electricity, or operation of the electricity market so that it is not a vertically integrated enterprise and at the same time carries out such other activities which is not connected with electric power/energy;

x) “horizontally integrated natural gas undertaking” shall mean a natural gas undertaking performing at least one of the functions of production, transmission, distribution, supply or storage of natural gas, or trade in natural gas or minimum one out of the functions of natural gas market operation so that it is not a vertically integrated electric power enterprise and at the same time carries out such activity which is not related with natural gas;

xi) “interconnected system” shall mean a number of electricity systems or natural gas systems which are linked with each other by means of one or more interconnectors;

xii) “interconnector” shall mean an electricity transmission line or a natural gas transmission pipeline which crosses or spans a border between Georgia and the other country for the sole purpose of connecting national electricity or natural gas transmission systems of Georgia and that other country;

xiii) “interruptible capacity” shall mean the capacity that may be interrupted by the transmission system operator for natural gas, the natural gas storage system operator or the LNG system operator in accordance with the contract entered with the natural gas storage system operator or the LNG system operator respectively;
xv) “intra-day electricity market” shall mean an organised wholesale electricity market (exchange) where the purchase and sale of electricity take place by way of continuous trading in transactions created after closing the day-ahead electricity market;

xvi) “large customer” shall mean a final non-household customer, the legal status of which shall be defined by the Commission;

xvii) “license” shall mean a formal and official authorisation issued by the Commission in order for a natural or legal person to engage, under defined conditions, in licensed activities regulated by this Law;

xviii) “license applicant” shall mean a natural or legal person which applies to the Commission for issuance of a license for licensed activities regulated by this Law;

xix) “license holder” shall mean a person holding a license for licensed activities regulated by this Law;

xx) “linepack” shall mean the storage of natural gas by compression in natural gas transmission and distribution systems (but excluding facilities reserved for the transmission system operator for natural gas carrying out its functions);

xxi) “LNG facility” shall mean a terminal which is used for the liquefaction of natural gas or the importation, offloading, and re-gasification of LNG, and includes ancillary services and temporary storage necessary for the re-gasification process and subsequent delivery to the natural gas transmission system, but does not include any part of LNG terminals used for the storage of natural gas;

xxii) “LNG facility capacity” shall mean capacity at an LNG terminal for the liquefaction of natural gas or the importation, offloading, ancillary services, temporary storage and re-gasification of LNG;

xxiii) “LNG system operator” shall mean a natural gas undertaking which carries out the function of liquefaction of natural gas, or the importation, offloading, and re-gasification of LNG and is responsible for operating a LNG facility;

xxiv) “micro-generating power plant” shall mean an electricity generating facility owned by a final customer and which uses renewable energy sources, is connected to the electricity distribution network at the consumption point of a final customer, and the designed capacity of which does not exceed 100 kW, except the case when the commission defined a higher upper margin. Also, in such a case too, the upper margin should not exceed 500 kilowatts;

xxv) the ministry – Ministry of Economy and Sustainable Development of Georgia;

xxvi) “natural gas balancing market” shall mean an organised market for the purchase and sale of natural gas, as needed for balancing of the natural gas system;

xxvii) “natural gas derivative” shall mean a financial market instrument aimed to secure natural gas market participants from possible fluctuations of the price of natural gas in the market, where that instrument relates to natural gas;

xxviii) “natural gas distribution network” shall mean a pipeline network with a design pressure not exceeding 1.2 MPa, as well as metering and regulating stations at all points of delivery within the natural gas distribution system, other energy facilities, electronic communication and information systems and other infrastructure necessary for the distribution of natural gas, including linepack;

xxix) “natural gas market” shall mean a market for exchange of natural gas and ancillary services organised under the terms and conditions stipulated in this Law, the natural gas market concept design, the Natural Gas Market Rules and other applicable legal acts;

xxx) “natural gas market operator” shall mean a legal person responsible for organising the defined segments of the natural gas market in Georgia, as assigned pursuant to this Law;
xxxii) “natural gas market participant” shall mean any natural or legal person, authorised for purchase and/or sale of natural gas, including system operators, based on its right to participate in the natural gas market in compliance with this Law, the natural gas market rules and other applicable legal acts;

xxxii) “natural gas producer” shall mean a natural gas undertaking which operates natural gas production facility (or facilities) and is authorised for the processing of natural gas in accordance with applicable legal acts;

xxxiii) “natural gas storage capacity” shall mean any combination of the natural gas storage space, injectability to and deliverability of the natural gas storage facility;

xxxiv) “natural gas storage facility” shall mean a facility used for the stocking of natural gas and owned and/or operated by a natural gas undertaking, including the part of LNG facilities used for storage but excluding the portion used for operations of the production of natural gas, and excluding facilities reserved exclusively for the transmission system operator for natural gas in carrying out its functions;

xxxv) “natural gas storage system operator” shall mean a natural gas undertaking which carries out the function of the storage of natural gas and is responsible for operating a natural gas storage facility;

xxxvi) “natural gas supplier” shall mean a natural gas undertaking which carries out the function of the supply of natural gas;

xxxvii) “natural gas supply contract” shall mean a contract for the supply of natural gas, but shall not include a natural gas derivative;

xxxviii) “natural gas system” shall mean any natural gas transmission and/or distribution networks, natural gas storage facilities and/or LNG facilities owned and/or operated by a natural gas undertaking, including linepack and facilities supplying ancillary services as well as facilities of related undertakings necessary for providing access to transmission, distribution and storage of natural gas and to LNG;

xxxix) “natural gas system services” shall mean services which are necessary for due operation of the natural gas transmission and distribution systems, including managing the natural gas transmission and distribution networks, pressure control and regulation, and restoration of supply, as provided by the system operator in charge;

xl) “natural gas transmission network” shall mean a pipeline network with a design pressure over 1.2 MPa, except for the upstream pipeline network as defined by the Law of Georgia on Oil and Gas, as well as compression stations, block stations, metering and regulating stations at all points of delivery within the natural gas transmission system, other energy facilities, electronic communication and information systems and other infrastructure necessary for the transmission of natural gas, including linepack;

xli) “natural gas undertaking” shall mean any natural or legal person carrying out at least one of the following activities: production, transmission, distribution, supply or storage of natural gas, or ownership of natural gas transmission and/or distribution networks, or trade in natural gas, including LNG, which is responsible for the commercial, technical and/or maintenance tasks related to those activities, but shall not include final customers;

xlii) “non-household customer” shall mean a customer purchasing electricity and/or natural gas which is not for its own household use, including producers and traders;

xliii) “operational security of electricity networks” shall mean continuous operation of electricity transmission and, where appropriate, distribution networks under foreseeable circumstances;

xliiv) “parallel operation of the electricity system” shall mean a synchronous or asynchronous operation of two or more interconnected neighbouring electricity systems, or
any parts thereof, under defined parameters aiming at the maintenance of stability of electricity systems;

xlv) “point of delivery” shall mean a defined point within the system, including interconnection point where a system user or customer has electricity or natural gas being physically delivered by the system operator in charge for its further transport or consumption;

xlvi) “point of receipt” shall mean a defined point within the system, including interconnection point where the system operator in charge receives electricity or natural gas from producers or other interconnected systems;

xlvii) “production of natural gas” shall mean the extraction, treatment and processing of natural gas before its delivery to the natural gas system for its further transport, storage, re-processing and/or consumption;

xlviii) “protected customers” shall mean household customers and small enterprises connected to a natural gas distribution network, and essential social services connected to a natural gas distribution or transmission network, as well as district heating installations to the extent that they deliver heating to the abovementioned customers, provided that these installations are not able to switch to other fuels and are connected to a natural gas distribution or transmission network;

xl ix) “public service obligation” shall mean a duty imposed upon an energy undertaking entrusted with the provision of services of general economic interest, which may relate to security, including, security of supply, regularity, quality and price of supplies, and environmental protection. The duty of public service should be non-discriminative and not distort competition beyond what is strictly necessary in order to achieve the public service in question; rendering of public service by the energy enterprise in accordance of this law, is not carrying out the public legal authority envisaged by the general administrative code of Georgia

l) “related undertaking” shall mean an affiliated undertaking and/or associated undertaking, within the meaning prescribed by applicable laws governing activities of commercial enterprises and companies, and/or an undertaking which belongs to the same shareholders;

li) “regulated undertaking” shall mean an undertaking the activities of which are regulated by this Law and are assigned to the regulatory competence of the Commission, including all energy undertakings and drinking water suppliers;

lii) “renewable energy sources” shall mean renewable non-fossil energy sources (wind, solar, geothermal, wave, tidal, hydropower, biomass, landfill gas, sewage treatment plant gas and biogases);

liii) “security of supply” shall mean the ability of an electricity/natural gas system to supply final customers with electricity/natural gas, as provided for under this Law;

liv) “small enterprise” shall mean any non-household customer (excluding, the trader) with a number of employees and an annual turnover or balance sheet and/or another indicator not exceeding the amount set by the Government;

lv) “storage of natural gas” shall mean the stocking of natural gas in the natural gas storage facility or, as the case may be, in the LNG facility, including related services provided to system users by the system operator in charge;

lv) “supply” shall mean selling to the end user electricity/natural gas, including, liquidated natural gas;
lvii) “supply contract” shall mean an electricity supply contract and/or a natural gas supply contract;

lviii) “supply of last resort” shall mean the supply of electricity or natural gas as a public service for a limited period of time according to regulated conditions to those final customers which have failed to choose or lost their supplier of electricity or natural gas respectively under specified circumstances;

lix) “system” shall mean an electricity system and/or a natural gas system;

lx) “system operator” shall mean an energy undertaking authorised for and in charge of the operation of an electricity or natural gas system, i.e. transmission system operator for electricity, distribution system operator for electricity, transmission system operator for natural gas, distribution system operator for natural gas, natural gas storage system operator and LNG system operator;

lx) “system user” shall mean any natural or legal person using electricity and/or natural gas system services;

lxii) “take-or-pay supply contract” shall mean a natural gas sale and purchase contract which requires the buyer to pay for the contractually set natural gas quantity, irrespective whether the natural gas quantity in question is consumed by the buyer or not;

lxiii) “tariff” shall mean a regulated charge for the use of the electricity or natural gas systems, or for other electricity or natural gas related services;

lxiv) “tariff methodology” shall mean the entirety of rules, methods and principles that are prescribed and enacted by the Commission and are applied for setting the tariffs;

lxv) “technical capacity” shall mean the maximum firm capacity that the transmission system operator for natural gas, the natural gas storage system operator or the LNG system operator can offer to the system users, taking account of the natural gas system integrity and the operational requirements of the respective natural gas system;

lxvi) “third country” shall mean any country which is not the Energy Community Party, or a member of the European Economic Area;

lxvii) “third party access” shall mean the right of any natural or legal person to access and use electricity and natural gas systems according to the defined terms and conditions;

lxviii) “trade” shall mean the trade in electricity and/or natural gas;

lxix) “trader” shall mean a person trading electricity and/or natural gas, other than the transmission and/or distribution system operator;

lxx) “transmission of electricity” shall mean the transport of electricity through the electricity transmission network with a view to its delivery to points of delivery, but shall not include the supply of electricity;

lxxi) “transmission of natural gas” shall mean the transport of natural gas through a natural gas transmission network to ensure the supply of natural gas;

lxxii) “transmission system operator:

lxxiii) “for electricity” shall mean an electricity undertaking which carries out the function of the transmission of electricity and is responsible for operating, ensuring the maintenance of and developing the electricity transmission system in a given area and, where applicable, its interconnections with other systems, and for ensuring the long-term ability of the system to meet reasonable demands for the transmission of electricity;

lxxiv) “for natural gas” shall mean a natural gas undertaking which carries out the function of the transmission of natural gas and is responsible for operating, ensuring the maintenance of and developing the transmission system in a given area and, where applicable, its
interconnections with other systems, and for ensuring the long-term ability of the system to meet reasonable demands for the transport of natural gas;

lxxv) "transmission system owner" - an undertaking which is in a legal possession of the electricity or natural gas transmission system but is not a transmission system operator;

lxxvi) "universal service" shall mean supply of electricity as a public service according to regulated conditions to those final customers which are entitled to be supplied with electricity under such conditions, i.e. household customers and small enterprises, and freely choose such a method of supply or use it by default on the basis of the legislation of Georgia;

lxxvii) “unused capacity” shall mean firm capacity which a system user has acquired under a natural gas transport contract entered with the transmission system operator for natural gas or other contract entered with the natural gas storage system operator or the LNG system operator but which that system user has not nominated by the deadline specified in the contract;

lxxviii) “vertically integrated undertaking”:

lxxix) “in electricity sector” – the vertically integrated electric entreprise shall mean an electricity undertaking or a group of electricity undertakings where the same person or the same persons are entitled, directly or indirectly, to exercise control, and where an undertaking or a group of undertakings perform at least one of the functions of transmission or distribution of electricity, and at least one of the functions of generation or supply of electricity; one and the same person/persons are authorised to exercise direct or indirect control;

lxxx) “in natural gas sector” shall mean a natural gas undertaking – on the one hand, or a group of natural gas undertakings where the same person or the same persons are entitled, directly or indirectly, to exercise control, and where an undertaking or a group of undertakings perform at least one of the functions of transmission, distribution or storage of natural gas, or operation of a LNG facility, and at least one of the functions of production or supply of natural gas;

lxxxi) “vulnerable customer” shall mean a household customer which due to its social status and/or health condition and in accordance with applicable legal acts is recognised by the competent national authority of Georgia as being a vulnerable customer to whom the right to system use and/or supply of electricity or natural gas is granted under special conditions in accordance with the provisions of this Law;

lxxxii) Small capacity power station – the power station the project capacity of which does not exceed 15 MW;

lxxxiii) Water supply system – drinking water supply system and/or the system of reservoirs

lxxxiv) Drinking water supply system – unity of the network of receiving water, transporting and distributing it (pipeline, reservoir, open and closed channels, if necessary, pump station, etc.) which is used to supply drinking water to the water user;

lxxxv) Water flow system – unity of water flow networks, both under and above the ground, pipelines, tunnels, special facilities (cleaning facility, pump station, etc.) and facilities which ensures receiving, transmitting and cleaning at the acceptable norm of sewage water from the user;

lxxxvi) Drinking water spending norm – the drinking water norm per capita defined individually for each water supply licensee when calculating the drinking water tariff by the commission
Article 4 - Use of terms

All general terms used in this Law without an explicit reference to the electricity and/or natural gas sector shall be construed and interpreted so as applicable to both electricity and natural gas sectors, except for in cases where the context of the provision in question invokes its specific and exclusive application only to the electricity and/or natural gas sector or any relations thereof.
SECTION II
ENERGY AND WATER SUPPLY ACTIVITIES

Chapter III - Governing of energy activities

Article 5 - General principles governing energy activities

1. Organisation, regulation, monitoring and supervision of energy activities shall be implemented in compliance with the following general principles:

1) security and reliability of the operation of electricity and natural gas systems, and of the provision of related services;
2) security of supply in order to fulfil the demand for electricity and natural gas of customers residing and operating in Georgia;
3) unrestricted access to electricity and natural gas systems under the terms and conditions stipulated in this Law, as well as effective implementation of the supplier switching right;
4) competitiveness, transparency, non-discrimination and legal certainty in all energy activities, whether related to public service obligations or market-based;
5) independence of the transmission and distribution from other energy activities and their related commercial interests, including the elimination of preconditions for the conflict of interest and cross-subsidisation;
6) increase of the efficiency and decrease of the negative environmental impact of energy activities, including reduction of greenhouse gas emissions, and their sustainable development in compliance with environmental, economic and social security policies of Georgia;
7) promotion of the use of smart and environmentally friendly technologies while transporting electricity and operating the electricity system;
8) promotion of the generation of electricity from renewable energy sources and of the combined generation of electricity and heat;
9) facilitation of cross-border exchanges in electricity and natural gas in accordance with clearly defined, transparent and non-discriminatory instruments for the capacity allocation and congestion management with a view towards the effective use of interconnection capacities as well as increased diversification and competitiveness in energy markets;
10) protection of rights and legitimate interests of electricity and natural gas market participants; and
11) availability, accessibility and affordability of electricity and natural gas for the benefit of customers residing and operating in Georgia.

2. Other legal acts of Georgia regulating or related to energy activities shall be construed and implemented in line with the general principles laid down in paragraph 1 of this Article.
Article 6 - Competent authorities

1. The Government, the Ministry and other public bodies shall be responsible for taking relevant decisions with regard to the governing of energy activities within the scope of their specific competences as assigned in accordance with this Law, other applicable laws and their implementing regulations.

2. The Commission shall be designated and shall act as a single national regulatory authority for energy in Georgia under the terms and conditions stipulated in Section III [Regulatory authority] of this Law.

3. Administrative bodies designated by the Government, including, where applicable, local self-government bodies, shall be responsible for the adjustment of the design and territorial planning documentation for the construction of electricity and natural gas facilities, as well as for the issuance of construction permits under the terms and conditions stipulated in the Law of Georgia on Licenses and Permits and other applicable legal acts.

4. Competent national authorities of Georgia shall ensure close mutual cooperation at different national and regional levels for the purposes of harmonised regulatory and administrative practices in electricity and natural gas sectors.

Article 7 - State Energy Policy

1. The Ministry shall develop and implement, in cooperation with the Government, the Commission and other relevant parties, the State Energy Policy for a period of at least ten (10) years, which shall be adopted by the Parliament.

2. The State Energy Policy shall provide at least for the following:

   1) strategies and priorities, whether of short, medium and/or long term, in electricity and natural gas sectors, including strategic electricity generation, transmission (including cross-border) and/or distribution developments, and natural gas production, transmission (including cross-border), distribution, storage and/or LNG developments;

   2) measures aimed at secure and reliable supply of electricity and natural gas in order to meet the demand for electricity and natural gas of customers residing and operating in Georgia;

   3) measures to ensure the availability, accessibility and affordability of electricity and natural gas for the benefit of customers residing and operating in Georgia;

   4) long-term balance between supply and demand through development of energy activities and the energy sector in general, taking into account the trends of electricity and/or natural gas consumption;

   5) diversification of primary energy sources used for the generation of electricity, as well as diversification of sources, routes and suppliers for electricity and natural gas imports to Georgia;

   6) increasing or improving possibilities of electricity exports from Georgia under economically efficient and sustainable conditions;

   7) measures aimed to facilitate the use of renewable energy sources for the generation of electricity and consumption of electricity produced from such sources, as well as any incentives and support mechanisms applied for the promotion of the use of renewable energy sources;

   8) measures aimed to facilitate the combined generation of electricity and heat, including any support mechanisms thereto;
9) measures aimed at increased efficiency in energy activities and in consumption of electricity and natural gas;
10) protection of the environment from any negative impact of energy activities and their sustainable development in compliance with environmental, economic and social security policies of Georgia;
11) protection of the rights and interests of all relevant parties in the energy sector, including protection of vulnerable customers;
12) measures applied for the promotion and attraction of investments in the infrastructure used for the generation, transmission and distribution of electricity, as well as in the infrastructure used for the transmission and distribution of natural gas and, as the case may be, in natural gas production, storage and LNG facilities, including introduction of innovative, environmentally friendly and smart technologies both in electricity and natural gas sectors;
13) measures aimed at the promotion and facilitation of the competitiveness, transparency, non-discrimination and legal certainty in energy activities;
14) measures aimed at the promotion and development of the scientific research and education in the field of energy, including the State subsidisation and attraction of private investments; and
15) other relevant analyses, forecasts, considerations and recommendations relevant for the functioning and development of the energy sector in Georgia.

3. The State Energy Policy may encompass the integrated national energy and climate plan of Georgia addressing dimensions of the energy security and solidarity, energy markets, decarbonisation, innovation and competitiveness in the energy sector, and moderation of energy demand. These dimensions shall be addressed in an integrated way which recognises the interactions between the different dimensions. The national plan shall define objectives for each dimension and, for each objective, a description of the policies and measures planned for meeting these objectives shall be provided. The national plan shall be adopted as an integral part of the State Energy Policy or as an annex thereto. The national plan shall be prepared and reported to the Energy Community Secretariat pursuant to the recommendation of the Ministerial Council of the Energy Community.

Chapter IV - Organisation of energy activities

Article 8 - Energy activities

1. This Law, to the extent provided herein, shall cover the following energy activities:
   1) electricity activities:
      a) generation of electricity;
      b) transmission of electricity;
      c) distribution of electricity;
      d) supply of electricity;
      e) trade in electricity; and
      f) operation of the electricity market;
   2) natural gas activities:
      a) production of natural gas;
      b) transmission of natural gas;
c) distribution of natural gas;
d) storage of natural gas;
e) operation of LNG facilities;
f) supply of natural gas;
g) trade in natural gas; and
h) operation of the natural gas market.

2. Generation of electricity in cases where all electricity produced is being consumed by the producer itself shall not be deemed as an electricity activity and therefore shall not be regulated by this Law, except for in cases where such a producer intends to sell its surplus electricity to other electricity undertakings or to customers.

Article 9 - Public services

1. In the general economic interest, an energy undertaking may be obliged to carry out public service obligations in order to ensure security, including security of supply, regularity, respective quality and price of supplies, as well as environmental protection, including energy efficiency, energy from renewable sources and climate protection.

2. Public service obligations in electricity or natural gas sectors may be imposed by the Government, following consultations with other competent national authorities of Georgia and with the Energy Community Secretariat.

3. The obligation of public service is a temporary measure which should be subject to regular review with the view of defining its need and outcomes of its impact.

4. Any energy undertaking may be imposed with public service obligations for the provision of public services if it is obligatory to achieve the aims defined by this law. Public service obligations shall be imposed and performed in a transparent, non-discriminatory and easily verifiable manner, they shall be proportionate and shall not distort competition in energy markets beyond what is strictly necessary in order to achieve objectives of the public service in question, and shall guarantee equality of access for energy undertakings of the Energy Community Parties to final customers in Georgia.

5. The Government when imposing the public service obligation upon an energy undertaking shall in any case indicate a recipient or group of recipients of such service in compliance with this Law.

6. All financial or other forms of compensation, as well as any exclusive rights, which may be granted for the performance of public service obligations, shall be so provided in a non-discriminatory and transparent way and shall not exceed the costs associated with the performance of public service obligation taking into account any revenues and reasonable profit.

7. All measures proposed under this Law as imposing public service obligations shall be screened and, where required, justified in accordance with competition and/or State aid rules as established by applicable laws of Georgia.

8. Energy undertakings providing public services shall ensure, within the specific scope of and in conformity with the requirements for respective energy activity as established by this Law and its implementing regulations, the following:

1) security of supply;
2) prescribed or contracted quality of electricity or natural gas supplies;
3) application of tariffs or prices set according to regulated conditions, where applicable;
4) environmental protection and increase of the energy efficiency;
5) protection of health, life and property of citizens; and
6) measures on customer protection.

9. The Energy Community Secretariat shall be notified of any measure proposed as imposing new public service obligations or affecting public service obligations in force, including customer protection and environmental protection, accompanied by an assessment of their possible effect on national and international competition. The Energy Community Secretariat shall be subsequently informed of any changes to such measures.

10. The Ministry, in cooperation with the Commission, shall be in charge of preparation and submission of notifications and information referred to in paragraph 9 of this Article.

11. Terms and procedures of imposing public service envisaged by this law do not apply to such energy activity which is carried out as public service in accordance with the present law and respective acts adopted by the legislative normative acts:
a) transmission of power or natural gas – by the operators of the transmission system;
b) distribution of electric power or natural gas – by the operator of the distribution system.

**Article 10 - Market activities**

1. Energy activities, which are not defined or imposed as public services under Article 9 [Public services] of this Law, shall be performed as market activities in accordance with the rules governing the organisation of respective activities, where amounts and prices of electricity or natural gas and/or related services as well as other commercial terms and conditions are negotiated by the conclusion of contracts and/or achieved by direct bidding on organised electricity or natural gas markets.

2. Market activities shall be performed and organised in accordance with the needs of final customers residing and operating in Georgia aiming at secure, reliable and efficient supply of electricity and natural gas, while at the same time following the principle of fair competition and recognising equal legal status of all energy undertakings.

**Chapter V - Authorisation of energy activities**

**Article 11 - Mandatory authorisation of energy activities**

1. Performance of the following energy activities shall be subject to a prior license to operate issued by the Commission under the terms and conditions stipulated in the Law of Georgia on Licenses and Permits and in this Law:
a) electricity activities:
   a) generation of electricity, except the cases envisaged by point 3 of this article;
   b) transmission of electricity;
   c) distribution of electricity; and
   d) operation of the electricity market;
b) natural gas activities:
   a) transmission of natural gas;
   b) distribution of natural gas;
c) operation of LNG facilities;
d) operation of the facilities of liquidated natural gas;
e) operation of the natural gas market.
f) water supply;

2. Performance of energy activities specified in paragraph 1 of this Article without a valid license issued by the Commission and thus authorising an energy undertaking to engage in a respective energy activity shall be forbidden.

3. Licensing is not needed for:

   a) generation of electricity exclusively for personal (household and/or commercial) consumption by a producer the electricity generation facilities of whom are not connected to the electricity transmission or distribution networks;
   b) generation of electricity in a facility during its commissioning stage as regulated under Article 36 [Commissioning of electricity generation facilities] of this Law; and
   c) generation of electricity in a micro-generating power plant

4. A small capacity electric power station and the energy station which carries out or intends to implement the activity of supplying electricity and natural gas or the trader which requires no licence, is obliged to state about this in accordance with article 102 of this law.

**Article 12 - Licensing conditions**

1. The Commission shall issue licenses only to the undertaking, which complies with the requirements stipulated in the Law of Georgia on Licenses and Permits and with specific licensing conditions stipulated in this Law.

2. Each license applicant shall ensure and justify, through the documents referred to in Article 13 [Issuance of licenses] of this Law, the following:

   a) technical, economic, financial and operational (human resources) capability to perform the functions particular to each respective licensed energy activity as established by this Law and other applicable legal acts;
   b) ability to implement the measures required to ensure the quality of the services provided to market participants;
   c) the possibility to take all the necessary measures to ensure the quality of the service to be rendered.

3. The license seeker in the field of energy activities should also, in the respective case prove the possibility of meeting the public service liability of public service defined by article 9 of this law.

4. The existence of the possibilities envisaged by point 2 of this article and, in certain cases, those envisaged by point 3, are obligatory licensing terms. If the license seeker is not able to prove the possibility of being able to meet the mentioned conditions respectively, the commission will not issues a licence.
5. Following the issuance of a license, requirements specified in paragraph 2 of this Article shall be continuously ensured by a license holder throughout the entire period of the validity of the license. The Commission, while monitoring licensed activities, may require from a license holder to justify its compliance with these requirements. Failure to comply shall be considered as a violation of licensing conditions and may invoke the liability of a license holder under the Law of Georgia on Licenses and Permits and this Law.

**Article 13 - Issuance of licenses**

1. Licenses for energy activities shall be issued in a transparent, objective, legally justified and non-discriminatory manner in accordance with the procedures established or referred to by the Law of Georgia on Licenses and Permits.

2. In addition to the requirements established by the Law of Georgia on Licenses and Permits, a license applicant in the field of energy activities shall submit to the Commission the following documents together with the license application:
   a) documents proving the ownership or other form of legal possession of electricity or natural gas facilities necessary to perform a particular energy activity. Where relevant the form of legal possession shall extend for the minimum period of time to be defined by the Commission;
   b) approval for the commissioning of electricity or natural gas facilities referred to in subparagraph “a”, where such approval is required by applicable legal acts, and/or documents proving the compliance of facilities with applicable technical rules as referred to in Article 97 of this Law;
   c) documents proving the ownership or other form of legal possession of equipment necessary to perform a particular energy activity and to provide related services to market participants or, as the case may be, documents proving the outsourcing of such an equipment and/or related operational or maintenance services;
   d) layout of electricity or natural gas networks owned or otherwise legally possessed by the energy undertaking, where applicable, to be submitted in a form defined by the Commission;
   e) technical conditions for the connection to electricity or natural gas networks, in cases where the performance of a particular energy activity is subject to the connection of respective facilities to electricity or natural gas networks;
   f) environmental impact assessment report, in cases where such a report is mandatory required by applicable laws for a particular energy activity;
   g) a list of fixed assets and the audit report of a license applicant; and
   h) staff scheme (organisational structure) of a license applicant proving that all professional functions related to a particular energy activity are covered by human resources of a license applicant or, as the case may be, documents proving the outsourcing of respective professional functions.

3. License applicants for the transmission of electricity or natural gas shall be duly unbundled and certified as required under Chapters XI and XII of this Law. No additional documents proving the unbundling of a certified transmission system operator shall be required for submission together with the license application.

4. License applicants for the distribution of electricity or natural gas shall comply with the requirements for their unbundling as required under Article 73 of this Law and shall submit to the Commission documents proving such compliance.
5. Besides the compliance with the responsibilities defined by the law of Georgia on Licences and Permits, the water supply license seeker should submit to the commission to together with the licence application the following:
   a) The document proving possession of (using) production means;
   b) The scheme of the system of drinking water supply respective to the requirement licence and/or the scheme of the water system and the technological description of its operation;
   c) The document verifying the compliance with applicable technical standards of the technical condition of production means envisaged by sub-point “a” of this point;
   d) The list of main assets and the report of assessing the enterprise of the license seeker.

6. The licence holder is obliged to submit to the commission upon its request all those factual circumstances, including, respective documents, data and information, which proves meeting of the terms of the license conditions requested by the license seeker.

7. The commission ensures publication of the full list of documents to be submitted by the licence holder, respective regulatory legislative authorized public bodies acts on the commission website immediately and their constant update in accordance with the Law of Georgia on Licenses and Permits and the rules of licensing.

8. Issuance of the license is certified with the license certificate issued by the commission in accordance with the Law of Georgia on licences and Permits in which, together with other data the license holder, licensed activities, the services to be rendered by the licensee the location of basic means (activities), the area where the license is applicable ad the date of issuing the licence. The commission approves the standard form of the licensing certificate.

9. The license seeker may be refused to be issued a license only based on this law and the law of Georgia on Licensing and Permits. The refusal to issuing the licence should be justified legislatively and based on principles of objectivity, transparency and non-discrimination. The refusal should be defined respectively to the licence weaker.

10. Refusal to the issuance of the license may be appealed against on the basis of the rule defined by the legislation of Georgia.

11. Almost all cases of the refusal on issuing the license on energy activities, together with its reasons, should be communicated to the energy union secretariat.
Article 14 - Rights and obligations of license holders

1. On the basis of the rule defined by the legislation of Georgia, each license holder shall be entitled to the rights granted to it based on the license of specific activity and shall accordingly fulfil the obligations and rights.

2. License holders may not, without a prior consent of the Commission, terminate, restrict or expand the services defined by this Law and/or other applicable acts and the provision of which is authorised by a particular license, except for the cases where the termination or restriction of services is processed due to the failure of a system user or a customer to pay for the services and/or for technical or safety reasons under the terms and conditions stipulated in this Law and/or other applicable legal acts. Besides the mentioned exceptions, with the view of terminating or limiting the service, the license holder is obliged to apply to the commission in advance with the request to terminate or reduce the service. In case the commission received the requirement on the termination or reduction or cancelling of the license, it is authorized to take a decision in accordance with the requirements of the Law of Georgia on Licenses and Permits to appoint a special governor if in case the licence holder’s requirement is met. In case of receiving the consent regarding termination or reduction of the commission’s service, the license holder submits the certificate. In such a case, the commission is authorised to make the amendment in the license or abolish it.

3. The license holder must not be imposed the responsibility to continue rendering the services envisaged by the license if the beneficiary of this service or the user does not meet the requirements envisaged by the legislation of Georgia and/or the service agreement.

4. Each license holder shall notify the Commission regarding any changes in the data or information provided by the license holder for the purpose of issuance of the license as required under the licensing rules adopted by the Commission. For this purpose, the Commission shall define the data and information the changes in which require for an immediate notification and shall establish a schedule for notification regarding changes in other relevant data and information.

5. Each license holder shall report its activities to the Commission and, where expressly provided by this Law, to other competent national authorities of Georgia under the terms and conditions stipulated in the Law of Georgia on Licenses and Permits, this Law and reporting rules adopted by the Commission.

6. Failure by a license holder to fulfil its obligations may invoke its liability under the Law of Georgia on Licenses and Permits and this Law.

7. The commission is authorised to issue a licence without the documentation defined by point 2 of article 13 of this law upon the condition of submitting the mentioned documentation by the licensee within the strict timeframe.

8. In case the licensee for whom the license was issued in accordance with point 7 of this article, in case of failure to submit the documentation within the deadline set by the commission, it is authorised to cancel the license upon its initiative and/or define for the licensee additional term to submit the documentation and/or use against it the measures defined by the Georgian legislation.
Article 15 - Validity and territorial application of licenses

1. Licenses to perform energy activities under this Law shall be issued for an indefinite period of time.

2. Only one respective licence shall be granted for the operation of the respective segment (segments) of electricity and natural gas markets, which grants the licence holder the exclusive right to carry out respective activity on the territory of Georgia.

3. Licenses issued for the transmission and distribution of electricity and natural gas, as well as the water supply one, shall grant respective license holders an exclusive right to perform any of these activities throughout the geographical territory (administrative unit) or another service area defined in the license. Only one license may be issued for the performance of each of these activities in the respective territory.

4. The number of licenses issued for the generation of electricity, except the one envisaged by this article, shall not be limited.

Article 16 - Modification and revocation of licenses

1. The Commission may modify or revoke a license under the terms and conditions stipulated in the Law of Georgia on Licenses and Permits and the cases envisaged by this law and the defined rule, seize the licence or cancel it.

2. The commission makes the amendment in the licence in accordance with the conditions of the licence. Amendments are also allowed if:
   a) the above-mentioned is conditioned by the amendment made in the legislation of Georgia;
   b) there is a verified request of the commission or the licence holder on making the amendment and/or addition to the licence;

3. The commission has the right to request the licence holder upon making amendments to comply with the requirements that are different from the ones in the primary licence, including, stricter ones.

4. The commission is authorized to terminate application of the licence if the licence holder violates the requirements of the legislation of Georgia and/or the licence conditions and the written warning and the penalty have already been used towards him/her as the sanction for this violation.

5. Termination of the application of the licence is made before wiping out the violation envisaged by point 4 of this article but not more than 6 months after making the decision from the day of adopting the decision about termination of the application of the license.

6. After wiping out the violation for which the licence application was terminated, the application of the license will be renewed upon the decision of the commission on the basis of the application of the licence holder.

7. The licence is cancelled for the violation of the license terms and conditions, the law of Georgia on Licences and Permits. The commission also is authorised to cancel the licence if the above-mentioned is conditioned by the amendments made to the legislation of Georgia.

8. Except what is being envisaged by points 2, 4 and 7 of this article, in any other case, the right to make amendment to the license, terminate the application of the licence or abolishing it is given to the commission only on the basis of the prior consent of the licence holder.
SECTION III
REGULATORY AUTHORITY

Chapter VI - Designation and organisation of the Commission

Article 17 - Designation of the Commission

1. The legal basis of the activities of the commission is the constitution of Georgia, international agreements of Georgia, the Law of Georgia on National Regulatory Bodies, this law, the decree of the commission and other legislative normative acts approved by the commission.

2. The commission carries out regulation and supervision of the sectors of electricity, natural gas and water supply as the only body regulating these sectors as defined by the Law of Georgia on National Regulatory Bodies.

Article 18 - Legal status of the Commission

1. The Commission is the legal entity of public law created with the view of regulating the defined field and has the special authority, which has no state regulatory body, is independent of state bodies and acts within the scope defined by this law and the respective legislation of Georgia.

Article 19 - Independence of the Commission

1. The Commission shall carry out its duties and exercise its regulatory powers as an independent authority in accordance with the principles of objectivity, transparency and non-discrimination duly following legal requirements for the regulation of energy activities in Georgia and, as the case may be, other activities assigned to the regulatory competence of the Commission as well as best international practices thereto.

2. When carrying out its duties and exercising its regulatory powers conferred upon the Commission by this Law and other applicable legal acts, the Commission, as well as its Commissioners and other staff, shall comply with the requirements for their independence stipulated in the Law of Georgia on National Regulatory Bodies.

3. Without prejudice to paragraph 2 of this Article, the independence requirements shall be applied without prejudice to close cooperation, as appropriate, between the Commission and other competent national authorities of Georgia, or to general energy policy guidelines issued pursuant to Article 7 [State policy in the energy sector] where not related to the duties and regulatory powers assigned to the Commission.

Article 20 - Formation of the Commission

1. The Commission shall consist of five (5) Commissioners appointed by the Parliament.

2. The citizen of Georgia with high education who has enough qualification and experience to carry out the functions defined by this law may be elected as a Commissioner.

3. Commissioners shall be of a good reputation and shall comply with the norms of ethics and independence requirements stipulated in the Law of Georgia on National Regulatory Bodies. Rules of limiting the actions, position incompatibility and declaring economic interests are defined by the Law of Georgia on Incompatibility of Interests and Corruption in the Public Establishment.
4. Candidate Commissioners shall be nominated by the Government after being selected in accordance with an open competition procedure in a transparent and non-discriminatory manner. Competition procedure shall be organised and conducted by the selection committee formed in accordance with paragraph 5 of this Article.

5. The selection committee shall be formed by the Government and shall comprise of five (5) members with at least three (3) members being independent, i.e. not being public servants or appointed officials in public bodies of Georgia and not employed by or appointed to the bodies of regulated undertakings. Members of the selection committee may include representatives appointed by the Energy Community Secretariat on the basis of the government decision. The selection commission is formed at least 14 days prior to the planned interview with possible commission members and the term of office of the selection committee shall be three (3) years. The selection committee shall elect its chairperson form its own composition. The rule of activities of the selection commission is approved by the government of Georgia.

6. Announcement of competition for the selection of candidate Commissioners shall be published on the websites of the Government, the Commission and the Civil Service Bureau of Georgia. Public announcement shall be made not later than three (3) months before the term of the appointed Commissioners expires or not later that in ten (10) days after the dismissal of a Commissioner from the office and shall contain the information regarding requested qualifications, deadline for the submission of application, list of documents to be submitted with the application, other relevant requirements and procedural rules for the competition, or a link to the source where such information is published with an unrestricted public access.

7. Candidate Commissioners shall be selected by the selection committee and nominated by the Government for their appointment not later than in thirty (30) days from the date of the public announcement of the competition. The selection committee may extend the competition for up to additional thirty (30) days in cases where only one person takes part in the competition.

8. The Government shall make its decision on the approval of candidate Commissioners not later than in ten (10) days from the receipt of nominations from the selection committee. The president of Georgia, with co-signing of the prime minister of Georgia, and recommendation of the government of Georgia, submits the candidacy of the commission member to the parliament of Georgia for election. The parliament of Georgia selects the commission members on the basis of the rule defined by the parliament of Georgia.

9. Approval of candidate Commissioners by the Government and appointment of Commissioners by the Parliament shall be based exclusively on the evaluation of their compliance with the requirements stipulated in paragraphs 2 and 3 of this Article. Rejection of nominated candidate Commissioners, whether by the Government or the Parliament, shall require for a renewed competition procedure under paragraphs 6 and 7 of this Article.

10. Commissioners shall be appointed for a fixed term of six (6) years. One and the same person may be elected as the member of the commission only twice.

11. The commission member is dismissed only in cases envisaged by point 2, article 14 of the Law of Georgia on National Regulatory Bodies. Besides, in cases envisaged by sub-points “b”, “c”, “c1” and “c 2” of Point 2, article 14 of the Law of Georgia on National Regulatory Bodies, the decision about the dismissal of commission member is made by the parliament of Georgia on the basis of the rule defined by the parliament whereas in cases envisaged by other sub-points of the same point, the authority of the commission is terminated immediately upon the respective legal fact.

12. The commission member has the right to appeal the decision about his/her dismissal on the basis of the rule defined by the legislation of Georgia.
13. If the commission member position becomes vacant before the term, the new member of the commission is elected in accordance with the procedures defined by this article for the remaining term if this term exceeds 1 year whereas in another case, the term defined by point 10 of this article.

14. After the expiry of the term of commission membership, the commission member’s authority is automatically extended by a single case until the same or another person is elected as a commission member on the basis of the defined by the parliament but not more than the term of 3 months. This point does not apply to the commission member if less than 3 members remain within the commission.

15. The member of the commission does not have the right to hold management position or become the member of the supervisory board at the regulated enterprise during one year after the expiry of being the member of the commission or the position.

16. After the expiry of the membership of the commission the state assists the member to get employed.

17. Violence against the commission member and the employee of the office as well as threatening and other actions against the law related with carrying out job responsibilities by them, are prohibited. Violation of the requirements of this point leads to accountability with the rule defined by the law.

**Article 21 - Administration of the Commission**

1. Activities of the Commission shall be organised and its daily operations ensured by the commission chairman (hereinafter regarded as the Chairman) and its administrative staff. The structure, functions and competences of the administrative staff of the Commission shall be established by its provision and/or regulatory legislative acts regulating internal organizational issues.

2. The chairman is elected by the commission from its own composition on the basis of the submission of not less than 2 members through voting, with the majority of the whole composition, for three years but not more than the remaining term of the authority of the commission member, within 15 calendar days from the expiry of the term of the acting chairman or termination of his/her authority. The chairman has the right to step down from this position but remain the member of the commission for the remaining term. The chairman is authorised to impose upon another member of the commission to serve as an acting chairman. In case of the chairman stepping down from his/her position, termination of authority for him/her, his/her failure to fulfil the responsibilities of the chairman or imposing this responsibility over another member of commission in the absence of the chairman, the oldest member of the commission is an acting chairman.

3. The commission is authorised to dismiss four fifths of the whole staff of the full composition before the expiry of the term. Not less than 2 members of the commission have the right to dismiss the chairman on the basis of the joint written claim. The commission is obliged to discuss the issue of terminating the authority of the chairman before the expiry of the term and vote for this within 10 calendar days of submitting the claim by the members of the commission. If the commission does not let the chairman step down from the position before the expiry of the term, it is restricted to pose the issue of the step down of the chairman before the term within the next three months.

4. The Chairman shall preside over the session and is responsible for following procedural rules of adopting decrees and decisions by the commission and their publication as well as administrative management of the commission and its office.
5. In order to carry out its duties and exercise its regulatory powers in full scope and proper manner, the Commission shall have its staff covering all professional areas assigned to the competence of the Commission. The Commission shall be independent in setting up its staffing plans and organisational structures.

6. Staff employees of the Commission shall be appointed and dismissed by the Chairman in consultation with other Commissioners under the terms and conditions stipulated in applicable legal acts and internal regulations of the Commission.

7. Commissioners and staff employees of the Commission shall be assigned with duties and entitled to rights as stipulated in the Law of Georgia on National Regulatory Bodies and the rule set up by the legislative acts of the commission. Laws regulating civil service in Georgia shall not be applied to the Commissioners and staff employees of the Commission.

8. Work of the administration of the Commission shall be organised in accordance with its Charter and other internal regulations/legislative acts within the scope of its competence and regulatory powers.

9. Establishment of political, social or labour organisations or of their structural units within the Commission shall be prohibited.

10. Staff of the office of the Commission has no right to have any direct or indirect property and economic interest towards the energy enterprise or water supply regulated enterprise or hold the position in any of such enterprise. The office employee has the right to be its consumer/user but these enterprises do not have the right to offer and the office employee to get free service of that with a discount from any of them.

**Article 22 - Work organisation of the Commission**

1. Sessions of the Commission shall be organised under the terms and conditions stipulated in the General Administrative Code of Georgia, the Law of Georgia on National Regulatory Bodies, this Law, the Charter, other applicable legal acts and internal regulations of the Commission.

2. Sessions of the Commission shall be open to the public. The commission is authorised to hold a closed session with the view of keeping information confidential in accordance with the legislation of Georgia.

3. The Session of the Commission is considered to be authorised if it is attended by not less than 3 members of the commission and led by the chairman or the acting chairman.

4. Before any decision or resolution is taken in its session, the Commission shall be obliged to notify the interested parties and to provide them with an opportunity to attend the respective session of the Commission. The Commission shall provide respective parties with an opportunity of an unimpeded presentation of their interests at its sessions.

5. Records of all proceedings of the Commission, minutes of its sessions, official documentation, working materials, and other related documents, data and information shall be maintained in accordance with applicable legal acts. Such documents shall be available to the public, except that sensitive business and/or personal information shall remain confidential whenever such confidentiality is necessary, as required by applicable laws and described in the internal regulations of the Commission.

6. The Commission shall adopt and publish its Code of Ethics *inter alia* governing conflict of interests and other ethical standards for its Commissioners and staff. The Code of Ethics shall comply with the requirements stipulated in the Law of Georgia on National Regulatory Bodies and this Law and shall reflect prevailing international practices.

7. Orders regarding work organisation and other internal matters of the Commission shall be issued by the Chairman.
8. The member of the commission and the employee of the office are given the possibility to work unrestrictedly with the personnel and documentation of the regulated enterprise which are necessary to carry out the functions granted to the commission.

9. Within the scope of its competence, the commission is authorised to review preciseness of submitted documentation and data.

Article 23 – Legislative acts of the Commission

1. The Commission shall be liable for the legitimacy of its administrative-legislative acts - decisions and resolutions. Legislative acts of the Commission shall be issued in a written form, with justification and, where relevant, contain explanation on their implementation. The commission makes decisions within the scope of its competence on separate and individual issues envisaged by this law, including, those flowing from this decision.

2. Decisions of the Commission shall be made and resolutions issued by a majority vote of all the Commissioners attending the session. Each Commissioner shall have one (1) vote.

3. The legislative act of the Commission shall be effective on the basis of the rule defined by the legislation of Georgia and the legislative act of the commission. The legislative act of the commission should be commensurate with the requirements defined by this law and other legislative acts of Georgia.

4. It is obligatory to ensure compliance with the legislative act of the commission for the regulated enterprises and those physical and legal entities to which they apply.

5. The commission’s normative administrative-legislative act is published in the Legislative Messenger of Georgia and the website of the commission. The individual administrative act of the commission, ensuring keeping the commercial secret confidential as well as the information containing personal data, is published on the commission website and given to the interested party on the basis of the rule defined by the legislation of Georgia.

Article 24 - Public consultations and cooperation

1. The Commission shall publish on its website all draft legal acts initiated for adoption and other relevant decisions within the scope of its competence and regulatory powers, and shall ensure a reasonable time period for any interested party to submit its comments, remarks and proposals thereto. Public consultations shall not be required for individual acts or decisions and dispute settlement decisions, except for in cases where such acts or decisions fall within the scope of paragraph 2 of this Article.

2. The Commission shall conduct public consultations in cases required by the Law of Georgia on National Regulatory Bodies, including, before making the decisions about licensing and tariff setting.

3. The Commission shall develops and approves the rule on public consultations, which inter alia shall regulate the scope and conditions for public consultations, its procedures, formal requirements and public announcement of information. Information regarding on-going public consultations shall be publicly available on the website of the Commission, except for any confidential information.

4. The Commission, duly following the conditions for its independence and without prejudice to its own specific competences, is authorised to cooperate with regulated enterprises and competent state bodies while carrying out its functions and the regulatory authority, define the rule of conducting meetings with the interested parties of commission members and employees of the office.
Article 25 - Cooperation in regard to cross-border issues

1. The Commission cooperates with the secretariat of the energy community, its regulatory board/council, regulatory bodies of parties and shall provide them with any information necessary for the fulfilment of their tasks, and may request for such information respectively. In respect of the information exchanged, the Commission shall ensure the same level of confidentiality as that required of the originating authority.

2. The Commission shall cooperate at the regional and international level, as referred to in paragraph 3 of this Article, in order to:

1) foster the creation of operational arrangements in order to enable an optimal management of electricity and/or natural gas networks, promote joint electricity and/or natural gas exchanges and the allocation of cross-border capacity, and to enable an adequate level of interconnection capacity, including through new interconnections, within the region and between regions to allow for development of effective competition and improvement of security of supply, without discriminating between supply undertakings in different Energy Community Parties;

2) participate in the developing the rule of the network;

3) participate in the development of the congestion management rules applicable to Georgia and, where relevant, represent Georgia in all regulatory mechanisms for regionally coordinated capacity allocation and congestion management.

3. The Commission shall have a right to enter into cooperative arrangements with any other competent regulatory authority to foster regulatory cooperation.

4. The actions referred to in paragraph 2 of this Article shall be carried out, as appropriate, in close consultations with other competent national authorities of Georgia and without prejudice to their specific competences and jurisdictional powers.

5. The Commission shall comply with, and implement, any relevant legally binding decisions of the competent bodies of the Energy Community for Georgia to comply with. Within the scope of the legislative and regulatory framework of the European Union and, respectively, envisaging the guiding principles and rules of the network received from the energy union, should be made in the legislation of Georgia with no change, taking into consideration exceptional cases envisaged by the Protocol on Georgia joining the Founding Agreement of the Energy Union.

6. Based on the aims of point 5 of this article, the commission should adopt such guiding principles and rules of network after receiving the respective notification on accepting them in the energy union and carry out monitoring of their receptive activation and implementation. All the guiding principles and network rules should be adopted by the commission. Besides, they should be developed and published in accordance with the demands envisaged by this law.

7. With the view of adopting the guiding principles and rules of the network, the commission should notify the secretariat of the energy union about measures adopted and any respective amendment made within the term of 2 weeks.

Article 26 - Funding of the Commission

1. The Commission, when carrying out its duties and exercising its regulatory powers, shall be financially independent pursuant to the Law of Georgia on National Regulatory Bodies and this Law.

2. The Commission, by the end of each year, shall adopt a detailed budget for the next year, which shall indicate all expenses of the Commission, including, salaries and benefits of the Commissioners and the staff, as well as other budgeted expenses of the Commission planned for the next year.
3. The Commission shall be funded from regulatory fees established by the Commission for each of its regulated energy and other activities and paid by respective license holders and other regulated undertakings under the terms and conditions stipulated in the Law of Georgia on Regulatory Fees and this Law.

4. By the 15th of September of each year, the Commission receives from licence holders and other regulated undertakings load and/or turnover forecasts for the next year on the basis of which it establishes regulatory fees at a level sufficient to cover its budgeted expenses taking into consideration the requirements established by the law of Georgia on Regulatory Fees.

5. The regulatory fee shall be deposited to the bank account of the Commission under the terms and conditions adopted by the Commission. The Commission shall have the sole right to use the means on its account. Unused funds in the current financial year shall be transferred to the budget of the next year. If a budget deficit occurs during the current financial year, the Commission shall be entitled to cover it from the budget means planned for the next year adjusting regulatory fees accordingly.

6. The Commission shall be entitled to take bank loans at reasonable and justifiable interest rates to cover current expenditures which cannot be covered by collected regulatory fees. The Commission shall pay off the loans from the means obtained from the regulatory fees collected later.

7. The Commission shall be entitled to make use of the State budget allocations and grants for its activities.

8. License holders and other regulated undertakings shall be entitled to recover regulatory fees established by the Commission through the tariffs set by the Commission or through the price margin charged for the commodity or services related to their respective commercial (market-based) activities.

9. The budget of the Commission shall be published on the website of the Commission.

**Article 27 – Annual report of the Commission**

1. The Commission, by the 1st June each year, shall prepare and publish a financial report of the preceding year reflecting amounts of the regulatory fee received by the Commission and its expenses, as well as the loans taken and other funds used.

2. Control over the fiscal activities of the Commission shall be exercised by competent national authorities of Georgia in accordance with applicable legal acts. Accounts of the Commission shall be audited annually by an independent auditor. Audit report shall be prepared and published together with the financial report as required under paragraph 1 of this Article. Audit of the fiscal activities of the Commission shall not affect its daily operations.

3. The Commission, by 1st June each year, shall prepare an annual report on its activities and the fulfilment of its duties inter alia covering the steps taken and the results obtained as regards each of the objectives, duties and regulatory powers of the Commission specified in Chapter VII [Objectives, duties and regulatory powers of the Commission] of this Law. The annual report of the Commission shall be submitted to the President, the Parliament, and to the Government, as well as to the Energy Community Regulatory Board and the Energy Community Secretariat, and published on the website of the Commission.
Chapter VII - Objectives, duties and regulatory powers of the Commission

Article 28 - Objectives of the Commission

1. In carrying out its duties and exercising its regulatory powers as laid down in this Law, the Commission shall take all reasonable measures in pursuit of the following objectives:

   a) promoting, in close cooperation with the Energy Community Regulatory Board, regulatory authorities of other Energy Community Parties and the Energy Community Secretariat, competitive, secure and environmentally sustainable internal energy markets within the Energy Community, and effective market opening for all customers and suppliers in the Energy Community, and ensuring appropriate conditions for the effective and reliable operation of energy networks, taking into account long-term objectives;

   b) developing competitive and properly functioning regional energy markets within the Energy Community in view of the objectives referred to in this point;

   c) eliminating restrictions on trade in energy between the Energy Community Parties, including developing appropriate cross-border transmission capacities to meet demand and enhancing the integration of national markets which may facilitate energy flows across the Energy Community;

   d) helping to achieve, in the most effective way, the development of secure, reliable and efficient non-discriminatory systems that are customer oriented, and promoting system adequacy and, in line with general energy policy objectives, energy efficiency;

   e) helping to achieve the integration of large and small-scale generation of electricity and production of gas from renewable energy sources, and distributed production in both transmission and distribution networks;

   f) facilitating access to the network for new capacities of the generation of electricity and production of gas, in particular removing barriers that could prevent access for new market entrants and of electricity and gas from renewable energy sources;

   g) ensuring that system operators and system users are granted appropriate incentives, in both the short and long term, to increase efficiencies in system performance and foster market integration;

   h) ensuring that customers benefit through the efficient functioning of energy markets, promoting effective competition and helping to ensure customer protection;

   i) helping to achieve high standards of public services provided in electricity and natural gas sectors, contributing to the protection of vulnerable customers and contributing to the compatibility of necessary data exchange processes for switching the supplier.

2. The objectives established in paragraph 1 of this Article shall be pursued in close cooperation with other competent national authorities of Georgia, including the Competition Agency, as appropriate, and without prejudice to their respective competences.
**Article 29 - Duties of the Commission**

1. The Commission shall have the following duties with regard to the authorisation of energy activities and other activities regulated by this Law, establishing the conditions for such activities and their supervision:

   1) issuance, modification and revocation of licenses under the terms and conditions stipulated in the Law of Georgia on Licenses and Permits and in this Law;

   2) certification of transmission system operators and monitoring their continual compliance with the requirements for independence and unbundling imposed on transmission system operators by this Law;

   3) establishing the terms and conditions for the provision of services by regulated undertakings pursuant to this Law and other applicable laws;

   4) defining the norm of drinking water consumption;

   5) approving special regulatory requirements for accounting in regulated undertakings, monitoring and enforcing their proper implementation;

   6) establishing the terms and conditions regulating the provision of information possessed by regulated undertakings to system users and/or customers;

   7) monitoring the performance of regulated undertakings and ensuring their compliance with respective obligations and requirements set by this Law, other applicable laws and their implementing regulations;

   8) monitoring the provision of public services and implementation of public service obligations in accordance with the requirements stipulated in this Law and its implementing regulations; and

   9) keeping the registry of energy undertakings engaged in energy activities pursuant to the terms and conditions stipulated in this Law;

   10) carrying out checking of the regulated enterprise on the spot, including, without prior notification;

   11) defining the rules of payment of the regulated enterprise;

   12) defining the rules of supplying and consuming drinking water which regulate relations between the water supply license holder and the consumer;

   13) with the view of extinguishing the fire regulating the issues related with use of obtained water, stock-taking and reimbursement of expenses by the state sub-agency establishment - service of managing emergency situations (hereinafter referred to as the service of managing emergency situations)

   14) approving standard conditions of the agreement;

2. Approves the following with the view of defining the tariff and/or fee and adopting methodologies:

   a) tariffs for the transmission and distribution of electricity and natural gas and methodology of calculation;

   b) fees for connection to electricity and natural gas transmission and distribution networks as well as drinking water supply and water systems and/or methodology of their calculation;

   c) fees for the services provided by the market operator and methodology of its calculation, in cases defined in accordance with the terms of this law;

   d) tariffs for access to and use of natural gas storage facilities, if applicable under the terms and conditions stipulated in this Law;
e) tariffs for access to LNG facilities and methodology of its calculation;

f) tariffs for the drinking water supply and reservoirs;

g) the rule of audit regulating expenditures.

iv) In case defined by point 6, article 9 of this law, fees for rendered public service and/or tariffs and methodologies of calculation;

v) The amount of regulatory fee and the rule of calculation;

vi) The rule of calculating the fee of passing in the network electric energy, natural gas and drinking water in the network existing in the possession of the third person;

vi) Approves the amount of normative losses for the operators of transmission and distribution systems as well as the water supply license holders and the rule of their calculation;

vii) Approves the rule of assessing investments, including, the rule and terms of submitting to the commission investment plans and their constituting projects to be implemented by the regulated enterprise, subject to tariff regulation, agreeing them by the commission, as well as making amendments to agreed investment plans and/or projects and implementing them. Within the scope of its capacity, the regulated enterprise submitted to tariff regulation is obliged to act in accordance with the principle of minimum expenditures, taking into consideration economic efficiency;

viii) Ensures publication of methodologies approved by it reasonably earlier and in respect with tariffs and methodologies envisaged by sub-point “b” of this point, provides that:

a) tariffs and fees shall be justified, reasonable, verifiable, non-discriminatory, based on objective criteria, and determined in a transparent manner;

b) tariffs and fees shall reflect the justified costs of operation, maintenance, replacement, construction and reconstruction of networks, including a reasonable return of investment, amortisation (depreciation) and taxes, with consideration of environmental and customer protection. The commission is authorised to take into consideration the capital investment to be implemented on the basis of the mentioned principle;

c) tariffs and fees shall allow the necessary investments in networks and facilities to be carried out in a manner allowing these investments to ensure the viability of such networks and facilities and their undisrupted development, taking into account relevant development plans;

d) tariffs and fees shall enable regulated enterprises ensure feedback of investments made within the reasonable timeframe, cover their current costs, which encompass the cost of the fuel purchased at the economically justifiable price, running costs, current and capital maintenance costs, labour remuneration, interest fee of the loan taken in the form of running capital and investment, regulatory fees and those of service of the market operator and other expenditures. The tariff should envisage the reasonable and just level (rate) on return on capitals and depreciation which should be sufficient to attract investment with the view of rehabilitation and development;

e) tariffs and fees shall promote growth of the financial profit of the enterprise through increasing use and management efficiency by reducing service expenditures taking into consideration that the respective regulated enterprise meets the requirements of the Georgian legislation and/or license terms for service quality;
f) reflect the different cost of service of various categories of users. Costs of service rendered by the regulated enterprise submitted to tariff regulation are covered by the amounts received from each category of users, proportionate with the expenditures of this category; defining various types of tariffs according to consumer categories is possible with the view of reflecting peak volumes, weighted average and marginal volumes, seasonality of general consumption, overnight changes of consumption, type of service or similar parameters. While defining the tariff, it is possible to use innovative tariff methodologies if use of such ones is commensurate with interests of enterprises and users;

g) transmission and distribution system operators shall be granted appropriate incentive, over both the short and long term, to increase efficiencies, foster market integration and security of supply, and support the related research activities;

h) while setting tariffs for provision of the transmission related services, domestic transport of electricity or natural gas on the one hand and cross-border exchanges in electricity or natural gas on the other hand shall be treated on equal terms, except for cases where specific costs related to the particular service have to be considered and such costs are clear, justified and applied in a transparent and non-discriminatory manner;

i) the Commission shall be permitted to establish performance based rates if it deems it necessary;

j) interruptible rates, load balancing rates and other mechanisms to improve energy efficiency and demand side management shall be encouraged for services in the electricity sector, including consideration of the development and dispatch of renewable energy sources;

k) season and time-of-use rates shall be allowed, in case tariffs may be adjustable according to the cost of peak and off-peak services;

l) cross-subsidies between the transmission and distribution on the one hand and supply and trade activities on the other hand, and discrimination between system users or customers, or different categories of system users or customers shall be eliminated;

m) connection fees that are cost justified may be included for connection to transmission and distribution networks or for substantially increasing the connection capacity; and

n) setting of tariffs and fees, as well as respective terms and conditions thereto, shall reflect prevailing international practices;

ix) setting tariffs, fees and/or price caps; is authorised for the tariff aims to define voltage stages, following the adopted methodologies and in line with the procedures and criteria set by the Commission, which inter alia shall require regulated undertakings to prepare and submit to the Commission their tariff schedules for each group of system users and/or customers and their justifications. Decisions of the Commission on setting tariffs, fees and/or price caps shall be published sufficiently in advance within the reasonable time period prior to their entry into force;

x) monitoring the application of tariffs and fees and of respective methodologies, as well as enforcing their proper implementation;
3. The Commission shall have the following duties with regard to the regulation and monitoring of activities related to the operation of electricity and natural gas systems:

1) revising and approving the rules on fair and non-discriminatory third-party access to electricity and natural gas transmission and distribution systems and, where so expressly provided by this Law, to natural gas storage and LNG facilities in accordance with the general terms and conditions stipulated in this Law, and monitoring the implementation of these rules;

2) establishing, monitoring and enforcing quality standards for the operation of electricity and natural gas systems and for the provision services rendered by energy undertakings, including ancillary and system services;

3) establishing and enforcing the compensation mechanism for non-performance of energy undertakings in compliance with quality standards established by the Commission;

4) approving and monitoring investment plans of system operators in charge and providing in the annual report of the Commission an assessment of those plans, including, where relevant, recommendations for their amendment;

5) monitoring activities of transmission system operators, including the efficiency of mechanisms and methods to secure a balance between supply and demand;

6) where so expressly provided by this Law, revising and approving the network codes prepared by system operators in charge;

7) monitoring compliance with and reviewing the past performance of network security and reliability rules under applicable network codes, and setting standards and requirements for quality of services and supply in cooperation, where applicable, with other competent state authorities;

8) monitoring the time taken by transmission and distribution system operators to make connections and repairs to the extent provided in this Law and/or relevant network codes;

9) monitoring and reviewing the conditions for the access to natural gas storage and linepack, as provided for in Article 87 of this Law. In the event that the access to natural gas storage is defined according to paragraph 4 of Article 87 of this Law, this task shall exclude the reviewing of tariffs;

10) monitoring the correct application of the criteria that determine whether a natural gas storage facility falls under paragraphs 4 or 6 of Article 87 of this Law;

11) contribute, within its competence, to the monitoring of the implementation of safeguard measures in energy activities in accordance with Articles 138 and 143 of this Law.

4. The Commission shall have the following duties with regard to the regulation and monitoring of energy markets:

1) regulation and monitoring of activities in energy markets within the regulatory competence of the Commission defined by this Law;

2) monitoring the level and effectiveness of the opening of energy markets and competition in energy markets, as well as any distortion or restriction of competition, including providing any relevant information to the Competition Agency;

3) monitoring the level of transparency in energy markets, including, wholesale and retail prices and ensures compliance of energy enterprises with obligations related with transparency;
4) publishing recommendations, at least annually, in relation to compliance of supply prices with requirements of this Law and its implementing regulations, and providing those to other competent national authorities of Georgia, where appropriate;

5) monitoring the occurrence of restrictive contractual practices in energy markets, including, exclusivity clauses which may prevent large customers from contracting simultaneously with more than one supplier or restrict their choice to do so;

6) respecting contractual freedom with regard to interruptible supply contracts, as well as with regard to long-term contracts (more than 10 years) provided that they are compatible with applicable laws of Georgia and Energy Community law;

7) approving rules for monitoring energy markets;

8) contributing to the compatibility of data exchange for the most important energy market processes at regional level.

5. The Commission shall have the following duties with regard to cross-border exchanges in electricity and natural gas:

1) monitoring enforcement of conditions related to cross-border exchanges in electricity and natural gas, in particular ensuring that relevant technical requirements are met and adhered to;

2) monitoring the quality and availability of technical and commercial data on the interconnectors required by system users in order to allow them to participate in respective energy markets with no discrimination;

3) monitoring congestion management of electricity and natural gas systems, including interconnectors with neighbouring systems, and implementation of the congestion management rules;

4) approving the rules for the access to the cross-border infrastructure, including procedures for the capacity allocation and congestion management taking into account regionally coordinated arrangements thereto as prepared and implemented by transmission system operators in charge; and

5) cooperating in regard to cross-border issues with competent regulatory authorities of the Energy Community Parties concerned, and with the Energy Community Regulatory Board.

6. The Commission shall have the following duties with regard to customer protection and dispute settlement:

1) ensuring, together with other competent national authorities of Georgia, that the customer protection measures are effective and enforced, so as to ensure:
   a) fair and non-discriminatory treatment;
   b) receipt of high-quality services; and
   c) competition and prevention of anti-competitive actions taking into consideration this law and the requirements of the Law of Georgia on Competition;

2) ensuring access to customer consumption data, the provision for optional use, of an easily understandable harmonised format at national level for consumption data and prompt access for all customers to such data under Article 107 of this Law;

3) discusses disputes, as referred to in Article 155 of this Law and rules of reviewing disputes approved by the commission;

4) approves the decree of administrative dealing;

5) With the view of regulating competition in the energy sector:
a) ensures regulation of the issues related with competition in the energy sphere in accordance with this law and the Law of Georgia on Competition and issuance of legislative normative acts;

b) in case of violating competition, imposes upon regulated enterprises sanctions in accordance with the Law of Georgia on Competition;

c) defines by means of the legislative normative act the market share of the regulated enterprise at the energy market as well as the rule and criteria defining dominant condition;

d) prepares conclusions about the competitive effect of merging/unification and through the legislative normative act defines the rule of submitting to the commission the notification about concentration and its review by the commission;

e) defines by the legislative normative act and the rule of submitting to the commission the application/appeal related with violating competition in the energy sphere, the person responsible for submitting the application/appeal, foundations for studying and assessing violation of competition, the basis and rule of investigating the issue, keeping confidentiality, requesting information from the respective regulatory enterprise or another interested part and checking the subject on the spot, as well as using sanctions in case of failure to provide the information related with the issue and other matters related with implementing administrative activities connected with a specific issue;

f) with the help of the normative legislative act, defines the rule of using spreading the program of cooperation and releasing from accountability envisaged by the Law of Georgia on Competition;

g) develops recommendations on using natural gas and carbon monoxide rectors.

2. Taking into consideration energy policy of Georgia, the commission is authorised to define long-term tariffs. It is authorised to also set those tariffs for the water supply sector. The commission is authorised to define water supply tariffs according to self-governing units for the system of drinking water supply within the possession of the holder of the water supply licence.

3. In accordance with the requirements of this law and while discussing the issues of setting tariffs, the commission is based on the following when discussing the tariff application:

a) verified tariff application which is attached by the audit and financial information;

b) procedures of discussing the tariff application and adopting the respective decree;

c) procedures of commenting on setting tariffs by consumers and other interested parties;

d) searching for and receiving additional information necessary for assessing the tariff application;

e) procedures of defining financial remuneration of the regulatory fee.

4. The commission approves the tariff within the term of 180 days after submitting the tariff application to the commission if it meets the requirements set by the commission towards the tariff application.

5. The commission is authorised to adopt on the basis of the rule defined by the legislation of Georgia such legislative acts which, are not directly envisaged by this law but flow from the competence of the commission.

6. The commission fulfils the function imposed upon it by the law and other legislative acts of Georgia.
7. The rules, terms and conditions, criteria, standards, mechanisms, methods and other requirements to be adopted by the commission are approved by the normative administrative - legislative acts - decrees and it is not obligatory to consolidate them only in one specific act.

Article 30 - Regulatory powers of the Commission

1. The Commission shall have necessary regulatory powers enabling it to carry out the duties referred to in Article 29 of this Law. In particular, the Commission shall be entitled to:

1) require for any information, which is relevant for full and proper implementation of its competences, to be provided under the terms and conditions stipulated in this Law and its implementing regulations by:
   a) regulated undertakings; and
   b) competent national authorities, institutions and other public bodies of Georgia, which due to their direct responsibilities are in a possession of information;

2) require system operators, if necessary, to modify the terms and conditions, including tariffs and/or prices, to ensure that they are proportionate and applied in a non-discriminatory manner. In the event that the access regime to natural gas storage facilities is defined according to paragraph 4 of Article 87 of this Law, this power shall exclude the modification of tariffs;

3) in case of delaying definition of tariffs of public services envisaged by article 9 of this article and transmission and distribution by the commission, determine temporary tariffs of transmission, distribution and public services envisaged by article 9 of this law and define respective compensation measures if final tariffs are different from temporary ones;

4) initiate procedures for public consultations and cooperation, as regulated under Article 24 [Public consultations and cooperation] of this Law, whenever it is required for collection of necessary information, harmonisation of regulatory practices, justification of intended decisions, or evaluation of proposed legal and/or regulatory solutions;

5) initiate and carry out investigations with regard to the functioning of energy markets in Georgia, and to decide upon and impose any necessary and proportionate measures to promote effective competition and ensure the proper functioning of energy markets.

6) issue binding decisions, as it may be required for due implementation of this Law, other applicable laws and/or their implementing regulations, to be directly implemented by regulated undertakings;

7) impose effective, proportionate and dissuasive penalties on regulated undertakings not complying with their obligations under this Law, other applicable laws and their implementing regulations, or with any legally binding decision of the Commission or of competent bodies of the Energy Community in accordance with Article 153 of this Law;

8) possess appropriate rights of investigations and relevant powers of instructions for dispute settlement, as referred to in Article 155 of this Law.

9) Discuss with the view of defining the tariff the application submitted by the regulatory enterprise, make a decision about accepting it within public administration dealing, finding the flaw or leaving non-reviewed expect the case envisaged by this law, define the tariff as well as review tariffs upon one’s initiative.

2. Any approvals given by the Commission or competent bodies of the Energy Community, as referred to in this Law, shall be without prejudice to any duly justified future
uses of its powers by the Commission under this Article, or to any penalties imposed by the Commission or by any other competent national authority of Georgia.

3. Legislative acts taken by the Commission shall be fully reasoned and justified. Those acts shall be available to the public while preserving the confidentiality of commercially sensitive information as required under Article 23 [Decisions of the Commission] of this Law.

**Article 31 - Additional duties and regulatory powers of the Commission**

1. In case in accordance with article 46 of this law the operator of the independent system is named, except the functions and regulatory authorities defined by articles 29 and 30 of this law, the commission:
   a) supervises fulfilment of responsibilities defined by this law by the transmission system owner and the independent system operator and in case of failure to fulfil the responsibilities, is authorized to impose penalties in accordance with the article 153 of this article;
   b) monitor the relations and communication between the independent system operator and the transmission system owner so as to ensure compliance of the independent system operator with its obligations, and in particular approve contracts and act as a dispute settlement authority between the independent system operator and the transmission system owner in respect of any complaint submitted by either party;
   c) without prejudice to the procedure under Article 53 of this Law, for the first ten-year transmission network development plan in the process of certifying the independent system operator, approve the investments planning and the multi-annual network development plan presented annually by the independent system operator in consultation with the transmission system owner;
   d) ensure that transmission tariffs collected by the independent system operator include remuneration for the transmission system owner approved by the Commission, which provides for adequate remuneration of the network assets and of any new investments to be considered therein, provided they are economically and efficiently incurred; and
   e) have the powers to carry out inspections, including unannounced inspections, at the premises of the transmission system owner and the independent system operator.

2. The owner of the transmission system carries out control of compliance with the responsibilities defined by point 3 of article 47 of this law in close cooperation with the Commission and establishments authorised by the Georgian legislation.
Article 32 - Mandatory conditions for the generation of electricity

1. Construction, maintenance and operation of electricity generation facilities, their related equipment and connections to the transmission and/or distribution networks shall be compliant with technical standards, norms and other relevant conditions, including those concerning protection of the environment, public safety and property, as stipulated by applicable laws and their implementing regulations, and with the requirements established by applicable Electricity Transmission Network Code and/or Electricity Distribution Network Code.

2. Generation of electricity, except the cases envisaged by point 3, article 11 of this law, shall be subject to a license issued under the terms and conditions stipulated in the Law of Georgia on Licenses and Permits and in accordance with this law and the rule defined by the rules of licensing approved by the commission.

Article 33 - Rights of electricity producers

1. Each electricity producer shall be entitled to:
   1) produce electricity in a facility (or facilities) commissioned for the operation and use energy sources specified in a license, while respecting the technical characteristics and conditions for environmental protection as determined by the license and by applicable laws and their implementing regulations;
   2) enter into contracts for sale and purchase of electricity under the terms and conditions stipulated in this Law and the Electricity Market Rules;
   3) enter into contracts for the provision of balancing and ancillary services under the terms and conditions stipulated in this Law and following the conditions defined by the respective legislative normative acts adopted by this law and on its basis;
   4) access electricity transmission and/or distribution systems under conditions established by this Law, the Electricity Transmission Network Code, the Electricity Distribution Network Code and other applicable legal acts;
   5) Enjoy other rights as envisaged by the legislation of Georgia.

Article 34 - Obligations of electricity producers

1. Each electricity producer shall be obliged to:
   1) comply with the requirements and conditions laid down in this Law and established under the specific terms of a license for the generation of electricity;
   2) possess a metering device that enables measurement of electricity delivered to the appropriate network;
   3) meet and comply with requirements elaborated in the Electricity Transmission Network Code and the Electricity Distribution Network Code;
4) comply with operational instructions issued by a transmission and/or distribution system operator in charge, including those related to dispatching, balancing of the electricity and emergencies in the system, and provision of ancillary services;

5) comply with the prescribed requirements pertaining to energy efficiency and environmental protection;

6) abide by the rules on protecting market competition when participating in the electricity market of Georgia, which includes prohibiting unjustified withdrawal of capacities and unjustified reduction of the electricity generation;

7) maintain electricity generation facilities in a proper working order, provide for their continuous operational readiness and secure operation in compliance with technical and other regulations and standards subject to the inspectional supervision;

8) place at the disposal of the transmission system operator or the distribution system operator data and information required for the operation and management of the electricity system;

9) provide the transmission system operator and the distribution system operator with free access to the equipment in its electricity generation facility (or facilities) which are being used for reserves and ancillary services procurement and for the transmission or distribution of electricity for the purpose of carrying electricity flows;

10) consider recommendations of the transmission system operator and/or the distribution system operator in charge regarding modifications of installations and equipment in its electricity generation facility (or facilities); and

11) maintain and upgrade installations and equipment in its electricity generation facility (or facilities) which are also being used for the transmission or distribution of electricity in conformity with the operational needs and system management needs, as well as plans for development of the electricity transmission and/or distribution networks subject to the inspectional supervision.

2. Electricity producers operating electricity generation facilities with a nominal capacity of at least 100 kW or more, shall store and keep at the disposal of relevant authorities, system operators in charge, and competent international bodies pursuant to international commitments of Georgia all hourly data per electricity generation facility that are necessary to verify all operational dispatching decisions and the bidding behaviour at electricity exchanges, interconnection auctions, reserve markets and bilateral agreements markets.

3. Together with other information, the data referred to in paragraph 2 of this Article shall include, the data on available electricity generation capacity and committed reserves, including allocation of prices and distribution of reserves guaranteed during electricity generation at the level of every electricity generation site.

4. The Commission shall perform the supervision and, where appropriate, require individual electricity producers and other electricity undertakings to implement specific measures aimed at ensuring application of fair competition principles.

5. Each electricity producer shall prepare and publish in the appropriate form a programme of measures for improvement of energy efficiency, and shall produce and publish in the appropriate form an annual report on the results of such measures.

6. The Government, if it perceives the necessity to introduce additional requirements for improving energy efficiency in generation of electricity, may prescribe the minimum efficiency level for individual technologies which needs to be achieved when constructing new or reconstructing existing electricity generation facilities.

7. Without prejudice to the requirements stipulated in this Article, legal acts elaborating obligations of electricity producers with regard to their respective activities in the electricity
sector may envisage simplified requirements without restricting the requirement envisaged by this article.

**Article 35 - Tendering for new electricity generation capacities**

1. The Government of Georgia is authorised to hold the tender in accordance with the legislation of Georgia, to build new capacity of generating electricity, including, to increase the existing capacity of electricity generation or use another procedure of selection envisaged by the legislation of Georgia. The Government approves the rules and conditions of the tender which should be followed in a transparent and non-discriminatory manner.

**Article 36 – Pilot commissioning of electricity generation facilities and/or comprehensive testing**

1. Undertakings having their electricity generation facilities constructed (or reconstructed, including increase of capacities) and connected to the electricity transmission or distribution network pursuant to applicable legal acts and technical conditions shall apply to the transmission or distribution system operator to whose network the facilities are connected for their testing and approval for commissioning. Representatives of the transmission system operator in charge shall participate in the testing and approval for commissioning of any electricity generational facility.

2. Transmission and distribution system operators shall proceed with the testing of electricity generation facilities and shall issue approvals for their commissioning under the terms and conditions stipulated in the Electricity Transmission Network Code and/or the Electricity Distribution Network Code and other applicable legal acts. The commissioning stage of the electricity generation facility might be approved or rejected shall not exceed ninety (90) calendar days unless other terms are specified in applicable Network Code.

3. Undertakings owning electricity generation facilities shall not be required to obtain licenses generation of electricity during the commissioning stage where and to the extent it is reasonably needed for the testing of facilities.

4. Electricity produced during the commissioning stage shall be treated in accordance with the Electricity Market Rules.

5. Generation of electricity in a commissioned facility by the object of generating electricity received in exploitation shall be allowed only subject to a license for the generation of electricity issued in accordance with Chapter V of this Law whereas in cases envisaged by point 3, article 11 of this law, on the basis of the document verifying receiving for use the site of electricity generation issued by the authorised body.

**Article 37 - Promoted generation of electricity**

1. Promotion of the generation of electricity shall be regulated in a transparent and non-discriminatory manner, taking into account the criteria of economic feasibility, least cost for final customers, and general effect towards the electricity balance and operation of the electricity system of Georgia.

2. Generation of electricity from renewable energy sources and high-efficiency cogeneration may be incentivized by promotional and support measures under the terms and conditions stipulated in applicable laws or established by the Government with the aim at achieving the goals of the generation of electricity from renewable energy sources and/or of the combined generation of electricity and heat as set for Georgia in applicable legal acts.

3. Rules and conditions envisaged by point 2 of this article should involve respective mechanisms of encouragement and support, rights and responsibilities of energy enterprises, conditions and related regulating demands of electric energy.
4. Supporting electric energy generation, including, assessment of all encouraging and/or supporting measures, should be carried out taking into consideration the requirements of this law and, if necessary, be confirmed in accordance with the legislation of Georgia regulating competition and/or state assistance.

Article 38 - Micro-generating power plants

1. Each final customer or the group of customers who owns a micro-generating power plant shall be entitled for its connection to the electricity distribution network and for delivery of its generated surplus electricity to the network under the terms and conditions stipulated in the Electricity Distribution Network Code.

2. Surplus electricity generated in a micro-generating power plant and delivered to the electricity distribution network, in accordance with the rules of power supply, is bought by the supplier of the universal service, within the scope of whose service is the mentioned electric power station. Conditions and the price for surplus electricity purchased from final customers shall be regulated by the Commission.

3. Generation of electricity in micro-generating power plants and delivery of surplus electricity to the distribution network shall not be considered as an energy activity and shall therefore not invoke the regulatory regime established by this Law, the Law of Georgia on Licenses and Permits and the Law of Georgia on Regulatory Fee. Legal acts regulating electricity market relations shall be applied to micro-generating power plants only to the extent where it is expressly referred so.

4. Final customer or the group of final users generating electricity in a micro-generating power plant and delivering its surplus electricity to the distribution network shall not be charged for any electricity system and market operation services.

5. In order to ensure the sustainability and stable functioning of the electricity system, total capacity of micro-generating power plants connected to the electricity distribution network shall not exceed the maximum limits set by the Commission in consultations with system operators. This amount is defined by the commission which also sets it on the basis of cooperation of system operators.
Chapter IX - Production of natural gas

Article 39 - Mandatory conditions for the production of natural gas

1. Natural gas shall be produced by undertakings authorised for the processing of natural gas in facilities commissioned and operating under the terms and conditions stipulated in the Law of Georgia on Oil and Gas and its implementing regulations.

2. Each natural gas producer, subject to its compliance to paragraph 1 of this Article, shall be entitled to trade in natural gas on the natural gas market of Georgia following its registration by the natural gas market operator as of a natural gas market participant in accordance with the Natural Gas Market Rules.

Article 40 - Rights of natural gas producers

1. Each natural gas producer, for the purposes of this Law, shall be entitled to:
   1) enter into contracts for sale and purchase of natural gas under the terms and conditions stipulated in this Law and the Natural Gas Market Rules;
   2) enter into contracts for the provision of balancing and ancillary services under the terms and conditions stipulated in this Law, the Natural Gas Transmission Network and/or the Natural Gas Distribution Network Code and/or, when applicable following the establishment of the organised natural gas balancing and ancillary services markets, in the Natural Gas Market Rules; and
   3) access natural gas transmission and/or distribution systems under conditions established by this Law, the Natural Gas Transmission Network Code, the Natural Gas Distribution Network Code and other applicable legal acts.

2. Natural gas producers shall be entitled to any other rights provided by this Law, other applicable laws and/or their implementing regulations.

Article 41 - Obligations of natural gas producers

1. Each natural gas producer, for the purposes of this Law, shall be obliged to:
   1) comply with the requirements and conditions laid down in this Law, the Natural Gas Market Rules and other applicable legal acts;
   2) meet and comply with technical and operational rules specified in the Natural Gas Transmission Network Code and the Natural Gas Distribution Network Code;
   3) comply with the prescribed requirements pertaining to energy efficiency and environmental protection;
   4) place at the disposal of a transmission or distribution system operator data and information required for the operation and management of the natural gas system; and
   5) provide a transmission and distribution system operator with free access to the equipment in its natural gas production facilities which are being used for the delivery of natural gas to the transmission or distribution networks respectively.

2. If the Government of Georgia perceives the necessity to introduce additional requirements for improving energy efficiency in production of natural gas, it is authorised to prescribe the minimum efficiency level for individual technologies which needs to be achieved when constructing new or reconstructing existing natural gas production facilities.
3. Requirements of points one, sub-points “b” and “e” of this article also apply to the license holder of natural gas transportation regulated by the legislation of Georgia.

SECTION V
TRANSMISSION

Chapter X - Status and designation of the transmission system operator

Article 42 - Status of the transmission system operator

1. Transmission is an activity of public interest which encompasses the transport of electricity or natural gas on the transmission network as well as the operation, maintenance and development under economic conditions of the transmission network, and other related activities necessary for secure, reliable and efficient functioning of the electricity and natural gas systems of Georgia.

2. Transmission shall be carried out by the transmission system operator under the terms and conditions stipulated in this Law as well as in line with other applicable laws and/or other legal acts regulating activities in the energy sector of Georgia.

3. The transmission system operator shall be organised as a specialised and independent energy undertaking with the status of a legal person incorporated under the laws of Georgia. While carrying its duties and fulfilling its tasks, the transmission system operator shall be independent from any other energy activities, namely production, distribution, supply and trade, and related commercial interests.

4. The transmission system operator shall not be entitled for sale and/or purchase of electricity or natural gas, except for in cases expressly referred to in this Law. The transmission system operator is entitled to the right to purchase electricity or natural gas to reimburse for the losses in the transmission network whereas natural gas - for own consumption (operation of the compressor and preliminary gas heat) as well as to buy and/or sell electric energy or natural gas in case envisaged by the legislative acts adopted on the basis of this law, with the view of balancing.

5. The transmission system operator shall be entitled to undertake its activities subject to its designation under the terms and conditions stipulated in Article 43 of this Law.

6. Independence of the transmission system operator shall be implemented and further ensured through unbundling of the transmission system operator under the terms and conditions stipulated in Chapter XI of this Law.

Article 43 - Designation of the transmission system operator

1. The transmission system operator shall be designated by the Commission by issuance of a license for the transmission under the terms and conditions stipulated in the Law of Georgia on Licenses and Permits and in accordance with Chapter V [Authorisation of energy activities] of this Law.

2. License for the transmission may be issued only on the basis of the rule defined by Article 50 of this law to the certified transmission system operator.
Chapter XI - Unbundling of the transmission system operator

Article 44 - Unbundling model

1. The government of Georgia makes a decision about the model of unbundling the operator of the transmission system. The commission, in agreement with Energy Community Secretariat, submits to the government of Georgia the model of separation of the operator of the transmission system and the action for its implementation.

2. Property unbundling model of the operator of the transmission system is property unbundling envisaged by article 45 of this law.

3. If as of October 6, 2011 or before, the operator of the transmission system belonged to the vertically integrated enterprise, the model of the independent systems operator can be used as an exception from the model of property separation defined by point 2 of this article, in accordance with articles 46 and 48.

4. Implementation of the unbundling model which implies a higher level of independence of the transmission system operator shall not allow for a later regression towards another model which would cause a transmission system operator being tighter bundled with and more dependent on a vertically integrated undertaking or any part thereof.

5. Transmission system operators and/or transmission system owners shall not in any event be prevented from taking steps to comply with and to implement the ownership unbundling under Article 45 [Ownership unbundling] of this Law.

6. Requirements of unbundling do not apply to the horizontally integrated electric power enterprise and horizontally integrated natural gas enterprise.

Article 45 - Ownership unbundling

1. Energy undertaking which owns the transmission system shall act as a transmission system operator. The transmission system operator shall acquire the license for the transmission, as referred to in paragraph 1 of Article 43 of this Law.

2. To ensure the independence of the transmission system operator the same person or persons shall not be entitled in the same time:

   1) directly or indirectly to exercise control over an energy undertaking performing any of the activities of production or supply, and directly or indirectly exercise control or exercise any right over a transmission system operator or over a transmission network;

   2) directly or indirectly to exercise control over a transmission system operator or over a transmission network, and directly or indirectly exercise control or exercise any right over an energy undertaking performing any of the activities of production or supply;

   3) to appoint members of the supervisory board, the management board or bodies legally representing the undertaking, of a transmission system operator or a transmission network, and directly or indirectly exercise control or exercise any right over an energy undertaking performing any of the activities of production or supply; and

   4) to be a member of the supervisory board, the management board or bodies representing the undertaking, of both an energy undertaking performing any of the activities of production or supply and a transmission system operator or a transmission network.

3. The rights referred to in paragraph 2 of this Article shall include in particular:
1) the power to exercise voting rights;
2) the power to appoint members of the supervisory board, the management board or bodies representing the undertaking; or
3) the holding of a majority share.

4. The obligation set out in paragraph 2 of this Article shall be deemed to be fulfilled in a situation where two or more energy undertakings which own transmission systems have created a joint venture which acts as a transmission system operator in two or more countries. No other undertaking may be part of the joint venture, unless it has been designated as the transmission system operator following implementation of the unbundling requirements and certified under the terms and conditions stipulated in applicable legal acts.

5. Where the person or persons referred to in paragraph 2 of this Article is a national authority, institution or another public body of Georgia, two separate public bodies that exercise control over a transmission system operator or over a transmission system on the one hand, and over the undertaking that performs any of the activities of production or supply on the other hand, shall be deemed not to be the same person or persons.

6. Neither commercially sensitive information held by a transmission system operator which was part of a vertically integrated undertaking, nor the staff of such a transmission system operator, shall be transferred to undertakings performing any of the activities of production or supply.

Article 46 - Independent system operator

1. As an exception to Article 45 of this Law, subject to the conditions specified in paragraph 2 of Article 44 of this Law, the Commission may designate an independent system operator.

2. An independent system operator may only be designated if:
   1) the candidate operator has demonstrated that it complies with the requirements of paragraph 2 of Article 45 of this Law;
   2) the candidate operator has demonstrated that it has at its disposal the required financial, technical, physical and human resources to carry out its tasks under Articles 51 and 52 of this Law;
   3) the candidate operator has undertaken to comply with the ten-year transmission network development plan in accordance with Article 53 of this Law;
   4) the transmission system owner has demonstrated its ability to comply with its obligations under paragraph 3 of Article 47 of this Law. To that end, it shall provide all the draft contractual arrangements with the candidate operator to be signed as agreed in advance and any other relevant entity (if the need exists); and
   5) the candidate operator has demonstrated its ability to comply with its obligations regarding access to the transmission system including the cooperation of transmission system operators at European and regional level.

Article 47 - Duties of the independent system operator and transmission system owner

1. If, under Article 46 of this Law, an independent system operator has been designated, it shall be responsible for:
   1) granting and managing third-party access, including, administration of relevant tariffs and charges;
2) operating, maintaining and developing the transmission system, as well as for ensuring the long-term ability of the system to meet reasonable demand through long-term investment planning by respective investment planning. When developing the transmission system, the independent system operator shall be responsible for planning (including authorisation procedure), construction and commissioning of the new infrastructure. For this purpose, the independent system operator shall act as a transmission system operator in accordance with Articles 51 and 52 of this Law.

2. The transmission system owner shall not be responsible for granting and managing third-party access, nor for investment planning.

3. In case an independent system operator has been designated, the transmission system owner shall:

1) provide all the relevant cooperation and support to the independent system operator for the fulfilment of its tasks, including in particular all relevant information;

2) finance the investments decided by the independent system operator in consultation with the transmission system owner and approved by the Commission, or give its agreement to financing by any interested party including the independent system operator. Relevant financing arrangements shall be subject to approval by the Commission. Prior to such approval, the Commission shall consult the independent system operator and the transmission system owner together with other interested parties;

3) provide for the coverage of liability relating to the network assets, excluding the liability relating to the tasks of the independent system operator; and

4) provide guarantees to facilitate financing any network expansions with the exception of those investments where, pursuant to subparagraph 2, it has given its agreement to financing by any interested party including the independent system operator.

4. An independent system operator shall possess the transmission network assets owned by the transmission system owner under the legal title allowed by law and agreed with the transmission system owner. The contract for the possession of the transmission network assets between an independent system operator and the transmission system owner, including the remuneration to the transmission system owner, shall be approved by the Commission.

Article 48 - Independence of the transmission system owner

1. If an independent system operator has been designated under Article 46 of this Law, the transmission system owner which is a part of a vertically integrated undertaking shall be independent at least in terms of the legal form, organisation and decision making from other activities not relating to transmission, distribution and storage.

2. In order to ensure the independence of the transmission system owner referred to in paragraph 1, the following minimum criteria shall apply:

1) persons responsible for the management of the transmission system owner shall not participate in company structures of the integrated undertaking responsible, directly or indirectly, for the day-to-day operation of the production, distribution, supply and/or trade;

2) appropriate measures shall be taken to ensure that the professional interests of persons responsible for the management of the transmission system owner are taken into account in a manner that ensures that they are capable of acting independently;

3) the transmission system owner shall establish a compliance programme, which sets out measures taken to ensure that discriminatory conduct is excluded, and ensure
that observance of it is adequately monitored. The compliance programme shall set out the specific obligations of employees to meet those objectives. An annual report, setting out the measures taken, shall be submitted by the person or body responsible for monitoring the compliance programme to the Commission and shall be published.

**Article 49 - Monitoring the unbundling of the transmission system operator**

1. The Commission shall monitor the continuing compliance of the transmission system operator with the requirements for its independence and/or unbundling. Such monitoring competences is carried out by the Commission irrespective of the independence level required and/or unbundling model applied.

2. The Commission shall assess the compliance of the transmission system operator with requirements for its independence and unbundling and, where necessary, shall reopen the certification procedure pursuant to Chapter XII of this Law in the following cases:
   a) upon notification by the transmission system operator pursuant to paragraph 3 of this Article;
   b) on its own initiative where it has knowledge that a planned change in rights or influence over the transmission system operator may lead to an infringement of respective requirements for independence and unbundling of the transmission system operator, or where it has a reason to believe that such an infringement may have occurred; or
   c) upon a reasoned request from the Energy Community Secretariat.

3. The transmission system operator shall notify to the Commission any planned transaction which may require a reassessment of its compliance with the requirements for independence and unbundling of the transmission system operator.

4. The Commission shall adopt its decision on compliance of the transmission system operator with the requirements for its independence and unbundling not later than in four (4) months from the date of respective notification by the transmission system operator or receipt of a request from the Energy Community Secretariat, or the beginning of an inspection on its own initiative, which shall be considered as a date of the notification by the Commission to the transmission system operator on such inspection.

5. In case the Commission considers the requirements for independence and/or unbundling of the transmission system operator have been infringed, the transmission system operator shall eliminate such infringements during the reasonable time period determined by the Commission and shall therefore submit any documents, data and information evidencing and justifying such elimination. Until the Commission adopts its final decision on elimination of the considered infringements, the transmission system operator shall be authorised, on a temporary basis, to perform its respective activities.

6. For the purposes of this Article, a certification procedure reopened by the Commission shall be followed under Article 50 of this Law.

7. Failure by the transmission system operator to eliminate infringements of requirements for its independence and/or unbundling, as considered by the Commission, may result in revocation of its license under the terms and conditions stipulated in the Law of Georgia on Licenses and Permits, and/or in financial penalties imposed pursuant to Article 153 of this Law.
Chapter XII - Certification of the transmission system operator

Article 50 - Certification of the transmission system operator

1. An energy undertaking, after implementation of the unbundling of the transmission system operator in compliance with Chapter XI of this Law, shall notify the Commission in writing about meeting the requirements of unbundling and shall submit all respective documents, data and information.

2. Within a period of four (4) months from the date of the notification by the transmission system operator and proper submission of all required documents, data and information, the Commission shall adopt a decision on the certification of the transmission system operator of the transmission system and sends its decision about certification or refusing it to the secretariat of the energy union before it enters into force within not less than one month for submitting opinions by the united secretariat. The commission makes the final decision within the period of 2 months after submitting the respective decision in the energy union secretariat. If after the expiry of this date the decision about certifying the operator of the transmission system or refusing certification is not adopted, the operator of the transmission system will not be considered certified.

3. With the view of certification of the systems operator (including, in case it is under the control of resident persons of third countries) envisaged by this article, the procedure of submitting the notification to the commission, making the decision about certifying the transmission systems operator and agreeing with the energy union, is defined by the rules of certifying the transmission systems operator approved by the commission.

4. Before the finalization of the certification procedure of the transmission system operator, the commission and the energy union secretariat are authorised to request at any time from the transmission system operator and/or transmission system owner and/or the energy enterprises implementing production or supply, any information related with the compliance with the liability envisaged by this article. The commission and the energy union secretariat are obliged to ensure confidentiality of the information containing commercial secret.

Chapter XIII - Tasks and responsibilities of the transmission system operator

Article 51 - Tasks of the transmission system operator

1. Regardless of the implemented unbundling model, transmission system operators shall construct, operate, maintain and develop under economic conditions secure, reliable and efficient transmission systems, open market as well as to ensure the long-term ability of the systems to meet reasonable demands for the transmission of electricity or natural gas in a defined territory and adequate means to meet service obligations. Transmission system operators, while carrying out their duties and fulfilling their tasks, shall pay due regard to the environment.

2. Transmission system operators shall provide transmission related services in accordance with this Law, the applicable Transmission Network Code, license conditions and applicable technical rules as referred to in Article 97 of this Law.

3. Transmission related services shall be provided to individual system users on the basis of service contracts concluded with the transmission system operator. Each transmission system operator shall prepare and, subject to the approval by the Commission, adopt standard contracts on provision of its services, in particular on connection to the transmission
network and standard conditions of the agreement of transmission service, and publishes on its website information about their approval by the commission.

4. Transmission system operators or, as the case may be, transmission system owners shall build sufficient cross-border capacities (interconnectors) to integrate electricity and natural gas transmission systems of Georgia with such systems of other Energy Community Parties and, in cases defined by the State Energy Policy also with systems of other neighbouring countries, accommodating all economically reasonable and technically feasible demands for capacities and taking into account security of supply.

5. Transmission system operators shall refrain from discrimination among system users or different categories of system users, particularly in favour of their related undertakings.

6. Transmission system operators shall provide any neighbouring system operator, including transmission and distribution system operators, natural gas storage system operators and LNG system operators, with sufficient information to ensure that the transport of electricity or natural gas or, where relevant, storage of natural gas takes place in a manner compatible with secure and efficient operation of interconnected systems.

7. Transmission system operators shall provide system users with detailed information in a meaningful, quantifiably clear and easily accessible way regarding services offered as well as conditions for such services and technical information necessary for system users to gain effective access to the system in consistency with confidential information exemptions approved by the Commission.

8. Transmission system operators shall procure the energy they use for carrying out of their functions according to transparent, non-discriminatory and market based procedures.

9. Transmission system operators shall keep at the disposal of competent national authorities of Georgia, including the Commission and the Competition Agency, as well as of the Energy Community Secretariat all information referred to in this Article and all technical information necessary for system users to gain effective access to the transmission system, information related to relevant points for transparency requirements, and information to be published at all relevant points and the time schedule according to which that information should be published at least for a period of five (5) years.

Article 52 - Responsibilities of the transmission system operator

1. Each transmission system operator shall be required to:

   a) comply with the requirements of the electric transmission network in accordance with the articles 60 and 68 of this law.

   b) develop the annual plan of developing the transmission system for not less than the 10-year period in accordance with the investment plan of state energy policy and other systems operators agreed accordingly and article 53 of this law.

   c) carry out transparent and effective procedures and follow transparent and effective rules and terms with the transmission system for non-discriminatory and unrestricted admittance of third parties in accordance with articles 57, 58, 65 and 66 of this law.

   d) implement transparent and efficient procedures as well as terms and conditions for non-discriminatory and unrestricted third party access to the transmission system in accordance with Articles 59 and 67 of this law, including those of industrial customers, to the transmission network in accordance with Articles 59 and 67 of this Law;

   e) implement the terms and conditions for and perform dispatching functions in the transmission system, i.e. manage operational capacities of production facilities connected to the transmission network, energy flows from such production facilities to the transmission system and/or overall energy flows in the transmission system, including the use of interconnectors for cross-border exchanges with other interconnected systems;
f) ensure balancing of the transmission system and complying with the rules and terms related to it in accordance with the requirements defined by this law;

g) implement the terms and conditions for and proceed with the procurement of ancillary services and provision of system services in accordance with the general requirements laid down in this Law;

h) implement the terms and conditions for and perform the functions of the capacity allocation and congestion management aiming at efficient use of the capacities in the transmission network, including interconnectors with other systems, in accordance with Articles 62, 63 and 70 of this Law for efficient use of the capacities existing in the transmission network, including, inter-connectors;

i) take appropriate safety measures for using the transmission system and other associated facilities;

j) ensure the confidentiality of commercially sensitive information obtained from conducting business operations in accordance with Article 151 of this Law, and publish the information that may provide advantages in the market in a non-discriminatory manner;

k) collect and publish data and information necessary to meet the prescribed requirements related to transparency and monitoring of energy markets in accordance with the applicable Transmission Network Code and technical rules as referred to in Article 97 of this Law;

l) contribute to security of supply through adequate transmission capacity and system reliability, and perform in compliance with the security of supply requirements under Chapters XXXIII and XXXIV of this Law;

m) take measures to increase energy efficiency and ensure environmental protection;

n) apply modern methods of the energy efficiency/demand-side management by observing minimal standards related to the maintenance and development of the transmission system, including interconnectors;

o) cooperate and promote operational arrangements and the development of energy exchanges with other system operators and relevant interested parties in order to establish regional energy markets in accordance with Article 56 of this Law;

p) set the minimum internal operational rules and obligations on network security in compliance with this Law and transmission network code/rules;

q) facilitate the integration and liberalisation of energy markets;

r) submit to the Commission and, where so required by this Law, to other competent national or international institutions the information and documents needed to enable them to exercises their duties.

2. In addition to responsibilities specified in paragraph 1 of this Article, the transmission system operator for electricity shall be required to administer/collect congestion rents and payments under the inter-transmission system operator compensation mechanism, ensure connection with the third party transmission system and managing by them the transmission system and giving reasoned explanations when it denies such access, which shall be monitored by the Commission.

3. Transmission system operators shall carry out other duties and perform other tasks assigned to their competence under the terms and conditions stipulated in this Law, other applicable laws and their implementing regulations.
Article 53 - Development of the transmission network and investment decisions

1. On annual basis, the transmission system operator develops/updates for the next 10 calendar years a ten-year transmission network development plan based on existing and forecast supply and demand. The ten-year transmission network development plan shall contain efficient measures in order to guarantee the adequacy of the transmission network and security of supply therein.

2. The ten-year transmission network development plan shall in particular:
   1) provide information on existing and forecasted demand for and supply of electricity or natural gas;
   2) provide forecasted domestic generation of electricity or production of natural gas and cross-border exchanges in electricity or natural gas;
   3) indicate the main transmission infrastructure that needs to be built or upgraded over the next ten (10) years;
   4) contain all the investments already decided and identify new investments which have to be executed in the next three (3) years;
   5) provide for a time frame for all investment projects;
   6) provide information on integration of new production facilities into the network, including those using renewable energy sources; and
   7) provide other information necessary for effective operation and management of energy systems in Georgia pursuant to the requirements laid down by this Law, the applicable Transmission Network Code, and regulations on the security of supply.

3. When elaborating the ten-year transmission network development plan, the transmission system operator shall make reasonable assumptions about the evolution of the production, supply, consumption of and exchanges in electricity or natural gas with other countries, taking into account investment plans for surrounding networks and, in case of natural gas network developments, also investment plans for natural gas storage and LNG facilities.

4. When elaborating the ten-year transmission network development plan, the transmission system operator shall reflect strategic network development targets and projects including cross-border and domestic developments, stipulated in the State Energy Policy adopted pursuant to Article 7 [State Energy Policy] of this Law.

5. The transmission system operator submits the 10-year transmission network development plan after having prepared and discussed it with interested parties but not later than October 1 of the respective year. The commission reviews and discusses it and checks whether the 10-year network development plan encompasses all investment needs and provides respective comments and recommendations to the ministry within the period of 2 months after the submission of the project.

6. The Commission shall examine the 10-year plan draft and submitted comments and recommendations together with the commission and the transmission systems operator. The Commission is authorised to require the transmission system operator to amend its ten-year transmission network development plan, including, taking into consideration comments of the commission. This does not apply to taking out respective projects of target indicators envisaged by paragraph 4 of this article of the ten-year development plan of the transmission network. However, if deemed appropriate, it is possible to change the terms of their implementation. The commission is authorised to request from the transmission system operator additional specifications and/or explanation and, if it deems appropriate, change financial indicators, with these projects as well, including, those that make influence on the
electricity price with the end user. Expenditures envisaged by such projects may be fully or partially be funded from the state budget if on the basis of the analysis of using the expenditure, the Government of Georgia makes such a decision. Otherwise, they will be envisaged in regulated tariffs on the basis of the rule and conditions defined by respective methodology.

7. On the basis of the consent of the government of Georgia, the Ministry not later than the end of the respective year ensures approval of the 10-year development plan of the transmission network. Complying with the 10-year development plan of transmission network is supervised and assessed by the commission and the Ministry according to their competence.

8. In circumstances where the transmission system operator, other than for overriding reasons beyond its control, does not execute an investment, which, under the ten-year transmission network development plan, was to be executed in the following three (3) years, the Commission shall take at least one of the following measures, in agreement with the government of Georgia, to ensure that the investment in question is made, if such investment is still relevant on the basis of the most recent ten-year transmission network development plan:

   a) require the transmission system operator to execute the investments in question;
   b) organise a tender procedure open to any investors showing interest for the investments in question; and/or
   c) oblige the transmission system operator to accept a capital increase to finance the necessary investments and allow independent investors to participate in the capital.

9. Investors referred to in paragraph 8 of this Article may not be companies engaged in production, supply of and/or trade in electricity or natural gas.

10. Where the Commission has made use of its powers under the subparagraph “b” of paragraph 8 of this Article, it may oblige the transmission system operator to agree to one or more of the following options:

   1) financing by any third party;
   2) construction of assets by any third party;
   3) building the new concerned assets itself; and/or
   4) operating the new concerned assets itself.

11. The transmission system operator shall demonstrate maximum effort to support implementation of investment projects and provide the investors with all information needed to realise the investments, connect new assets to the transmission network and generally make its best efforts to facilitate the implementation of the investment project. The relevant financial arrangements shall be subject to approval by the Commission.

12. Where the Commission made use of its powers under paragraph 8, sub-point “b” of this Article, the costs of the investments in question shall be covered by tariff items for the transmission related services.

13. If, under Article 46 of this Law, an independent system operator has been designated and such an independent system operator does not reach an agreement with the transmission system owner regarding particular developments of transmission network assets owned by the transmission system owner, including, network extensions, the decision on such investments shall be made by the Commission based on economic and technical justification provided by an independent system operator and the transmission system owner.
Article 54 - Transparency requirements concerning the transmission system operator

1. The transmission system operator shall publish detailed information regarding the services it offers and the relevant conditions applied, together with the technical information necessary for system users to gain effective access to the transmission system in the form defined by the commission as well as the timeframe.

2. The transmission system operator is obliged to annually publish the report about the previous calendar year activities according to the form defined by the commission and within the set timeframe.

3. The operator of the transmission system submits the annual report to the Ministry after it has been approved by the commission, which, taking into consideration the annual report of the transmission system operator prepares the annual report about the existing situation with supply in the country and possible demand on electricity and natural gas.

4. The commission is authorised to request from the transmission systems operator and/or in respective cases the energy enterprise, implementation of specific activities based on the annual report of the systems operator in order to ensure:
   a) transparency, objectivity and non-discrimination;
   b) proper operation and management of the transmission system;
   c) reducing losses in the transmission network;
   d) improving the quality of supply;
   e) improving the operational security of the network.

Article 55 - Delivery of data and information to the transmission system operator

Producers, system operators and final customers, facilities of whom are connected to the transmission network shall, at the request of the transmission system operator, deliver to the transmission system operator data and information required for the purpose of system management and development, as required by this Law, the applicable Transmission Network Code, regulations on the security of supply and the rules on provision of information adopted by the Commission, inter alia the data and information.

Article 56 - Regional and international cooperation of the transmission system operator

1. The transmission system operator, in coordination with the Commission, shall particularly promote and facilitate the cooperation of transmission system operators at a regional level, including cross-border issues, with the aim of creating a competitive regional market in electricity or natural gas and fostering the consistency of legal, regulatory and technical frameworks concerning activities of transmission system operators, in line with the assumed international commitments of Georgia.

2. The transmission system operator shall cooperate with the Energy Community Regulatory Board and, where relevant, with regulatory authorities and transmission system operators of other Energy Community Parties within the framework determined by Energy Community law, this Law and other applicable legal acts.

3. The transmission system operator, subject to a prior approval of the Commission, may participate in the work of one or more integrated system (or systems) at the level of one or more regions covering two or more Energy Community Parties for the allocation of transmission capacities and for checking the security in transmission networks.
4. The transmission system operator shall promote operational arrangements in order to ensure the optimum management of transmission networks in the Energy Community and shall promote the development of energy exchanges, the coordinated allocation of cross-border capacity through non-discriminatory market-based solutions, paying due attention to the specific merits of implicit auctions for short-term allocations, as well as to the integration of balancing and reserve mechanisms.

Chapter XIV - Operation and management of the electricity transmission system

Article 57 - Third-party access to the electricity transmission system

1. The transmission system operator shall provide system users with a non-discriminatory and unrestricted access to the electricity transmission system in line with the terms and conditions laid down in the Electricity Transmission Network Code. Charges for access to the electricity transmission system shall be based on tariffs set by the Commission as calculated under its adopted methodology.

2. Where the transmission system operator offers the same service to different electricity system users, it shall do so under equivalent contractual terms and conditions, either using harmonised transmission service contracts and/or pursuant to the Electricity Transmission Network Code.

3. The provisions of this Law shall not prevent the conclusion of long-term contracts in so far as they comply with the competition rules stipulated in the applicable laws, as required by Energy Community law.

4. The transmission system operator shall publish on its website the procedure, terms and conditions for the access to the electricity transmission system, including requirements stipulated in the Electricity Transmission Network Code and charges set by the Commission, as well as technical and quantitative data relevant for the access to and the use of the electricity transmission system which shall be regularly updated.

5. In case envisaged by the legislative act of the commission, service connected with allowing the third party may be rendered to the beneficiary of the transmission system user, only after submitting the respective financial guarantee. Such a guarantee should be taken into consideration “with standard terms of the agreement” developed by paragraph 3, article 51 of this law, be non-discriminative, transparent and proportionate and should not create unjustifiable barrier of entering the market.

6. The transmission system operator, in accordance with bilateral or multilateral agreements and/or other terms of cooperation, may have access to the network of operators of the transmission system of neighbouring countries, if this is necessary for fulfilling one’s own function, including, trans-border transmission of electricity.

7. The transmission system operator shall, if necessary for the purpose of carrying out its functions including in relation to cross-border transmission of electricity, have access to the network of other transmission system operators of neighbouring countries following their mutual agreements and/or other terms of cooperation.

Article 58 - Refusal of access to the electricity transmission system

1. The transmission system operator may fully or partially refuse access to the electricity transmission system on the basis of lack of capacity or connection, or where the access to the system would prevent the transmission system operator from providing its public services as regulated by this Law, or in cases where public health or safety is threatened. The terms
and conditions of the access refusal of third parties shall be regulated by the applicable electric energy transmission network rules.

2. Duly substantiated reasons shall be given by the transmission system operator for any refusal of access, including, the time period of refused access and measures that would be necessary to remove the stated reasons. Each system user whose request for access to the electricity transmission system was refused shall be provided with such reasons in a written form together with the evidence based on objective, non-discriminatory, technically and economically justified criteria, as to be prepared and submitted by the transmission system operator without any undue delay and, in any case, not later than in five (5) business days after receiving the request for access.

3. The transmission system operator, if refusing access to the electricity transmission system on the basis of lack of capacity or a lack of connection, shall make the necessary enhancements as far as it is economic to do so or when a potential customer is willing to pay for such enhancements.

4. The Commission shall ensure, where appropriate, that the transmission system operator provides relevant information on measures that would be necessary to enhance the electricity transmission system as referred to in paragraph 3 of this Article. The party requesting for information may be charged a reasonable fee reflecting the cost of providing such information.

5. A system user whose access to the electricity transmission system has been refused or is unsatisfied with conditions of its access to the system may file a complaint with Commission as referred to in Article 155 of this Law.

Article 59 - Connection to the electricity transmission network

The transmission system operator shall ensure the connection of electricity facilities to the electricity transmission network in line with the terms and conditions laid down in the Electricity Transmission Network Code. Charges for connection to the electricity transmission network shall be set by the Commission as calculated under its adopted methodology.

Article 60 - Electricity Transmission Network Code

1. The operation and management of the electricity transmission network shall be regulated by the Electricity Transmission Network Code and other applicable legal acts.

2. The Electricity Transmission Network Code shall establish:

   a) operational prerequisites for safety of the electricity transmission network in compliance with prescribed electricity technical quality requirements under technical rules adopted pursuant to Article 97 of this Law;

   b) procedures of operating the electric energy system in normal and extraordinary conditions, when not being technically operational, force majeure situations and during other impediments, taking into consideration security rules of emergency driving and supply defined by the respective legislative acts;

   c) procedure, terms and conditions for the connection of the third party to the electricity transmission system, including, in accordance with Articles 57 and 58 of this rule, the service to be rendered by the transmission system operator in connection with accepting the third person;

   d) procedure and terms and conditions for the connection with electrical transmission network in accordance with article 59 of this law;

   d. a) prerequisites for the connection to the electricity transmission network;
b) method of the electricity metering, and functional requirements and accuracy class of metering equipment provided as established by technical rules pursuant to Article 97 of this Law and other applicable legal acts;

c) ownership of metering equipment at the connection point or other determined accounting metering point;

d) rights and obligations of the transmission system operator and system users related to connections to the electricity transmission network;

e) terms and conditions for dispatching, including services provided by the transmission system operator thereto, taking into account the economic precedence of electricity from available electricity generation facilities and/or cross-border exchanges in electricity and the technical constraints of the electricity system. Where appropriate, following the measures introduced under Article 37, when dispatching electricity generation facilities, the priority may be given to facilities using renewable energy sources and/or producing combined electricity and heat;

f) general terms and conditions for connection to the electricity distribution network or to electricity network of facilities connected to the electricity transmission network, as much as it is needed for the purposes of dispatching the electricity system, to be aligned with in the Electricity Distribution Network Code or other applicable rules;

g) terms and conditions for balancing of the electricity system reflecting genuine system needs taking into account the resources available to the transmission system operator at minimum cost. The balancing rules shall be designed in an objective, non-discriminatory and transparent manner, and shall be market-based;

h) terms and conditions for the elaboration of electricity balances providing the forecasted data of the generation of electricity as well as supply and demand in the system and applied for dispatching and balancing operations. Electricity balances shall be prepared and updated on periodical basis in cooperation with operators of interconnected systems and other relevant system users and shall be published on the website of the transmission system operator;

i) terms and conditions for management of cross-border exchanges in electricity in accordance with Article 61 of this Law;

j) terms and conditions for capacity allocation, including terms and conditions for the allocation and use of cross-border electricity transmission capacities in accordance with Article 62 of this Law;

k) terms and conditions for congestion management in accordance with Article 63 of this Law;

l) criteria for and method of as well as terms and conditions for the procurement of ancillary services and provision of electricity system services;

m) criteria, procedure and methodology for planning the operation and development of the electricity transmission network;

n) procedure, terms and conditions for measuring capacities and delivered electricity to and transported through the electricity transmission network;

o) terms and conditions for the implementation of procedures for interruptions of electricity deliveries through the electricity transmission network;

p) rights and obligations of the transmission system operator and the system users related to the operation and management of the electricity transmission network;

q) general terms and conditions for the provision of transmission related services, including for relevant contractual relations with regard to connection to the
electricity transmission network (pursuant to standard contract on connection) and transmission of electricity (pursuant to standard contract on transmission services);
r) terms and conditions for the internal handling of complaints and settlement of disputes within the transmission system operator as arising from electricity transmission contracts and from other relations with regard to access and connection to and use of the electricity transmission network;
s) method of publication of data and information possessed by the transmission system operator necessary for the operation and management of electricity systems and for organising the electricity market, including definition of all relevant points and time schedule of publications, *inter alia* in accordance with Article 54 of this Law;
t) methods of data and information exchange with other system operators of interconnected electricity systems;
u) requirements for the submission of data and information to the transmission system operator necessary for the operation and management of the electricity transmission network in accordance with Article 55;
v) measures aimed at energy efficiency and security of electricity supply requirements within the competence of the transmission system operator;
w) other terms and conditions relevant for the operation and management of the electricity transmission network.

3. The Electricity Transmission Network Code shall be developed by the transmission system operator and adopted by the Commission. In the process of development of the Electricity Transmission Network Code, the transmission system operator shall ensure appropriate participation of and consultations with all interested parties, and may seek for advice by the Energy Community Secretariat regarding the compliance of the draft Electricity Transmission Network Code. The transmission system operator shall comply with technical rules adopted pursuant to Article 97 of this Law and other applicable legal acts.

4. The Electricity Transmission Network Code shall be published in the Legislative Herald of Georgia and on the website of the transmission system operator.

**Article 61 - Management of cross-border exchanges in electricity**

1. In line with international agreements which bind Georgia, the transmission system operator shall manage cross-border transmission of electricity through the transmission network under the conditions and in the manner established by those agreements and technical capacities of cross-border electricity transmission lines as well as of the overall electricity transmission network.

2. The amount of financial resources which are collected for using cross-border electricity transmission lines shall be settled between the transmission system operator and system operators in other countries involved in the cross-border exchange of electricity, in line with this Law, arranged procedures and all applicable international agreements and obligations.

3. The transmission system operator shall inform the Commission on actual use and purpose of revenues received in relation to use of cross-border electricity transmission lines so as to allow the Commission to exercise its regulatory powers with respect to cross-border electricity transmission lines and interconnections as defined by this Law.

4. The transmission system operator shall be responsible for the development of a general methodology for the calculation of the electricity transfer capacity through the electricity transmission network and the transmission reliability margin based upon the electrical and physical features of the electricity transmission network. Transmission system operator shall submit that methodology and all its amendments to the Commission for prior
approval and shall publish it in appropriate form. For the purpose of this paragraph, the Commission shall cooperate with relevant regulatory authorities of neighbouring countries pursuant to Article 25 of this Law.

5. The transmission system operator shall publish estimates of available electricity transfer capacity for each day, indicating any available electricity transfer capacity already reserved. Those publications shall be made at specified intervals before the day of transmission and shall include, in any event, week-ahead and month-ahead estimates, as well as a quantitative indication of the expected reliability of the available electricity transfer capacity.

6. The Commission, in line with internationally assumed obligations of Georgia, shall deliver, upon request, to the competent bodies of the Energy Community all data related to cross-border exchanges in electricity.

**Article 62 - Allocation and use of cross-border electricity transmission capacities**

1. Allocation and use of cross-border electricity transmission capacities shall be arranged following the rules established by the Electricity Transmission Network Code and the rules referred to in paragraph 3 of this Article, *inter alia* taking into account regionally coordinated arrangements thereto.

2. For the purpose of allocation and use of the cross-border electricity transmission capacities within one or more regions, or the implicit purchase and sale of electricity along with the cross-border transmission capacities, when applicable, the transmission system operator may, in conformity with international agreements, establish together with the transmission system operators of other countries, one or more legal persons for coordinating auctions of cross-border transmission capacities with the view of distributing and using electricity in one or several regions of capacity or together with trans-border transmission capacity with the view of non-announced buying and selling of electricity.

3. The rules on allocation and use of cross-border electricity transmission capacities in accordance with the legislation of Georgia are developed by the transmission system operators in charge and approved by the commission. In case of physical connection of the transmission network with the energy community country, these rules are developed by the transmission system operator in accordance with the harmonized rules and respective national regulatory bodies instructions and harmonized rules existing at the energy community regional level and approved by the commission in cooperation with the national regulatory bodies in the region. Supervision over cross-border capacity allocation at the level of the region of the Energy Community shall be implemented in conformity with the decision on establishing a legal person for coordinated auctions.

**Article 63 - Congestion management in the electricity transmission network**

1. Congestion in the electricity transmission network, including congestion related to the cross-border transmission of electricity, shall be addressed with non-discriminatory market-based solutions which give efficient economic signals to the electricity market participants, the transmission system operator and other involved electricity undertakings.

2. Congestion problems in the electricity transmission network shall preferentially be solved with non-transaction based methods, *i.e.* methods that do not involve a selection between the contracts of individual electricity market participants.

3. Making the choice (transaction curtailment) among the agreement of separate market players (limiting agreements) is only allowed in emergency situations where the transmission system operator must act in an expeditious manner and re-dispatching or counter trading is not possible. Any such procedure shall be applied in a non-discriminatory manner. Electricity...
market participants which have been allocated with cross-border transmission capacity shall be compensated for any curtailment, except for the case defined by applicable legal acts.

4. The transmission system operator shall make the maximum capacity of interconnectors and electricity transmission network affecting cross-border exchanges in electricity available to electricity market participants, providing consistency with the security standards of the electricity system operation in Georgia and neighbouring systems.

5. Electricity market participants shall inform the transmission system operator a reasonable time in advance of the relevant operational period whether they intend to use allocated transmission capacity. Any allocated transmission capacity that is not used shall be reattributed to the electricity market, in an open, transparent and non-discriminatory manner.

6. The transmission system operator shall, as far as technically possible, net the capacity requirements of any electricity flows in opposite direction over the congested interconnectors in order to use that line to its maximum capacity.

7. Having full regard to security of operation of the electricity system, the transmission system operator shall make sure that transactions which relieve congestions are never to be denied.

8. In cases when capacity nominations for the use of the interconnector from all the electricity market participants net out to a total capacity lower than the available transfer capacity and no congestion exists, all market participants shall be served and no additional congestion management charges shall be imposed.

9. Any revenues that the transmission system operator receives in relation to use of cross-border electricity transmission lines shall be used for the following purposes:
   1) guaranteeing the actual availability of the allocated transmission capacity; and/or
   2) maintaining or increasing interconnection capacities through investments in the electricity transmission network, in particular in new interconnectors.

10. If the revenues received by the transmission system operator cannot be efficiently used for the purposes set out in paragraph 9 of this Article, the Commission shall include this unused revenue in the methodology used to calculate charges for the use of the electricity transmission system with the view of decreasing the tariff. The rest of the revenues shall be placed on a separate internal account until such time as they can be spent on the purposes set out in paragraph 9 of this Article. The Commission shall inform the Energy Community Regulatory Board thereof.

**Article 64 - Parallel operation of electricity systems**

1. Parallel operation of electricity system may only encompass measures and instruments for synchronous or asynchronous operation of two or more neighbouring electricity systems, or any parts thereof, aimed at the maintenance of stability of electricity systems.

2. The transmission system operator shall be entitled to conclude with competent operators of neighbouring electricity systems an agreement (or agreements) on parallel operation of electricity systems.

3. Any agreement on parallel operation of electricity systems may be concluded and applied only in the part where it does not contradict the requirements established by this Law, including unbundling and independence of the transmission system operator and its competences, other applicable laws and their implementing regulations as well as commitments of Georgia under the Treaty establishing the Energy Community.

4. Technical operation and cooperation management related to parallel operation of electricity systems shall be implemented pursuant to point 2 of this article respective agreement and in compliance with the Electricity Transmission Network Code.
5. The relationship emerged on the basis of the agreement of working in parallel manner of electric-energy systems, is not import and export or power and does not submit to licensing or issuance of permit.

Chapter XV - Operation and management of the natural gas transmission system

Article 65 - Third-party access to the natural gas transmission system

1. The transmission system operator shall provide system users with a non-discriminatory and unrestricted access to the natural gas transmission system in line with the terms and conditions laid down in the Natural Gas Transmission Network Code. Charges for access to the natural gas transmission system shall be based on tariffs set by the Commission as calculated under its adopted methodology.

2. The transmission system operator, for the purposes of paragraph 1 of this Article shall provide both firm and interruptible third-party access services, where the price of interruptible capacity shall reflect the probability of interruption, and offer to system users both long and short-term services.

3. Where the transmission system operator offers the same service to different natural gas system users, it shall do so under equivalent contractual terms and conditions, either using harmonised natural gas transport contracts and/or pursuant to the Natural Gas Transmission Network Code.

4. The transmission system operator shall publish on its website the procedure, terms and conditions for the access to the natural gas transmission system, including requirements stipulated in the Natural Gas Transmission Network Code and charges set by the Commission, as well as technical and quantitative data relevant for the access to and the use of the natural gas transmission system which shall be regularly updated.

5. Where appropriate, third-party access services may be granted subject to appropriate guarantees from system users with respect to the creditworthiness of such users. Such guarantees shall be established in a standard contract as referred to in paragraph 3 of Article 51 this Law and shall not constitute undue market-entry barriers and shall be non-discriminatory, transparent and proportionate.

6. Natural gas transport contracts signed with non-standard start dates or with a shorter duration than a standard annual transport contract shall not result in arbitrarily higher or lower tariffs that do not reflect the market value of the service.

7. The provisions of this Law shall not prevent the conclusion of long-term contracts in so far as they comply with the competition rules stipulated in the applicable laws, as required by Energy Community law.

8. The transmission system operator shall, if necessary for the purpose of carrying out its functions including in relation to cross-border transmission of natural gas, have access to the network of other transmission system operators of neighbouring countries following their mutual agreements and/or other terms of cooperation.

Article 66 - Refusal of access to the natural gas transmission system

1. The transmission system operator may fully or partially refuse access of the third party to the natural gas transmission system except the case when this is caused by lack of capacity or connection in the requested period, or where the access to the system would prevent the transmission system operator from providing its public services as regulated by this Law, or in cases where public health or safety is threatened. In the mentioned cases, the decision on refusing giving access to the system of natural gas transmission should be
respectively substantiated by indicating its term of validity in accordance with point 3 of this article. The terms and conditions and the rule of the access refusal shall be regulated by the rules of the natural gas network.

2. Apart from conditions referred to in paragraph 1 of this Article, the transmission system operator may also fully or partially refuse access to the natural gas transmission system on the basis of serious economic and financial difficulties with take-or-pay contracts that have been effective before the request for access to the transmission system was received.

3. Duly substantiated reasons shall be given by the transmission system operator for any refusal of access, including the time period of refused access and measures that would be necessary to remove the stated reasons. Each system user whose request for access to the natural gas transmission system was refused shall be provided with such reasons in a written form together with the evidence based on objective, non-discriminatory, technically and economically justified criteria, as to be prepared and submitted by the transmission system operator without any undue delay and, in any case, not later than in five (5) business days after receiving the request for access.

4. The transmission system operator, if refusing access to the natural gas transmission system on the basis of lack of capacity or a lack of connection, shall make the necessary enhancements as far as it is economic to do so or when a potential customer is willing to pay for such enhancements.

5. The Commission shall ensure, where appropriate, that the transmission system operator provides relevant information on measures that would be necessary to enhance the natural gas transmission system as referred to in paragraph 4 of this Article. The party requesting for information may be charged a reasonable fee reflecting the cost of providing such information.

6. A system user whose access to the natural gas transmission system has been refused or is unsatisfied with conditions of its access to the system may file a complaint with the Commission as referred to in Article 155 of this Law.

Article 67 - Connection to the natural gas transmission network

The transmission system operator shall ensure the connection of natural gas facilities to the natural gas transmission network in line with the terms and conditions laid down in the Natural Gas Transmission Network Code. Charges for connection to the natural gas transmission network shall be set by the Commission as calculated under its adopted methodology.

Article 68 - Natural Gas Transmission Network Code

1. The operation and management of the natural gas transmission network shall be regulated by the Natural Gas Transmission Network Code and other applicable legal acts.

2. The Natural Gas Transmission Network Code shall establish:
   a) operational prerequisites for safety of the natural gas transmission network in compliance with prescribed natural gas technical quality requirements under technical rules adopted pursuant to Article 97;
   b) procedures for operating the natural gas system under normal network operation regime and operation under extraordinary conditions, operation under fault conditions, events of force majeure and other cases of disturbed operation taking into account, inter alia, emergency management and security of supply rules adopted by applicable legal acts;
c) procedure, terms and conditions for granting third party access to the natural gas transmission system, including, third-party access services provided by the transmission system operator, in accordance with Articles 65 and 66 of this Law related with allowing the third party to the natural gas transmission system;

d) procedure and conditions for the connection to the natural gas transmission network in accordance with Article 67 of this Law, including:
   a) prerequisites for the connection to the natural gas transmission network;
   b) method of the natural gas metering, and functional requirements and accuracy class of metering equipment provided as established by technical rules pursuant to Article 97 of this Law and other applicable legal acts;
   c) ownership of metering equipment at the connection point or other determined accounting metering point; and
   d) rights and obligations of the transmission system operator and system users related to connections to the natural gas transmission network;

e) terms and conditions for dispatching, including services provided by the transmission system operator thereto;

f) terms and conditions for balancing of the natural gas system in accordance with Article 69 of this Law;

g) capacity-allocation mechanisms and congestion management procedures in accordance with Article 70 of this Law;

h) criteria for and method of the procurement of ancillary services and provision of natural gas system services;

i) criteria, procedure and methodology for planning the operation and development of the natural gas transmission network;

j) virtual point (or points), including, virtual trade, in the natural gas transmission network;

k) range of quality, chemical contents and other characteristics of natural gas taken to the natural gas transmission network and delivered from the network provided as established by technical rules pursuant to Article 97 of this Law and other applicable legal acts;

l) procedure and rule for measuring capacities and delivered natural gas to and transported through the natural gas transmission network;

m) terms and conditions for data exchange on planned and delivered quantities of natural gas in cases where daily measurements are not possible;

n) terms and conditions for the implementation of procedures for interruptions of natural gas deliveries through the natural gas transmission network;

o) rights and obligations of the transmission system operator and of system users related to the operation and management of the natural gas transmission network;

p) general terms and conditions for the provision of transmission related services, including for relevant contractual relations with regard to connection to the natural gas transmission network (pursuant to standard contract on connection) and transmission of natural gas (pursuant to standard natural gas transport contract);

q) terms and conditions for the internal handling of complaints and settlement of disputes within the transmission system operator as arising from natural gas transport contracts and from other relations with regard to access and connection to and use of the natural gas transmission network;
r) method of publication of data and information possessed by the transmission system operator necessary for the operation and management of natural gas systems and for organising the natural gas market, including definition of all relevant points and time schedule of publications, *inter alia* in accordance with Article 54 of this Law;

s) methods of data and information exchange with other system operators of interconnected natural gas systems;

t) requirements for the submission of data and information to the transmission system operator necessary for the operation and management of the natural gas transmission network in accordance with Article 55 of this Law;

u) measures aimed at energy efficiency and security of natural gas supply requirements within the competence of the transmission system operator;

v) other terms and conditions relevant for the operation and management of the natural gas transmission network.

3. The Natural Gas Transmission Network Code shall be developed by the transmission system operator and adopted by the Commission. In the process of development of the Natural Gas Transmission Network Code, the transmission system operator shall ensure appropriate participation of and consultations with all interested parties, and may seek for advice by the Energy Community Secretariat regarding the compliance of the draft Natural Gas Transmission Network Code. The transmission system operator shall comply with technical rules adopted pursuant to Article 97 of this Law and other applicable legal acts.

4. The Natural Gas Transmission Network Code shall be published in the Legislative Herald of Georgia and on the website of the transmission system operator.

**Article 69 - Natural gas balancing rules and imbalance charges**

1. Natural gas balancing rules shall be designed in a fair, non-discriminatory and transparent manner and shall be based on objective criteria. Balancing rules shall reflect genuine system needs taking into account the resources available to the transmission system operator. Balancing rules shall be market-based.

2. Imbalance charges shall be cost-reflective to the extent possible, while providing appropriate balancing incentives to balance input and off-take of natural gas. The imbalance fee should not make cross-subsidies between natural gas system users and create barriers to new system users to enter the market. The imbalance fee is determined on the basis of the rule defined by the legislative act.

3. The transmission system operator shall publish sufficient, well-timed, and reliable online information on the balancing status of natural gas system users that is necessary to enable system users to take timely corrective actions. The level of information provided shall reflect the level of information available to the transmission system operator. No charge shall be made for the provision of information under this paragraph.

4. The transmission system operator shall publish tariffs for the provision of natural gas balancing services.

5. The transmission system operator shall cooperate with transmission system operators of other Energy Community Parties with an aim to endeavour to harmonise balancing regimes in the natural gas system and streamline structures and levels of imbalance charges in order to facilitate trade in natural gas.
Article 70 - Principles of capacity-allocation mechanisms and congestion management procedures concerning the natural gas transmission system

1. The maximum capacity at all relevant points of the natural gas transmission system, including entry and exit points, shall be made available to natural gas market participants, taking into account system integrity and efficient network operation.

2. The transmission system operator shall implement and publish non-discriminatory and transparent capacity-allocation mechanisms, which shall:
   1) provide appropriate economic signals for the efficient and maximum use of technical capacity, facilitate investment in new natural gas infrastructure and facilitate cross-border exchanges in natural gas;
   2) be compatible with the market mechanisms including spot markets and trading hubs, while being flexible and capable of adapting to evolving natural gas market circumstances; and
   3) be compatible with the terms and conditions for the access to the systems of other Energy Community Parties (in case of physical connection with member state of the energy union of the transmission network).

3. The transmission system operator shall implement and publish non-discriminatory and transparent congestion-management procedures which facilitate cross-border exchanges in natural gas on a non-discriminatory basis and which shall be based on the following principles:
   1) in the event of contractual congestion, the transmission system operator shall offer unused capacity on the primary market at least on a day-ahead and interruptible basis; and
   2) natural gas system users who wish to re-sell or sublet their unused contracted capacity on the secondary market shall be entitled to do so, following notification of the transmission system operator to be provided by such system users under the terms and conditions stipulated in the Natural Gas Transmission Network Code.

4. In the event that physical congestion exists, non-discriminatory, transparent capacity-allocation mechanisms shall be applied by the transmission system operator or, as appropriate, by the Commission.

5. The transmission system operator shall regularly assess the natural gas market demand for new investment. When planning new investments, the transmission system operator shall assess the natural gas market demand and take into account security of natural gas supply.
SECTION VI
DISTRIBUTION

Chapter XVI - Status, designation and unbundling of the distribution system operator

Article 80 - Status of the distribution system operator

1. Distribution is an activity of public interest which encompasses the transport of electricity or natural gas on the distribution network, ensuring secure and reliable deliveries of electricity or natural gas for final consumption, as well as the operation, maintenance and development under economic conditions of the distribution network, and other related activities necessary for the efficient functioning of and access to electricity and natural gas distribution systems of Georgia.

2. Distribution shall be carried out by the distribution system operator under the terms and conditions stipulated in this Law, as well as in line with other applicable laws and/or other legal acts regulating activities in the energy sector of Georgia.

3. The distribution system operator shall be organised as a specialised and independent energy undertaking with the status of a legal person incorporated under the laws of Georgia. While carrying its duties and fulfilling its tasks, the distribution system operator shall be independent from any other energy activities, namely production, transmission, supply and trade, and related commercial interests. Independence of the distribution system operator shall be implemented and further on ensured through unbundling of the distribution system operator under the terms and conditions stipulated in Article 73 of this Law. It is allowed to create the combined operator with the functions of transmission, distribution and/or natural gas system operator creation with the condition that separation requirements of the transmission system operator will be followed.

4. The distribution system operator shall not be entitled for sale and/or purchase of electricity or natural gas, except for in cases expressly referred to in this Law. The operator of the distribution network is entitled to the right to purchase electric energy or natural gas to cover the losses in the distribution network whereas natural gas – for personal use (operating the compressor and heating gas in advance).

5. The distribution system operator shall be entitled to undertake its activities subject to its designation under the terms and conditions stipulated in Article 72 of this Law.

Article 72 - Designation of the distribution system operator

1. The distribution system operator shall be designated by the Commission by issuance of a license for the distribution under the terms and conditions stipulated in the Law of Georgia on Licenses and Permits in accordance with Chapter V of this Law.

2. License for the distribution may be issued only to a duly unbundled distribution system operator in accordance with Article 73 of this Law.
Article 73 - Unbundling of the distribution system operator

1. Where the distribution system operator is part of a vertically integrated undertaking, it shall be independent at least in terms of its legal form, organisation and decision making from other activities not relating to distribution.

2. The independence of the distribution system operator, as referred to in paragraph 1 of this Article, shall not create an obligation to separate the ownership of assets of the distribution system operator from the vertically integrated undertaking.

3. To guarantee the independence of the distribution system operator, as required under paragraph 1 of this Article, the following minimum criteria shall apply:
   a) those persons responsible for the management of the distribution system operator must not participate in company structures of the integrated undertaking responsible, directly or indirectly, for the day-to-day operation of the production, transmission, supply or trade;
   b) appropriate measures must be taken to ensure that the professional interests of the persons responsible for the management of the distribution system operator are taken into account in a manner that ensures that they are capable of acting independently; and
   c) the distribution system operator must have effective decision-making rights, independent from the integrated undertaking, with respect to assets necessary to operate, maintain or develop the distribution network. In order to fulfil those tasks, the distribution system operator shall have at its disposal the necessary resources including human, technical, physical and financial resources.

4. The independence of the distribution system operator shall not prevent the vertically integrated undertaking from approving the annual financial plan, or any equivalent instrument of the distribution system operator and setting global limits on the levels of its indebtedness.

5. The vertically integrated company shall not have the right to give instructions regarding day-to-day operations of the distribution system operator, nor with respect to individual decisions concerning the construction or upgrading of distribution lines, which are within the terms of the approved financial plan, or any equivalent instrument.

6. The distribution system operator must establish a compliance programme, which sets out measures taken to ensure that discriminatory conduct is excluded, and ensure that observance of it is adequately monitored. The compliance programme shall set out the specific obligations of employees to meet that objective.

7. An annual report, setting out the measures taken by the distribution system operator, shall be submitted by the person responsible for monitoring the compliance programme of the distribution system operator, i.e. by the compliance officer, to the Commission and shall be published on the website of the distribution system operator. The compliance officer shall be fully independent and shall have access to all the necessary information of the distribution system operator and any affiliated undertaking to fulfil its tasks.

8. The distribution system operator cannot take advantage of its vertical integration to distort competition. In particular, the distribution system operator shall not, in its communication and branding, create confusion in respect of the separate identity of the supply branch of the vertically integrated undertaking.

9. The Commission shall monitor the compliance of the distribution system operator with the requirements for its independence and unbundling stipulated by this Law.
10. The Ministry shall be entitled to take complementary measures regarding the organisation and independence of the distribution system operator, in order to guarantee its independence from other activities not related to distribution, as required under paragraph 1 of this Article.

11. The Ministry may decide, upon consultation with the Commission, that requirements of this Article shall not be applied to the distribution system operator, considering that the vertically integrated undertaking in question is serving less than 100,000 connected customers.

12. The unbundling requirements do not apply to the horizontally integrated electric energy enterprise and horizontally integrated natural gas enterprise.

Chapter XVII - Tasks and responsibilities of the distribution system operator

Article 74 - Functions of the distribution system operator

1. Distribution system operators shall be responsible for ensuring the long-term ability of the distribution system in their service area to meet reasonable demands for the distribution of electricity or natural gas, and for operating, maintaining and developing under economic conditions a secure, reliable and efficient distribution system, with due regard for the environment and energy efficiency.

2. Distribution system operators shall provide reliable and efficient distribution related services in accordance with this Law, the applicable Distribution Network Code, license conditions and applicable technical rules as referred to in Article 97 of this Law.

3. Distribution related services shall be provided to individual system users on the basis of service contracts concluded with the distribution system operator. Each distribution system operator shall prepare and, subject to the approval by the Commission, adopt standard contracts on provision of its services, in particular on connection to distribution network and on distribution services. Adopted standard contracts shall be published on the website of the distribution system operator.

4. Distribution system operators shall not discriminate between system users or different categories of system users, particularly in favour of their related undertakings.

5. Distribution system operators shall provide any other system operator, including transmission and distribution system operators, natural gas storage system operators and LNG system operators, with sufficient information to ensure that the transport of electricity or natural gas or, where relevant, storage of natural gas takes place in a manner compatible with the secure and efficient operation of interconnected systems.

6. Distribution system operators shall provide system users with detailed information in a meaningful, quantifiably clear and easily accessible way regarding services offered as well as conditions for such services and technical information necessary for system users to gain effective access to the system in consistency with confidential information exemptions approved by the Commission.

7. Distribution system operators shall procure the energy they use for carrying out of their functions according to transparent, non-discriminatory and market based procedures.

8. Distribution system operators shall carry out other duties and perform tasks assigned to their competence under the terms and conditions stipulated in this Law, other applicable laws and their implementing regulations.
Article 75 - Development of the distribution network and investment plan

1. Each distribution system operator shall establish a development and investment plan with a view to ensure the security, reliability, regularity and quality of the supply in the distribution network. Distribution system operators shall take account of environmental interests, energy efficiency, promotion of renewable energy developments and demand side management when adopting development and investment plans.

2. The development and investment plan shall be prepared in accordance with the applicable Transmission Network Code and Distribution Network Code, and system information published by transmission system operators as well as territorial planning documents related to physical planning.

3. The development and investment plan shall inter alia contain the following information:
   1) a detailed description of the existing distribution network infrastructure, of its current state and degree of utilisation, as well as of the major infrastructures which should be built during the years covered by the said plan;
   2) an estimation of the needs in capacity, including forecasted demand and supply;
   3) likely developments in production, including, through renewable sources of “smart meters”, including, measures to be taken to improve energy efficiency;
   4) a detailed description of the means which should be called upon and of the investments which should be made to meet the estimated demand and/or supply for electricity or natural gas, including, if necessary, construction of new distribution network segments and/or reinforcement of the existing network, the reinforcement or construction of interconnectors in order to ensure the proper connection to the distribution networks, as well as information on necessary investments which have already been decided upon, a detailed description of developments and investments which have been approved and which are to be carried out in the following three (3) years as well as the schedule for these projects;
   5) the quality objectives that are being pursued, especially regarding the duration of interruptions and the quality of services in the distribution network, including potential investments to the quality monitoring and data exchange equipment;
   6) the policy which is and shall be carried out in respect of environmental interests regarding the envisaged developments to the distribution network and related facilities;
   7) the description of the maintenance policy which shall be pursued to guarantee the on-going efficiency, security and availability of the existing distribution network and related facilities;
   8) the list of urgency interventions carried out during the previous calendar year or, as the case may be, other defined period of time;
   9) the results and implementation of studies on the deployment of smart networks and, when needed, of smart metering systems; and
   10) provide other information necessary for effective operation and management of the distribution system pursuant to the requirements laid down by this Law and the Distribution Network Code

4. The development and investment plan shall be established by the distribution system operator for five (5) years and adapted each year for the next five (5) years.

5. The distribution system operator shall submit its proposal for the development and investment plan, following initial consultations with the transmission system operator in
charge, to the Commission for approval. The Commission shall consult the concerned authorities, energy undertakings and the existing or potential system users and, in such case, shall publish the results of consultations. The Commission shall notably examine if the investments which are envisaged by the distribution system operator are sufficient to cover all the relevant needs which are put forward during the consultation process.

6. In case the Commission considers that the development and investment plan does not enable the distribution system operator to carry out its tasks and perform its duties, it shall request from the said distribution system operator that it introduces necessary amendments within a reasonable period of time determined by the Commission.

7. Once a year, following the adoption of its development and investment plan, the distribution system operator shall send extracts of the said plan to the transmission system operator in charge.

Article 76 - Delivery of data and information to the distribution system operator

1. Producers and final customers, facilities of whom are connected to the distribution network shall, at the request of the distribution system operator, deliver to the distribution system operator data and information required for the purpose of system operation, in accordance with the law.

Article 77 - Annual report of the distribution system operator

1. At the latest by the 1st of March each year, the distribution system operator shall issue the annual report on the activities carried out by him/her in the previous calendar year distribution network in the form and within the term defined by the commission.

2. The annual report issued by the distribution system operator, as referred to in paragraph 1 of this Article, shall be approved by the Commission and submitted to the ministry which taking into consideration this report, prepares the annual report about the existing situation in the country in respect with security of supply and forecast demands on electricity and natural gas.

3. Based on the annual report issued by the distribution system operator, the Commission, at its own initiative or based on a reasonable request from the Ministry, other competent authority acting within the mandate granted by law and/or transmission system operator in charge, may request the distribution system operator and/or, where appropriate, other energy undertakings to implement certain measures aimed at:

1) ensuring the principles of transparency, objectivity and non-discrimination;
2) ensuring normal operation and management of the distribution system;
3) reducing losses in the distribution network;
4) improving the quality of services in the distribution network; and/or
5) improving the security of supply of electricity and natural gas.
Chapter XVIII - Operation and management of the distribution system

Article 78 - Third party access to the distribution system

1. The distribution system operator shall provide system users with a non-discriminatory and unrestricted access to the distribution system in line with the terms and conditions laid down in the applicable Distribution Network Code. Charges for access to the distribution system shall be based on tariffs set by the Commission as calculated under its adopted methodology.

2. With regard to the access to the distribution network, the distribution system operator shall not, in any case, discriminate between system users or categories of system users, particularly in favour of its related undertakings.

3. Where the distribution system operator offers the same service to different system users, it shall do so under equivalent contractual terms and conditions, either using harmonised distribution service contracts and/or pursuant to the applicable Distribution Network Code.

4. The distribution system operator, when dispatching the production facilities, may give priority to the facilities using renewable energy sources or to other promoted production facilities under the terms and conditions stipulated in applicable legal acts.

Article 79 - Refusal of access to the distribution system

1. The distribution system operator may fully or partially refuse access to the distribution system, or where the access to the system would prevent the distribution system operator from providing its public services as regulated by this Law, or in cases where public health or safety is threatened. The decision about refusal in the given cases should be respectively verified by indicating its term of validity in accordance with point 3 of this article. The terms and conditions of the access refusal shall be regulated by the applicable Network Codes and other applicable acts.

2. Apart from conditions referred to in paragraph 1 of this Article, the distribution system operator for natural gas may also fully or partially refuse access of the third party to the natural gas distribution system if take-or-pay contracts that have been effective before the request for access of the third person to the distribution system will lead to significant economic and financial difficulties.

3. Duly substantiated reasons shall be given by the distribution system operator for any refusal of access, including the time period of refused access and measures that would be necessary to remove the stated reasons. Each system user whose request for access to the distribution system was refused shall be provided with such reasons in a written form together with the evidence based on objective, non-discriminatory, technically and economically justified criteria, as to be prepared and submitted by the distribution system operator without any undue delay and, in any case.

4. To manage access to the distribution system, the distribution system operator shall keep a register of access points, including points of delivery and receipt, identified by a specific number and providing all the necessary data for the management of access, including the status of access points as activated or deactivated, the identity of the supplier which is considered as the holder of the access point and of its related client. The data contained in the register shall be used for the invoicing of suppliers for the compensation of the system use and services related to the access to the system.
5. A system user whose access to the distribution system has been refused or is unsatisfied with conditions of its access to the system may file a complaint with the Commission as referred to in Article 155 of this Law.

**Article 80 - Connection to the distribution network**

1. The distribution system operator shall ensure the connection of electricity or natural gas facilities to the distribution network in line with the terms and conditions laid down in the applicable Distribution Network Code. Charges for connection to the distribution network shall be set by the Commission as calculated under its adopted methodology. Besides, to encourage use of renewable energy sources, the commission is authorised to define different terms and conditions for getting charging points/stations of autonomous transportation means working on electricity connected to the distribution network.

2. The registration facilities existing in the network of the licence holder or consumer of natural gas transportation regulated by the law of Georgia on Oil and Gas or the connection to the network of distribution of equipment, including, supplementary facilities, are the property of the distribution system. The operator of the distribution system is responsible for taking care of and checking the mentioned facilities.

3. The producer connected to the distribution network and the consumer who had the registration device within their possession before this law got enacted, are obliged to hand registration facilities into possession of the distribution system operator following the requirements of the rules of the distribution network. Besides, before handing the registration facility they have to ensure its protection from non-sanctioned interference and unrestricted admittance of the operator of the distribution system to the registration device.

**Article 81 - Distribution Network Code**

1. The operation and management of the distribution network shall be regulated by the Distribution Network Code and other applicable legal acts.

2. It is possible to approve the rule of only one distribution network in one sector (rules of the electricity distribution network and natural gas distribution network).

3. The Distribution Network Code shall establish:

   a) prerequisites for safety of the distribution network in compliance with prescribed technical quality requirements under technical rules adopted pursuant to Article 97 of this Law;

   b) procedures for operating the distribution network under normal network operation regime and operation under extraordinary conditions, operation under fault conditions, events of force majeure and other cases of disturbed operation taking into account, *inter alia*, emergency management and security of supply rules adopted by applicable legal acts;

   c) procedure, terms and conditions for granting third party access to the distribution system, including third-party access services provided by the distribution system operator, in accordance with Article 78 of this Law;

   d) procedure, terms and conditions for the connection to the distribution network in accordance with Article 80 of this Law:

      a) prerequisites for the connection to the distribution network;

      b) method of the electricity or natural gas metering, and functional requirements and accuracy class of metering equipment provided as established by technical rules pursuant to Article 108 [*Interoperability of systems and technical rules*] and other applicable legal acts;
c) ownership of metering equipment at the connection point or other determined accounting metering point; and

d) rights and obligations of the distribution system operator and system users related to connections to the distribution network;

e) terms and conditions for dispatching of the distribution network, including services provided by the distribution system operator thereto, in cases where the distribution system operator is in charge for dispatching of production facilities connected to its network;

f) criteria for and method of the procurement of ancillary services and provision of system services, where relevant;

g) criteria for planning the operation and development of the distribution network;

h) procedure, terms and conditions for measuring capacities and delivered electricity or natural gas to and transported through the distribution network;

i) terms and conditions for the implementation of procedures for interruptions of electricity or natural gas deliveries through the distribution network;

j) rights and obligations of the distribution network;

k) terms and conditions for the implementation of procedures for interruptions of electricity or natural gas deliveries through the distribution network;

l) rights and obligations of system users related to the operation and management of the distribution network;

m) general terms and conditions for the provision of distribution related services, including for relevant contractual relations with regard to connection to the distribution network (pursuant to standard contract on connection) and distribution of electricity or natural gas (pursuant to standard contract on distribution services);

l) terms and conditions for the settlement of disputes arising from distribution contracts and from other relations with regard to access and connection to and use of the distribution network;

m) method of publication of data and information possessed by the distribution system operator necessary for the operation and management of relevant systems and for organising relevant markets, including definition of all relevant points and time schedule of publications;

n) methods of data and information exchange with other system operators of interconnected systems;

o) requirements for the submission of data and information to the distribution system operator necessary for the operation and management of the distribution network in accordance with Article 76 of this Law;

p) measures aimed at energy efficiency and security of electricity or natural gas supply within the competence of the distribution system operator taking into account security of supply rules adopted by applicable legal acts;

q) other terms and conditions relevant for the operation and management of the distribution network.

4. The Distribution Network Code shall be developed and adopted by the Commission. In the process of development of the Distribution Network Code, the Commission shall ensure close cooperation with distribution system operators and appropriate participation of and consultations with all interested parties. Distribution Network Codes shall be harmonised with applicable Transmission Network Codes, technical rules adopted pursuant to Article 97.

5. Distribution Network Codes shall be published in the Legislative Herald of Georgia and on the website of distribution system operators.
Article 82 - Closed distribution systems

1. The Commission may classify a system which distributes electricity or natural gas within a geographically confined industrial, commercial or shared services site in Georgia and does not, without prejudice to provisions of paragraph 5 of this Article, supply household customers, as a closed distribution system if:
   1) for specific technical or safety reasons, the operations or the production process of the users of that network are integrated; or
   2) that system distributes electricity or natural gas primarily to the owner or operator of the system or their related undertakings.

2. The Commission may exempt the operator of a closed distribution system from:
   1) the requirement to procure electricity or natural gas it uses to cover losses in the network and the reserve capacity in its system according to transparent, non-discriminatory and market based procedures; and
   2) the requirement that tariffs and fees, or the methodologies underlying their calculation, are approved prior to their entry into force in accordance with the competence and jurisdictional powers of the Commission.

3. Where an exemption is granted under paragraph 2, point “b” of this Article, the applicable tariffs and fees, or the methodologies underlying their calculation, shall be reviewed and approved in accordance with the competence and jurisdictional powers of the Commission, upon request by a user of such a network.

4. Incidental use by a small number of households with employment or similar associations with the owner of the closed distribution system and located within an area served by a closed distribution system shall not preclude an exemption under paragraph 2 of this Article from being granted if these utility users have employment or similar relations with the owner of the closed distribution system.

5. The Commission may disqualify a system which distributes electricity or natural gas from being a closed distribution system if it does not comply with at least one of the criteria stipulated in paragraph 1 of this Article. In such case this system, whose closed distribution system status was abolished, shall fully comply with all requirements established for distribution systems under this Law.
SECTION VII
STORAGE OF NATURAL GAS

Chapter XIX - Designation and unbundling of the natural gas storage system operator

Article 83 - Designation of the natural gas storage system operator

1. Storage of natural gas shall be carried out by the natural gas storage system operator under the terms and conditions stipulated in this Law, as well as in line with other applicable laws and/or other legal acts regulating activities in Georgia.

2. By means of the law of Georgia on Licenses and Permits, in accordance with the terms defined by the rules of licensing approved by this law and the commission, the commission, by means of issuing the licence of operating the natural gas storage system, authorises the natural gas enterprise as the operator of the system of natural gas storage (which possesses the natural gas storage site) with the right of property and/or use.

3. License for the storage of natural gas may be issued only to a duly unbundled natural gas storage system operator in accordance with Article 84 of this Law.

Article 84 - Unbundling of the natural gas storage system operator

1. The natural gas storage system operator which is part of a vertically integrated undertaking shall be independent at least in terms of its legal form, organisation and decision making from other activities not relating to transmission, distribution and/or storage.

2. In order to ensure independence of the natural gas storage system operator referred to in paragraph 1 of this Article, the following minimum criteria shall apply:

   1) persons responsible for the management of the natural gas storage system operator shall not participate in company structures of the integrated natural gas undertaking responsible, directly or indirectly, for the day-to-day operation of the production and supply of natural gas;

   2) appropriate measures shall be taken to ensure that the professional interests of persons responsible for the management of the natural gas storage system operator are taken into account in a manner that ensures that they are capable of acting independently;

   3) the natural gas storage system operator shall have effective decision-making rights independent from the integrated natural gas undertaking, with respect to assets necessary to operate, maintain or develop the storage facilities. This shall not preclude the existence of appropriate coordination mechanisms to ensure that the economic and management supervision rights of the parent company in respect of return on assets in the natural gas storage system operator are protected. In particular, this shall enable the parent company to approve the annual financial plan, or any equivalent instrument, of the natural gas storage system operator and to set global limits on the levels of its indebtedness. It shall not permit the parent company to give instructions regarding day-to-day operations, nor with respect to individual decisions concerning the construction or upgrading of natural gas storage facilities, that do not exceed the terms of the approved financial plan, or any equivalent instrument; and
4) the natural gas storage system operator shall establish a compliance programme, which sets out measures taken to ensure that discriminatory conduct is excluded, and ensure that observance of it is adequately monitored. The compliance programme shall set out the specific obligations of employees to meet that objective. An annual report, setting out the measures taken, shall be submitted by the person or body responsible for monitoring the compliance programme to the Commission and shall be published.

3. This Article shall apply only to natural gas storage facilities that are technically and/or economically necessary for providing efficient access to the natural gas system for the supply of customers pursuant to Article 87 of this Law.

4. Unbundling requirements do not apply towards the horizontally integrated natural gas enterprises.

Chapter XX - Functions of the natural gas storage system operator

Article 96 - Functions of gas storage system operator

1. Natural gas storage system operators shall operate, maintain and develop under economic conditions secure, reliable and efficient natural gas storage facilities to secure an open market, with due regard to the environment, ensure adequate means to meet service obligations in order to ensure open market protection and availability of necessary means to comply with the obligations related with service taking into consideration the issues related with environmental protection.

2. Natural gas storage system operators shall provide reliable and efficient natural gas storage services in accordance with this Law, the applicable Natural Gas Storage Code, license conditions and applicable technical rules as referred to in Article 97 of this Law.

3. Natural gas storage system operators shall:
   a) refrain from discriminating between system users or different categories of system users, particularly in favour of its related undertakings;
   b) provide any other natural gas system operator sufficient information to ensure that the transport and storage of natural gas may take place in a manner compatible with the secure and efficient operation of the interconnected system;
   c) provide system users with the information they need for efficient access to natural gas storage facilities;
   d) keep at the disposal of the national authorities, including the Commission and the Competition Agency, and of the Energy Community Secretariat all information referred to in Article 86 of this Law for a period of five (5) years;
   e) take reasonable steps to allow capacity rights to be freely tradable and to facilitate such trade in a transparent and non-discriminatory manner; and
   f) develop harmonised natural gas storage facility contracts and procedures on the primary market to facilitate secondary trade of capacity and recognise the transfer of primary capacity rights where notified by system users. These harmonised contracts and procedures shall be notified to the Commission.
Article 86 - Transparency requirements concerning natural gas storage facilities

1. The natural gas storage system operator shall publish detailed information regarding the services it offers and the relevant conditions applied, together with the technical information necessary for system users to gain effective access to natural gas storage facilities.

2. For the services provided, the natural gas storage system operator shall publish information on contracted and available natural gas storage capacities on a numerical basis on a regular and rolling basis and in a user-friendly standardised manner.

3. With the view of rendering the service, the natural gas storage system operator shall always disclose the information required by this Law and other applicable legal acts in a meaningful, quantifiably clear and easily accessible way and on a non-discriminatory basis.

4. The natural gas storage system operator shall publish the amount of natural gas in each natural gas storage facility (including, for the site to which the obligation of admitting the third party does not apply), or group of facilities, if that corresponds to the way in which the access is offered to system users, inflows and outflows, and available capacities, including for those facilities exempted from third-party access. That information shall also be communicated to the transmission system operator for natural gas, which shall publish it on an aggregated level per system or subsystem defined by the relevant points. The information shall be updated at least on daily basis.

5. In cases in which a system user is the only user of a natural gas storage facility, such system user may submit to the Commission a reasoned request for confidential treatment of the data referred to in paragraph 4 of this Article. Where the Commission comes to the conclusion that such a request is justified, taking into account, in particular, the need to balance the interest of legitimate protection of business secrets, the disclosure of which would negatively affect the overall commercial strategy of the system user, with the objective of creating a competitive internal natural gas market, it may allow the natural gas storage system operator not to publish the data referred to in paragraph 4 of this Article, for a duration of up to one (1) year.

6. Paragraph 5 of this Article shall apply without prejudice to the obligations of communication to and publication by the transmission system operator for natural gas referred to in paragraph 4, unless the aggregated data are identical to the individual natural gas storage system data for which the Commission has approved non-publication.

7. In order to ensure transparent, objective and non-discriminatory tariffs and facilitate efficient utilisation of the infrastructures, the natural gas storage system operator shall publish sufficiently detailed information on tariff derivation, the methodologies and the structure of tariffs for infrastructure under regulated third-party access.
Chapter XXI - Operation and management of natural gas storage facilities

Article 87 - Organisation of access to natural gas storage facilities and linepack

1. For the organisation of access to natural gas storage facilities and linepack when technically and/or economically necessary for providing efficient access to the system for the supply of customers, as well as for the organisation of access to ancillary services, the procedure of negotiated and/or regulated access shall be applied.

2. The Commission shall define and publish criteria according to which the access procedure applicable to natural gas storage facilities and linepack may be determined. Those procedures shall be applied in accordance with objective, transparent and non-discriminatory criteria.

3. The natural gas storage system operator shall publish which natural gas storage facilities or which parts of natural gas storage facilities are offered, as well as the transmission system operator for natural gas shall publish which linepack is offered under the different access procedures.

4. In the case of negotiated access, the Commission shall take the necessary measures for natural gas undertakings and eligible customers either inside or outside the territory covered by the interconnected system to be able to negotiate access to natural gas storage facilities and linepack, when technically and/or economically necessary for providing efficient access to the system, as well as for the organisation of access to other ancillary services. The parties shall be obliged to negotiate access to natural gas storage, linepack and other ancillary services in good faith.

5. Contracts for access to natural gas storage, linepack and other ancillary services shall be negotiated with the relevant natural gas storage system operator or natural gas undertakings. The natural gas storage system operator and natural gas undertakings shall publish and continuously update, when necessary, but at least on annual basis, their main commercial conditions for the use of natural gas storage, linepack and other ancillary services. When developing their commercial conditions referred to hereinabove, the natural gas storage system operator and natural gas undertakings shall consult system users.

6. In the case of regulated access, the Commission shall take the necessary measures to give natural gas undertakings and eligible customers either inside or outside the territory covered by the interconnected system a right to access to natural gas storage, linepack and other ancillary services, on the basis of published tariffs and/or other terms and obligations for use of that natural gas storage and linepack, when technically and/or economically necessary for providing efficient access to the system, as well as for the organisation of access to other ancillary services. The Commission shall consult system users when calculating those tariffs or developing the methodologies used to calculate those tariffs. The right of access for eligible customers may be given by enabling them to enter into supply contracts with competing natural gas undertakings other than the owner and/or operator of the system or a related undertaking.
Article 88 - Third-party access services concerning natural gas storage facilities

1. The natural gas storage system operator shall:
   1) offer services on a non-discriminatory basis to all system users that accommodate market demand. In particular, where the natural gas storage system operator offers the same service to different customers, it shall do so under equivalent contractual terms and conditions;
   2) offer services that are compatible with the use of the interconnected natural gas transmission systems and facilitate access through cooperation with the transmission system operator for natural gas;
   3) publish relevant information, in particular data on the use and availability of services, in a time-frame compatible with reasonable commercial needs of system users, subject to the monitoring of such publication by the Commission;
   4) provide both firm and interruptible third-party access services. The price of interruptible capacity shall reflect the probability of interruption;
   5) offer to system users both long and short-term services; and
   6) offer to system users both bundled and unbundled services of natural gas storage space, injectability and deliverability.

2. Natural gas storage facility contract, the enactment of which is connected with the non-standard date or which has been concluded for a lesser term than the standard annual agreement related with natural gas storage facility, shall not result in arbitrarily higher tariffs in cases in which they are signed.

3. Contractual limits on the required minimum size of natural gas storage capacity shall be justified on the basis of technical constrains and shall permit smaller system users to gain access to natural gas storage services.

4. Where appropriate, third-party access services may be granted subject to appropriate guarantees from system users with respect to the creditworthiness of such users. Such guarantees shall not constitute undue market-entry barriers and shall be non-discriminatory, transparent and proportionate.

5. The natural gas storage system operator is authorised to refuse access to natural gas storage facilities of the third person on the basis of the rule defined by article 66 of this law.

Article 89 - Natural Gas Storage Code

1. The operation and management of natural gas storage facilities shall be regulated by the Natural Gas Storage Code.

2. The Natural Gas Storage Code shall establish:
   1) technical parameters of the natural gas storage facility or facilities;
   2) technical and other prerequisites for safe operation of natural gas storage facilities aiming at secure and reliable provision of natural gas storage services in compliance with prescribed quality requirements;
   3) procedure, terms and conditions for granting third-party access to natural gas storage facilities, including third-party access services provided by the natural gas storage system operator, in accordance with Articles 87 and 88 of this Law;
   4) capacity-allocation mechanisms and congestion management procedures in accordance with Article 90 of this Law;
5) procedure, terms and conditions for measuring capacities of natural gas storage facilities and for measuring natural gas injected to and delivered from natural gas storage facilities;
6) criteria for planning the operation and, where relevant, development of natural gas storage facilities and related natural gas infrastructure;
7) rights and obligations of system users related to the use of natural gas storage facilities;
8) general terms and conditions for the provision of natural gas storage services;
9) terms and conditions for the settlement of disputes arising from natural gas storage contracts and from other relations with regard to access and use of natural gas storage facilities;
10) method of publication of data and information possessed by the natural gas storage system operator necessary for the operation and management of the natural gas system and for organising the natural gas market, including definition of all relevant points and time schedule of publications;
11) methods of data and information exchange with other system operators of interconnected systems;
12) measures aimed at energy efficiency and security of natural gas supply within the competence of the natural gas storage system operator;
13) other terms and conditions relevant for the operation and management of natural gas storage facilities.

3. The Natural Gas Storage Code shall be prepared by the natural gas storage system operator and adopted by the Commission. In the process of preparation of the Natural Gas Storage Code, the natural gas storage system operator shall ensure appropriate participation of and consultation with all interested parties.

4. The Natural Gas Storage Code shall be published in the Legislative Herald of Georgia and on the website of the natural gas storage system operator.

Article 90 - Principles of capacity-allocation mechanisms and congestion management procedures concerning natural gas storage facilities

1. The maximum natural gas storage capacity shall be made available to natural gas market participants, taking into account system integrity and operation.

2. The natural gas storage system operator shall implement and publish non-discriminatory and transparent capacity-allocation mechanisms which shall:
   1) provide appropriate economic signals for the efficient and maximum use of capacity and facilitate investment in new infrastructure;
   2) be compatible with the market mechanism including spot markets and trading hubs, while being flexible and capable of adapting to evolving market circumstances; and
   3) be compatible with the terms and conditions for the access to the system to which the natural gas storage facility is connected.

3. Natural gas storage facility contracts shall include measures to prevent capacity hoarding, by taking into account the following principles, which shall apply in cases of contractual congestion:
   1) the natural gas storage system operator must offer unused natural gas storage capacity on the primary market without delay;
2) system users who wish to re-sell their contracted capacity on the secondary market must be entitled to do so.

4. For the purposes of paragraph 3 of this Article, respective offer by the natural gas storage system operator shall be realised at least on a day-ahead and interruptible basis.

SECTION VIII

Liquidated Natural Gas (LNG)

Chapter XXII - Designation, tasks and responsibilities of the LNG system operator

Article 91 - Designation of the LNG system operator

1. LNG activities shall be carried out by the LNG system operator under the terms and conditions stipulated in this Law, as well as in line with other applicable laws and/or other legal acts regulating activities in the energy sector of Georgia.

2. A natural gas undertaking which owns an LNG facility or, as the case may be, possesses an LNG facility under another legal title granting the operator with rights to the facility comparable to those of an owner shall be designated by the Commission as an LNG system operator by issuance of a license for the operation of LNG facilities under the terms and conditions stipulated in the Law of Georgia on Licenses and Permits in accordance with Chapter V [Authorisation of energy activities] of this Law.

Article 92 - Tasks of the LNG system operator

1. LNG system operators shall operate, maintain and develop under economic conditions secure, reliable and efficient LNG facilities to secure an open market, with due regard to the environment, ensure adequate means to meet service obligations.

2. LNG system operators shall provide reliable and efficient LNG facility services, which may include liquefaction of natural gas and/or the importation, offloading and re-gasification of LNG as well as related ancillary services and temporary storage necessary for the re-gasification process, in accordance with this Law, the applicable LNG Code, license conditions and applicable technical rules as referred to in Article 108 [Interoperability of systems and technical rules] of this Law.

3. LNG system operators shall:
   1) refrain from discriminating between system users or different categories of system users, particularly in favour of its related undertakings;
   2) provide any other natural gas system operator sufficient information to ensure that the transport and storage of natural gas may take place in a manner compatible with the secure and efficient operation of the interconnected system;
   3) provide system users with the information they need for efficient access to LNG facilities;
   4) keep at the disposal of the national authorities, including the Commission and the Competition Agency, and of the Energy Community Secretariat all information referred to in Article 104 [Transparency requirements concerning LNG facilities] of this Law for a period of five (5) years;
   5) take reasonable steps to allow capacity rights to be freely tradable and to facilitate such trade in a transparent and non-discriminatory manner; and
6) develop harmonised LNG facility contracts and procedures on the primary market to facilitate secondary trade of capacity and recognise the transfer of primary capacity rights where notified by system users. These harmonised contracts and procedures shall be notified to the Commission.

Article 93 - Transparency requirements concerning LNG facilities

1. The LNG system operator shall publish detailed information regarding the services it offers and the relevant conditions applied, together with the technical information necessary for system users to gain effective access to LNG facilities.

2. For the services provided, the LNG system operator shall publish information on contracted and available LNG facility capacities on a numerical basis on a regular and rolling basis and in a user-friendly standardised manner.

3. The LNG system operator shall always disclose the information required by this Law and other applicable legal acts in a meaningful, quantifiably clear and easily accessible way and on a non-discriminatory basis.

4. The LNG system operator shall publish the amount of natural gas in each LNG facility, or group of facilities, if that corresponds to the way in which the access is offered to system users, inflows and outflows, and available capacities, including for those facilities exempted from third-party access. That information shall also be communicated to the transmission system operator for natural gas, which shall publish it on an aggregated level per system or subsystem defined by the relevant points. The information shall be updated at least daily.

5. In order to ensure transparent, objective and non-discriminatory tariffs and facilitate efficient utilisation of the infrastructures, the LNG system operator shall publish sufficiently detailed information on tariff derivation, the methodologies and the structure of tariffs for infrastructure under regulated third-party access.

Chapter XXIII - Operation and management of LNG facilities

Article 94 - Third-party access services concerning LNG facilities

1. The LNG system operator shall:
   1) offer services on a non-discriminatory basis to all system users that accommodate market demand. In particular, where the LNG system operator offers the same service to different customers, it shall do so under equivalent contractual terms and conditions;
   2) offer services that are compatible with the use of the interconnected natural gas transmission systems and facilitate access through cooperation with the transmission system operator for natural gas; and
   3) publish relevant information, in particular data on the use and availability of services, in a time-frame compatible with reasonable commercial needs of system users, subject to the monitoring of such publication by the Commission.

2. LNG facility contracts shall not result in arbitrarily higher tariffs in cases in which they are signed
   1) outside a natural gas year with non-standard start dates; or
   2) with a shorter duration than a standard LNG facility contract on an annual basis.
3. Contractual limits on the required minimum size of LNG facility capacity shall be justified on the basis of technical constrains and shall permit smaller system users to gain access to LNG services.

4. Where appropriate, third-party access services may be granted subject to appropriate guarantees from system users with respect to the creditworthiness of such users. Such guarantees shall not constitute undue market-entry barriers and shall be non-discriminatory, transparent and proportionate.

5. The LNG system operator may refuse access to LNG facilities, *mutatis mutandis*, under the terms and conditions stipulated in Article 75 [Refusal of access to the natural gas transmission system] of this Law.

**Article 95 - LNG Code**

1. The operation and management of LNG facilities shall be regulated by the LNG Code.

2. The LNG Code shall establish:
   1) technical parameters of the LNG facility or facilities;
   2) technical and other prerequisites for safe operation of LNG facilities aiming at secure and reliable provision of LNG services in compliance with prescribed quality requirements;
   3) procedure, terms and conditions for granting third-party access to LNG facilities, including third-party access services provided by the LNG system operator, in accordance with Article 94;
   4) capacity-allocation mechanisms and congestion management procedures in accordance with Article 96 of this Law;
   5) procedure, terms and conditions for measuring capacities of LNG facilities and for measuring natural gas delivered/loaded to and delivered/unloaded from LNG facilities;
   6) criteria for planning the operation and, where relevant, development of LNG facilities and related natural gas infrastructure;
   7) rights and obligations of system users related to the use of LNG facilities;
   8) general terms and conditions for the provision of LNG services;
   9) terms and conditions for the settlement of disputes arising from LNG facility contracts and from other relations with regard to access and use of LNG facilities;
   10) method of publication of data and information possessed by the LNG system operator necessary for the operation and management of the natural gas system and for organising the natural gas market, including definition of all relevant points and time schedule of publications;
   11) methods of data and information exchange with other system operators of interconnected systems;
   12) measures aimed at energy efficiency and security of liquidated natural gas supply within the competence of the LNG system operator;
   13) other terms and conditions relevant for the operation and management of LNG facilities.

3. The LNG Code shall be developed by the LNG system operator and adopted by the Commission. In the process of development of the LNG Code, the LNG system operator shall ensure appropriate participation of and consultations with all interested parties.
4. The LNG Code shall be published in the Legislative Herald of Georgia and on the website of the LNG system operator.

Article 96 - Principles of capacity-allocation mechanisms and congestion management procedures concerning LNG facilities

1. The maximum LNG facility capacity shall be made available to natural gas market participants, taking into account system integrity and operation.

2. The LNG system operator shall implement and publish non-discriminatory and transparent capacity-allocation mechanisms which shall:
   a) provide appropriate economic signals for the efficient and maximum use of capacity and facilitate investment in new infrastructure;
   b) be compatible with the market mechanism including spot markets and trading hubs, while being flexible and capable of adapting to evolving market circumstances; and
   c) be compatible with the terms and conditions for the access to the system to which the LNG facility is connected.

3. LNG facility contracts shall include measures to prevent capacity-hoarding, by taking into account the following principles, which shall apply in cases of contractual congestion:
   a) the LNG system operator must offer unused LNG facility capacity on the primary market without delay;
   b) system users who wish to re-sell their contracted capacity on the secondary market must be entitled to do so.

4. For the purposes of subparagraph 1 of paragraph 3 of this Article, respective offer by the LNG system operator shall be realised at least on a day-ahead and interruptible basis.

SECTION IX
SYSTEM INTEROPERABILITY AND NEW INFRASTRUCTURE

Chapter XXIV - System interoperability

Article 97 - Interoperability of systems and technical rules

1. Rules establishing technical requirements for energy facilities and equipment shall, in accordance with the criteria of objectivity and non-discrimination, lay down the terms and conditions for construction, operation and safety of respective facilities and equipment used for the generation, transmission and distribution of electricity and for the production, transmission, distribution and storage of natural gas and LNG operations, including required technical standards, minimum technical design and operational requirements.

2. Energy facilities and equipment referred to in paragraph 1 of this Article as well as interconnectors and direct lines shall comply with respective technical rules so as to ensure the compatibility and interoperability of systems.

3. For the purpose of this Article, respective technical rules for energy facilities and equipment shall be adopted by the Government. The Government shall endeavour to apply the technical safety standards and regulations of the European Union.

4. Interoperability requirements for two interconnected domestic systems, as the case may be, shall be stipulated in technical rules and applicable Network Code.
Article 98 - Direct lines. Using the facilities in the possession of the third party/person

1. Direct lines, subject to a prior authorisation by the Commission, may be constructed in the following cases:
   1) where an electricity producer holding a license for the generation of electricity and a customer plan to conclude an electricity supply contract, but cannot gain access to the electricity transmission or distribution network; or
   2) where a natural gas undertaking and a customer plan to conclude a natural gas supply contract, but cannot gain access to the natural gas transmission or distribution network.

2. Prior consent of the commission is required for constructing and operating direct lines of electric energy or natural gas. The Commission shall define objective and non-discriminatory criteria for granting authorization.

3. Energy enterprises envisaged by point 1 of this article are authorized to use direct lines to supply natural gas for the place of their own activities, supply electricity or natural gas to daughter companies and consumers.

4. The possibility of supplying electricity or natural gas through a direct line shall not affect the possibility of contracting electricity or natural gas on the basis of bilateral contracts or on the organised electricity or natural gas market of Georgia under the terms and conditions stipulated in this Law.

5. The Commission shall be authorised to grant the direct line building authorization to the energy enterprise envisaged by point 1 of this article if the refusal for admitting to the transmission or distribution system exists, in accordance with articles 58, 66 and 79 of this law.

6. The Commission is authorized to refuse granting of authorisation to construct a direct line, if such authorisation prevents implementation of the obligation of public service, including, protection of the end consumer.

7. The owner of the equipment of transmission or distribution network or water supply system who is not the operator of the system or the license holder of the water supply, is obliged under the civil code of Georgia to be patient about using his/her equipment with the view of rendering the service to the user. The rule of operating and caring about the mentioned equipment is defined by the normative-administrative-legislative act approved by the commission.

8. If by means of the measures taken within the scope of reasonability it is impossible to identify the owner of the network transmitting or distributing electric energy or natural gas necessary to render the service to the user, the rule of operating and taking care of such a piece of equipment is defined by the normative-administrative-legislative act approved by the commission.
Chapter XXV - New infrastructure

(The infrastructure which was not put in use until January 1, 2007)

Article 99 - Exemptions for new electricity interconnectors

1. New direct current interconnectors may, upon request of the electricity undertakings concerned, be exempted for their entire capacity or for a part of the respective capacity, for a limited period of time, from the provisions of paragraph 1 of Article 29, sub-point "b" and "c", subparagraphs 2 and 3 of paragraph 1 of Article 30, Article 44, Article 57 and paragraphs 9 and 10 of Article 63 of this Law under the following conditions:

1) the investment must enhance competition in electricity supply;
2) the level of risk attached to the investment is such that the investment would not take place unless an exemption is granted;
3) the interconnector must be owned by a natural or legal person which is separate at least in terms of its legal form from the transmission system operator and the system operator of the system with which the interconnector will be built;
4) charges are levied on users of that interconnector;
5) no part of the capital or operating costs of the interconnector has been recovered from any component of charges made for the use of electricity transmission or distribution systems linked by the interconnector; and
6) the exemption must not be to the detriment of competition or the effective functioning of the electricity market in Georgia and in one or more regions, or the efficient functioning of the regulated system to which the interconnector is linked.

2. Paragraph 1 of this Article shall also apply, in exceptional cases, to alternating current interconnectors provided that the costs and risks of the investment in question are particularly high when compared with the costs and risks normally incurred when connecting two neighbouring transmission systems by an alternating current interconnector.

3. Paragraph 1 of this Article shall also apply to significant increases of capacity in existing interconnectors.

4. The decision on the exemption under paragraphs 1, 2 and 3 of this Article shall be taken on a case-by-case basis by the Commission and the competent regulatory authority of the neighbouring country concerned.

5. The commission is authorized to submit the issue for discussion before making the decision about defining the terms of benefit to the energy united regulatory board and if appropriate, take into consideration its purposefulness.

6. In deciding to grant an exemption, consideration shall be given, on a case-by-case basis, to the need to impose conditions regarding the duration of the exemption and non-discriminatory access to the interconnector. When deciding those conditions, account shall, in particular, be taken of additional capacity to be built or the modification of existing capacity, the time-frame of the project and other significant circumstances.

7. Before granting an exemption, the Commission shall decide upon the rules and mechanisms for management and allocation of capacity. Congestion management rules shall include the obligation to offer unused capacity on the market and users of the facility shall be entitled to trade their contracted capacities on the secondary market. In the assessment of the criteria referred to in subparagraphs 1, 2 and 6 of paragraph 1 of this Article, the results of the capacity allocation procedure shall be taken into account.
8. Where the Commission and the regulatory authority of the neighbouring country concerned have reached agreement on the exemption decision within six (6) months, the Commission shall inform the Energy Community Regulatory Board of that decision. The exemption decision, including any conditions referred to in the paragraph 6 of this Article, shall be duly reasoned and published.

9. The decision referred to in paragraphs 4 to 8 of this Article shall be taken by the Energy Community Regulatory Board:
   a) where the Commission and the regulatory authority concerned have not been able to reach an agreement within six (6) months from the date the exemption was requested before the last of those regulatory authorities; or
   b) upon a request from the Commission or the regulatory authority concerned about making the mentioned decision by the regulatory body of the commission or the neighbouring country.

10. Notwithstanding paragraphs 4 to 9 of this Article, the Commission may consult, where relevant, other competent national authorities of Georgia under Article 24 [Public consultations and cooperation] of this Law with regard to the request for an exemption. Opinions received by the Commission shall be published together with the decision.

11. A copy of every request for exemption shall be transmitted for information without delay by the Commission to the Energy Community Regulatory Board and to the Energy Community Secretariat on receipt. The decision shall be notified, without delay, by the Commission or by the Energy Community Regulatory Board, to the Energy Community Secretariat, together with all the relevant information with respect to the decision.

12. Information referred to in paragraph 11 of this Article may be submitted to the Energy Community Secretariat in aggregate form, enabling the Energy Community Secretariat to reach a well-founded decision. In particular, the information shall contain:
   1) the detailed reasons on the basis of which the exemption was granted or refused, including the financial information justifying the need for the exemption;
   2) the analysis undertaken of the effect on competition and the effective functioning of the electricity market resulting from the grant of the exemption;
   3) the reasons for the time period and the share of the total capacity of the interconnector in question for which the exemption is granted; and
   4) the result of the consultation of the regulatory authorities concerned.

13. Within a period of two (2) months from the day following receipt of notification under paragraph 12 of this Article, the Energy Community Secretariat may take a decision requesting the notifying bodies to amend or withdraw the decision to grant an exemption. That period of two (2) months may be extended by an additional period of two (2) months, if:
   a) where further information is sought by the Energy Community Secretariat.
   b) there is a consent of the secretariat of the energy union and respective regulatory body on the extension of the term.

14. In case of extending the additional term of making the decision on the basis determined by sub-point “a” of Point 13 of this article, the count starts from the day following receipt of information fully requested by the secretariat of the energy union. In case the energy union is not provided with the requested information, within the term defined by the respective claim of the secretariat, the notification of the regulatory body about defining the period of benefits, will be considered cancelled, except the case if:
   a) before the expiry of the term defined by the demand the term of providing information was extended with the consent of the energy union secretariat and the respective regulatory body;
b) respective regulatory bodies will prove to the secretariat of the energy union through the verified notification completeness of the information provided by them.

15. The request of the energy union secretariat about making amendment into the decision on defining the concessionary terms, should be met within the term of one month after receiving such a request about which the secretariat of the energy union will be notified.

16. The approval of an exemption decision issued by the Energy Community Secretariat shall expire two (2) years after the date of its adoption in the event that construction of the interconnector has not yet started by that date, and five (5) years after the date of its adoption if the interconnector has not become operational by that date, unless the Energy Community Secretariat decides that any delay is due to major obstacles beyond the control of the person to whom the exemption has been granted.

17. Requirements envisaged by points 5-16 of this article are applied in case the neighbouring country with which Georgia is connected by the inter-connector, is the energy union member country or expresses the consent to use these requirements.

**Article 100 - Exemptions for new natural gas infrastructure**

1. Major new natural gas infrastructures, such as interconnectors, natural gas storage facilities and LNG facilities, may, upon request of natural gas undertakings concerned, be exempted for a limited period of time from the provisions of paragraph 2 of Article 29 [Duties and tasks of the Commission], subparagraphs 2 and 3 of paragraph 1 of Article 30 [Regulatory powers of the Commission], and Articles 44 [Unbundling models], 74 [TPA to the natural gas transmission system], 88 [TPA to the distribution system] and 98 [Organisation of access to natural gas storage facilities and linepack] of this Law under the following conditions:

   1) the investment must enhance competition in gas supply and enhance security of supply;
   2) the level of risk attached to the investment is such that the investment would not take place unless an exemption was granted;
   3) the infrastructure must be owned by a natural or legal person which is separate at least in terms of its legal form from the system operators in whose systems that infrastructure will be built;
   4) charges are levied on users of that infrastructure; and
   5) the exemption is not detrimental to competition or the effective functioning of the internal gas market, or the efficient functioning of the regulated system to which the infrastructure is connected.

2. Paragraph 1 of this Article shall apply also to significant increases of capacity in existing infrastructures and to modifications of such infrastructures which enable the development of new sources of gas supply.

3. The Commission may, on a case by case basis, decide on the exemption referred to in paragraphs 1 and 2 of this Article subject to the criteria established in this Article.

4. Where the infrastructure in question is located in the territory of more than one Energy Community Party, i.e. is crossing the border between Georgia and another Energy Community Party, the Energy Community Regulatory Board may submit an advisory opinion to the Commission and the regulatory authority of another Energy Community Party concerned, which may be used as a basis for their decision on exemption, within two (2) months from the date on which the request for exemption was received by the last of those regulatory authorities.
5. Where all the regulatory authorities concerned agree on the request for exemption within six (6) months of the date on which it was received by the last of the regulatory authorities, they shall inform the Energy Community Regulatory Board of their decision. The mentioned 6-month period will be counted from the date when among the commission and the respective regulatory body the latter received the respective request.

6. The Energy Community Regulatory Board shall exercise the tasks conferred on the regulatory authorities of the Energy Community Parties concerned by the present article:
   a) where all regulatory authorities concerned have not been able to reach an agreement within a period of six (6) months from the date on which the request for exemption was received by the last of those regulatory authorities; or
   b) upon a joint request from the regulatory authorities concerned about carrying out the mentioned authority.

7. All regulatory authorities concerned may, jointly, request that the period referred to in subparagraph “a” of paragraph 6 of this Article is extended by up to three (3) months.

8. Before taking a decision, the Commission will consult the relevant regulatory authorities and the applicants.

9. The exemption may cover all or part of the capacity of the new infrastructure, or of the existing infrastructure with significantly increased.

10. In deciding to grant an exemption, consideration shall be given, on a case by case basis, to the need to impose conditions regarding the duration of the exemption and non-discriminatory access to the infrastructure. When deciding on those conditions, account shall, in particular, be taken of the additional capacity to be built or the modification of existing capacity, the time horizon of the project and other significant circumstances.

11. When granting an exemption, the Commission shall decide upon the rules and mechanisms for management and allocation of capacity. The rules shall require that all potential users of the infrastructure are invited to indicate their interest in contracting capacity before capacity allocation in the new infrastructure, including for own use, takes place. The Commission shall require congestion management rules to include the obligation to offer unused capacity on the market, and shall require users of the infrastructure to be entitled to trade their contracted capacities on the secondary market. In its assessment of the criteria referred to in subparagraphs 1, 2 and 5 of paragraph 1 of this Article, the Commission shall take into account the results of that capacity allocation procedure.

12. The exemption decision, including any conditions referred to in paragraph 11 of this Article, shall be duly reasoned and published in the Legislative Herald of Georgia. Without revealing commercially sensitive information, the decision shall contain:
   a) the detailed reasons on the basis of which the Commission granted or refused the exemption including the financial information justifying the need for the exemption;
      1) the analysis undertaken of the effect on competition and the effective functioning of the internal gas market resulting from the grant of the exemption;
      2) research of the impact of defining the concessionary terms on competition and effective functioning of the internal gas market;
      3) circumstances which defined the term of application of concessionary conditions and share of gas infrastructure capacity to which concessionary terms apply;
      4) outcomes of consultation with other countries and respective regulatory bodies if concessionary terms are defined in respect with the inter-connector;
      5) contribution of infrastructure to the diversification of gas supply.
13. Notwithstanding paragraph 3 of this Law, the Commission may apply to the Energy Community Regulatory Board to submit, for the purposes of the formal decision, its opinion on the request for an exemption. That opinion shall be published together with the decision.

14. The Commission shall transmit to the Energy Community Secretariat, without delay, a copy of every request for exemption as of its receipt. The decision shall be notified, without delay, by the Commission to the Energy Community Secretariat, together with all the relevant information with respect to the decision. That information may be submitted to the Energy Community Secretariat in aggregate form, enabling the Energy Community Secretariat to reach a well-founded decision.

15. Within a period of two (2) months from the day following the receipt of a notification, the Energy Community Secretariat may issue an opinion inviting the Commission to amend or withdraw the decision to grant an exemption. That two-month period may be extended by an additional period of two (2) months
   a) where further information is sought by the Energy Community Secretariat.
   b) if the consent of the energy development secretariat and the commission exists on extending the term.

16. In case of extending the term of making a decision by the basis defined by this article, point 15, sub-point “a”, the additional term is calculated from the day following the one of receiving in full the information requested by the secretariat of the energy union. Where the requested information is not provided within the period set out in the request, the notification shall be deemed to be withdrawn unless, before the expiry of that period, except the case if:
   a) before the expiry of the term, with the consent of the energy union secretariat and commission, the term of providing information was extended;
   b) with the verified notification the commission verifies to the secretariat of the energy union comprehensiveness of the information provided by the energy union secretariat.

17. The Commission shall take the utmost account of an opinion of the Energy Community Secretariat that recommends amending or withdrawing the exemption decision. Where the final decision diverges from the opinion of the Energy Community Secretariat, the Commission shall provide and publish, together with that decision, the reasoning underlying such decision.

18. Opinion of the Energy Community Secretariat regarding the exemption decision shall lose its effect two (2) years from its adoption in the event that construction of the infrastructure has not yet started, and five (5) years from its adoption in the event that the infrastructure has not become operational unless the Energy Community Secretariat decides that any delay is due to major obstacles beyond control of the person to whom the exemption has been granted.
SECTION X
SUPPLY

Chapter XXVI - Organisation of supply

Article 101 - Supply activities

1. All customers in Georgia shall be supplied with electricity and natural gas under the terms and conditions stipulated in this Law and its implementing regulations.

2. Supply of electricity and natural gas shall be provided at non-regulated market prices subject to a respective supply contract negotiated between the supplier and the customer, except for in cases expressly referred to in this Law.

3. Household customers and small enterprises shall have a right to be supplied with electricity and natural gas pursuant to Articles 108 and 109 of this law.

4. Suppliers shall purchase electricity and natural gas whether under bilateral agreements or on the organised energy markets. Trade in electricity shall be pursued under the terms and conditions stipulated in Chapters XXX and XXXI of this Law.

5. Suppliers to whom public service obligations are imposed, as regulated under Chapter XXVII of this Law, shall be entitled for trade in electricity or natural gas pursuant to paragraph 4 of this Article without any limitations whatsoever, provided that they have separate accounts for public service supply and other supply and/or trading activities.

6. In accordance with the international commitments of Georgia, the Commission shall ensure that regulation of supply activities under this Law and other applicable legal acts do not discriminate against energy undertakings coming from any Energy Community Party.

Article 113 - Notification on supply and other activities which do not require issuance of the license for their authorization

1. Energy station of small capacity and the energy enterprise which is engaged in supply and/or trade activities or which intends to perform such activities, shall notify the Commission in accordance with this Article on the basis of the form approved by the commission.

2. A written notification on supply activities shall be submitted to the Commission not later than in five (5) business days after the energy undertaking starts its supply activities. Starting activities envisages electricity generation (except the case envisaged by article 36 of this law), starting trading with natural gas or electricity on the basis of the agreement signed with the consumer or the organized market, together with the supporting information, including data on legal establishment and registration of an undertaking, its registered office and contact details, in case of the small scale power station, the document proving starting of the operation of the station issued by the authorised body and any other contact information, information on supply activities performed or to be performed, estimated annual turnover of supply and other information and documentation required under the rules on provision of information adopted by the respective legislative act of the Commission.

3. Notifications on supply activities envisaged by this law and submitted to the Commission are only for information purposes. The Commission shall not be entitled to prohibit supply activities of any energy undertaking. This point does not apply to the small capacity electric power station for which the document verifying the start of operation is not issued.
4. Condition established in paragraph 3 of this Article of this Law shall be without prejudice to the right of the Commission to monitor activities of the energy enterprise, to apply to competent national authorities of Georgia should the legitimacy of any activities of a supplier be at stake or, as the case may be, to impose penalties on suppliers in accordance with Article 153 of this Law.

5. Should the energy enterprise cease or intend to cease its activities, it shall notify the Commission in writing not later than in five (5) business days after it ceases respective activities under the terms and conditions stipulated by the commission.

6. The Commission shall maintain a register of small capacity power stations, register of suppliers and traders carrying out activities in Georgia, which together with the contact details shall be published on the website of the Commission.

Article 103 - General Supply Conditions

1. Rights and obligations of the supplier and final customer shall be regulated under the supply contract.

2. The conclusion and contents of the supply contract shall be further determined by the General Supply Conditions, as adopted by the Commission in line with the provisions of this Law and to be mandatory applied by all suppliers. Where relevant, separate General Supply Conditions may be issued for the supply of electricity and supply of natural gas.

3. The General Supply Conditions, with respect to supply contracts, shall particularly contain the following:

   1) the method for changing contracted terms of supply;
   2) the right of the final customer to terminate the contract;
   3) the method for the notification of a price increase before its application;
   4) the method for the notification of valid prices, standard deadlines and conditions, in particular those related to the access and use of services;
   5) the ban for a final customer to keep any data from that contract, calculations and bills (especially prices, ways to change prices and metering data) as confidential data; and
   6) the method for billing and payment for services provided under the supply contract.

4. Each supplier shall ensure that the conditions from the supply contract which the supplier offers to its final customers are in line with the General Supply Conditions. The conditions from the supply contract shall be written clearly and comprehensibly and shall not include non-contractual barriers to exercise the rights of customers, such as excessive contractual documentation or excessive administrative burdens. Each supplier shall ensure that final customers are protected from unfair and misleading sales methods.

5. Each supplier shall prepare and in an appropriate manner publish standard conditions for the conclusion of the supply contract containing conditions established in advance. Each supplier shall also appropriately publish applicable prices or regulated tariffs, as applied.

6. Based on the General Supply Conditions it shall be ensured that all final customers:

   1) are afforded a right to a contract with their suppliers that specifies:
      a) the identity and address of the supplier;
      b) the services provided and the service quality levels offered;
      c) the means by which up-to-date information on all applicable prices or regulated tariffs, as applied may be obtained;
d) the duration of the contract, the conditions for renewal and termination of services and of the contract, the existence of any right of withdrawal;

e) any compensation and the refund arrangements which apply if contracted service levels are not met; and

f) the method of initiating procedures for settlement of disputes in accordance with Article 155 of this Law.

2) are given adequate notice of any intention to modify contractual conditions and are informed about their right of withdrawal when the notice is given. Suppliers shall be required to notify their customers in advance and directly of any increase in charges.

3) receive transparent information on applicable prices and tariffs, and on standard terms and conditions, specifically with respect to access to and use of services in the electricity or natural gas sector;

4) benefit from transparent, simple and free of charge procedures for dealing with their complaints. Such procedures shall enable disputes to be settled fairly and promptly with provision, where warranted, for a system of reimbursement and/or compensation as referred to in subparagraph “d” of paragraph 1 of Article 105 of this Law;

5) receive information about one’s own rights related with receiving electricity of definite quality or natural gas at the price published publically or the regulated tariff.

7. Provisions of the supply contract shall be fair and shall, clearly and unambiguously, encompass the rights and obligations of both the supplier and final customer. Where contracts are concluded through intermediaries, the notification pursuant to paragraphs 5 and 6 of this Article must also be provided to final customers prior to the conclusion of the supply contract.

8. The supply contract shall not deprive or aggravate the right of the final customer to terminate or cancel the said contract for the purpose of using its supplier switching right, nor shall it impose additional financial obligations for that matter, except for in cases where it is expressly otherwise agreed between the supplier and non-household final customer.

9. Rules of supply may also envisage the requirements of ensuring accountability of the supplier in respect with the consumer and the systems operator if the mentioned requirements are not defined by the rules of the respective network.

Article 104 - Standard terms of supply contracts

1. The Commission shall approve a standard supply contract, which shall stipulate the provisions for a continuous and reliable supply of electricity or natural gas to household customers and small enterprises.

2. The supplier shall be obliged to conclude with such customers a standard supply contract approved by the Commission. The agreement with standard conditions is considered signed by joining the standard terms and conditions of the supply agreement defined by the rule of the commission.

3. The supplier is authorised to refuse to render services to the consumer or require from the systems operator of the respective transmission or distribution system termination of electricity or natural gas supply only in case of:

a) Force major cases defined by the respective legislation of Georgia or those related with security;
b) If the consumer does not comply with the obligations defined by the supply agreement, including, related with paying the fee of received service.

Article 105. Obligations of suppliers

1. Each supplier shall ensure a single contact point from which its final customers shall be provided with all the necessary information and notifications concerning their rights, current regulations and the existing and available means of dispute settlement. The single contact point shall also allow final customers to:

   a) receive transparent notification on applicable prices or regulated tariffs and on standard terms and conditions, in respect of access to and use of services;

   b) be offered a wide choice of payment methods, which do not unduly discriminate between final customers. Prepayment systems shall be fair and adequately reflect likely consumption. Any difference in terms and conditions shall reflect the costs to the supplier of the different payment systems;

   c) receive available information as regards the possibility to change their supplier on a free basis;

   d) receive instructions for the implementation of transparent, simple and economic procedures for dealing with their complaints – in particular, each supplier shall ensure that its final customers have the right to a good standard of service and that their complaints are handled properly and in such a way that enables disputes to be settled fairly and promptly, in ten (10) business days, with provision, where warranted, for a system of reimbursement and/or compensation;

   e) receive frequent and accurate notifications on actual electricity or natural gas consumption and costs to enable them to regulate their own consumption – that information shall be provided by using a sufficient time frame, which takes account of the capability of the metering equipment of the final customer, with due account taken of the cost-efficiency of such measures and without additional costs charged to the final customer for that service; and

   f) with the view of controlling the consumer receive systematic and exact notification about actual consumption of electricity or natural gas by it and respective expenditure. The end user should be provided with the mentioned information at intervals defined by the legislative act, taking into consideration the technical data of the registration facility of the consumer and cost efficiency related with the supply of given information. The information should be provided to the user free of charge.

    g) receive final cheque within no later than 6 weeks after the end of the procedure of changing teh consumer.

2. In relation to a single contact point, in addition to requirements specified in paragraph 1 of this Article, each supplier serving household customers and small enterprises shall:

   1) establish customer centres which shall provide information, handle inquiries by final customers, requests and complaints, by telephone, e-mail and in person;

   2) establish a commission for complaints in order to protect final customers;

   3) adjust office hours of the customer centre to final customer needs, ensuring that at least one day per week the customer centre remains open until 8 p.m. It shall be possible for the final customers to make appointments with the customer centre by phone or e-mail;

   4) assist with the transmission and/or distribution system operator in relation to complaints and/or information which relate to matters which are regulated by the contract for transmission and/or distribution related services.
3. The supplier publishes on its website and gives to the end user the energy user information card which contains practical information related with the rights of energy consumers.

4. Each supplier shall notify the final customer on changes to applicable prices or regulated tariffs and other supply conditions, at least one month before the implementation of such changes, including the information on the right of the final customer to terminate the contract. Final customers are free to terminate their contracts if they do not accept the new conditions notified to them.

5. Each supplier shall prepare and publish its action programme for:
   1) providing assistance to final customers in relation to their fulfilment of due contractual obligations in order to prevent the suspension of supply; and
   2) supporting the supply of final customers in remote areas.

6. Each supplier shall regularly notify its final customers on measures for the improvement of energy efficiency in final energy consumption.

7. Each supplier shall charge for electricity or natural gas supplied and related services provided on the basis of an invoice which shall be clear and comprehensible as well as formed and issued in compliance with the requirements prescribed by the Commission.

8. Each supplier shall regularly inform its final customers about the supply of electricity or natural gas, including environmental issues. Information that each supplier shall provide to its final customers shall be in line with the requirements prescribed by the Commission. Each supplier shall specify in the invoice sent to the final customer or in the annexes to such invoice as well as in promotional materials available to the final customer:
   1) the share of each energy source within the overall portfolio of supply invoked by the supplier to meet the electricity or natural gas demand of its final customers, where available;
   2) at least a reference to existing reference sources, such as websites, where information is publicly available on environmental impact of production from energy sources invoked by the supplier in the preceding year, where available; and
   3) inform final customers concerning their rights as regards available means of dispute settlement and handling of complaints.

9. The Commission shall take the necessary steps to ensure that the notifications provided by suppliers to their final customers are presented in a reliable, clear and comparable manner. The Commission may decide to make elements of those notifications available to all market participants, providing that commercially sensitive information on certain participants or transactions are not published.

10. Each supplier shall undertake necessary steps aimed at protecting the interests of its final customers as well as handling the complaints of its final customers, including out-of-court dispute settlements, in an efficient way and free of charge. The Commission shall supervise the way in which complaints are handled pursuant to the provisions of this Law and applicable rules adopted by the Commission.

11. Each supplier shall report, on a periodical basis, to the Commission regarding its supply activities and, in particular, fulfilment of requirements established in this Law and in the General Supply Conditions under the terms and conditions stipulated in the rules on provision of information adopted by the Commission.
Article 106. Supplier Switching Rules

1. The Commission shall ensure the implementation of an efficient procedure which enables an eligible customer to switch to another supplier as simply as possible, within a period of less than three (3) weeks after having notified its former supplier of its intention to switch to another supplier.

2. The Commission shall adopt the Supplier Switching Rules, which shall lay down the conditions and the procedure for a change of supplier. These rules shall contain in particular:

   1) the procedure for supplier switching;
   2) the conditions that have to be fulfilled by a new supplier, particularly those related to balancing;
   3) the duties of a supplier whose supply contract is undergoing a termination procedure;
   4) the duties of system operator in charge to whose facilities the eligible customer are connected;
   5) the rights of the new supplier in relation to the access to and the use of transmission and distribution systems for the purpose of supplying a new eligible customer; and
   6) the settlement of previous financial obligations of eligible customers.

3. A change of supplier in accordance with the Supplier Switching Rules shall be free of charge for the eligible customer. Supplier switching shall be carried out upon a request submitted by the eligible customer.

4. A supplier whose supply contract is being terminated by the eligible customer, cannot set additional conditions for the termination of the contract and shall supply the eligible customer until the contract is terminated.

5. The Commission shall monitor the implementation of the Supplier Switching Rules. If so decided by the Commission, the Supplier Switching Rules may be adopted as an integral part of the General Supply Conditions.

6. Any dispute shall not postpone the supplier switching procedure and implementation of a new supply contract.

Article 107 - Record keeping by suppliers

1. Suppliers shall keep at the disposal of the national authorities, including the Commission and the Competition Agency, and of the Energy Community Secretariat, for at least five (5) years, the relevant data relating to all transactions under supply contracts and in electricity or natural gas derivatives with traders and transmission and distribution system operators and, as the case may be, with natural gas storage system operators and LNG system operators.

2. The data referred to in paragraph 1 of this Article shall include details on the characteristics of the relevant transactions such as duration, delivery and settlement rules, the quantity, the dates and times of execution and the transaction prices and means of identifying the trader concerned, as well as specified details of all unsettled supply contracts and derivatives.

3. The Commission is authorised to make a certain part of information envisaged by point 1 of this article available to all market participants the elements of this information provided that commercially sensitive information on individual market participants or individual transactions is not released.
4. With respect to transactions in electricity or natural gas derivatives with traders and transmission and distribution system operators and, as the case may be, with natural gas storage system operators and LNG system operators, this Article shall apply only once the Permanent High Level Group of the Energy Community has adopted the relevant Guidelines.

Chapter XXVII - Public service supply

Article 108 - Universal service supply

1. Household customers and small enterprises shall be entitled to be supplied with electricity by the universal service supplier under the terms and conditions stipulated in this Article.

2. The universal service supply to customers referred to in paragraph 1 of this Article, on the territory of one distribution service area, may be performed by a single supplier to whom a public supply obligation has been imposed pursuant to Article 9 of this Law.

3. The Commission shall determine and adopt the operational rules for universal service suppliers. These rules shall further regulate the activities of such suppliers including, inter alia, their rights and obligations, termination of their responsibilities, and other matters considered relevant by the Commission. By 1st of March each year, universal service suppliers shall issue, upon prior approval of the Commission, an annual report regarding their activities with respect to the universal service supply over the previous year. This report shall be made available to the Competition Agency and the Energy Community Secretariat.

4. For the purposes envisaged in Article 9 of this Law, the Commission shall define on the basis of methodology approved by it the electric energy tariff for the end user which the universal service provider serves. The Commission shall ensure that regulation of the end-user price is limited only for the purposes of the universal service supply to household customers and small enterprises and only to the extent necessary.

5. The Commission, in cases referred to in paragraph 4 of this Article prepares detailed verification and indicates those exceptional circumstances related with electricity market which led to the necessity of retaining the regulation of price for the end user in the form of the public obligation. The mentioned verification is available for the secretariat of the energy market.

6. The Commission, in cases referred to in paragraph 4 of this Article, shall establish the end date for phasing-out the regulation of the end-user price, showing clearly the temporary character of such price regulation.

7. The Commission shall ensure that electricity prices, whether market-based or regulated, are cost-reflective. Cost-reflectivity must extend to the actual costs of supply, including necessary investments and an appropriate rate of return, the costs of imports and supply services.

8. Each universal service supplier shall:
   1) provide supply of electricity as a public service to all those final customers who are eligible for that type of supply under this Law;
   2) perform the universal service supply exclusively in accordance with the requirements laid down in this Article;
   3) undertake measures to achieve secure, reliable and prescribed quality of the supply of electricity to final customers whom it provides the universal service supply; and
   4) undertake measures to achieve the most acceptable prices for final customers provided with the universal service supply.
9. The Commission shall ensure that different categories of customers to whom the universal service supply is provided do not benefit from the same treatment and protection.

Article 109 - Supply of natural gas under public service obligation

1. Household customers and small enterprises shall be entitled to be supplied with natural gas by the public service supplier under the terms and conditions stipulated in this Article.

2. The supply of customers referred to in paragraph 1 of this Article, on the territory of one distribution service area, may be performed within the framework of supply by a single supplier to which a public supply obligation has been imposed pursuant to Article 9 of this Law.

3. The Commission shall determine and adopt the operational rules for public service suppliers which carry out the supply of natural gas as a public service obligation. These rules shall further regulate the activities of such suppliers including, *inter alia*, their rights and obligations, termination of their responsibilities, and other matters considered relevant by the Commission. Every year, public service suppliers shall issue, upon prior approval of the Commission, an annual report regarding its activities with respect to public supply service over the previous year. This report shall be made available to the Energy Community Secretariat and public establishments authorised by the legislation of Georgia.

4. Supply of natural gas under public service obligation, except the case envisaged by point 5 of this article, shall be provided at fair, comparable and market-based prices set and applied by public service suppliers in a transparent and non-discriminatory manner by the supplier of public service. The price of public service should be fair, market and comparable.

5. For the purposes envisaged in Article 9 of this Law, the Commission may set the end-user price for natural gas supplied by public service suppliers pursuant to the methodology adopted by the Commission. The Commission shall ensure that regulation of the end-user price is limited only for the purposes of the supply of natural gas under public service obligation to household customers and small enterprises and only to the extent necessary.

6. The Commission, in cases referred to in paragraph 5 of this Article invokes the regulation of the end-user price for natural gas supplied by public service suppliers under paragraph 5 of this Article, it shall provide a detailed explanation and rationale linking such regulation with exceptional circumstances on the natural gas market and offering a justification of the necessity for maintaining regulation of the end-user price as a public service obligation that complies with the conditions of this Article and with Article 9 [Public services] of this Law. Such explanation shall be made available to the Competition Agency and the Energy Community Secretariat.

7. The Commission, in cases referred to in paragraph 5 of this Article, shall establish the end date for phasing-out the regulation of the end-user price, as well as a roadmap for doing so, showing clearly the temporary character of such price regulation.

8. The Commission shall ensure that natural gas prices, whether market-based or regulated, are cost-reflective. Cost-reflectivity must extend to the actual costs of supply, including necessary investments and an appropriate rate of return, the costs of imports and supply services.

9. Each public service supplier shall:
   1) provide supply of natural gas as a public service to all those final customers who are eligible for that type of supply under this Law;
   2) perform the supply of natural gas under public service obligation exclusively in accordance with the requirements laid down in this Article;
3) undertake measures to achieve secure, reliable and prescribed quality of the supply of natural gas to final customers whom it supplies with natural gas under public service obligation; and

4) undertake measures to achieve the most acceptable natural gas prices for final customers provided with the supply of natural gas under public service obligation.

10. The Commission shall ensure that different categories of customers to whom the supply of natural gas under public service obligation is provided do not benefit from the same treatment and protection.

**Article 110 - Supply of last resort**

1. Based on an open tender procedure, the Government shall designate a supplier of last resort for electricity and a supplier of last resort for natural gas. Nothing in this Law shall preclude the universal service supplier or the natural gas supplier under public service obligation from being designated as a supplier of last resort.

2. Tender conditions defined by point one of this article are approved and the tender announced by the government of Georgia. Together with other requirements, tender terms should encompass the criteria for selecting the final alternative, contractual terms and conditions, as well as the duration of the term for which the supplier of last resort shall be appointed, instructions on the rule of last alternative, definition of the electricity or natural gas price and the method of its change.

3. In case the tender procedure for selection of the supplier of last resort fails (including, due to absence of candidate supplier of last resort), the Government of Georgia is authorised to directly designate the energy enterprise submitted by the Ministry as the supplier of the final alternative without holding the tender.

4. The supplier of last resort shall be appointed for a period of not more than 5 years.

5. The supplier of last resort shall supply a final customer with electricity or natural gas without a specific application having to be submitted by the final customer if its electricity or natural gas supplier has exited the market and that said customer loses electricity or natural gas supply without any form of protection, regardless whether the concerned customer is faced with unplanned or planned exit of the supplier or a severe violation by the supplier of its obligations.

6. The supplier that is not capable of supplying electricity or natural gas to its final customers, in cases referred to in paragraph 5 of this Article, shall be obliged to notify its final customers, the supplier of last resort, the Commission, and transmission and distribution system operators in charge on the date of the suspension of supply in a timely manner and, in any case, not later than thirty (30) days before the date of the suspension of supply or not later than the next business day after the supplier became aware of such a date. In such a case the customer shall be automatically supplied by the supplier of last resort.

7. The Commission shall inform final customers, the supplier of last resort, and transmission and distribution system operators in charge by publishing on its website about the supplier referred to in paragraph 5 of this Article, not later than in five (5) business days from the date the Commission became aware of the circumstances causing incapability by the supplier to supply electricity or natural gas to its final customers.

8. Transmission and the distribution system operators in charge shall submit information to the supplier of last resort about the customers who are transferred for the supply of last resort within five (5) business days after receipt of the notice under paragraphs 5 and/or 6 of this Article.

9. The procedure regarding the market exit by the supplier from the electricity or natural gas market shall be prescribed by the market rules of the respective sector.
10. The supplier of last resort may supply final customers for a time period the maximum duration of which is three (3) calendar months. In case that the final customer fails to conclude a supply contract with a new supplier in the above-referred time period, the system operator in charge shall terminate the delivery of electricity or natural gas.

11. The Commission shall adopt operational rules for the supplier of last resort.

12. The commission sets the tariff supplying the alternative of last resort in a transparent and non-discriminatory manner pursuant to the methodology adopted by the Commission.

13. The Commission shall ensure that prices for electricity and natural gas supplied by suppliers of last resort reflect the costs made, including, the actual costs of supply, including, the price of actual supply, necessary investments and an appropriate rate of return related to it, the costs of imports and supply.

14. Prices for electricity and natural gas supplied by suppliers of last resort are set by the commission in accordance with the methodology approved by it and ensures that the mentioned tariff is higher that the market price of electricity supplied to the same category of consumers in ordinary conditions or the average market price of natural gas.

15. The supplier of last resort shall unbundle and keep separate financial records and prepare financial reports in accordance with this law as regards the performance of the supply of last resort.

16. Supply contract between the supplier of last resort and final customer shall be considered concluded in accordance with applicable rules and conditions provided for in the Supplier Switching Rules and/or applicable operational rules as from the day on which the supply is physically established and provided to the customer, whether requested or not by said customer.

17. The supplier of last resort shall deliver to its customers a written notification about supply price and maximum term within eight (8) days after the commencement of the supply of last resort.

18. The supplier of last resort is authorised to request suspension of delivery of electricity or natural gas to the customer due to unsettled liabilities by submitting a request for the suspension of delivery to the system operator in charge.

19. The supplier of last resort shall prepare at least once a year a report according to the rule defined by the legislative act and within the defined term prepares and submits to the commission the activity report. This report shall be made available to the Energy Community Secretariat.
SECTION XI

FINAL CUSTOMERS

Chapter XXVIII - Status and protection of final customers

Article 111 - Rights and obligations of final customers

1. Final customers shall be protected in accordance with this Law and regulations passed on the basis thereof, as well as other laws regulating the customer protection in Georgia and/or their implementing regulations.

2. Final customers shall pay for electricity and natural gas in accordance with the General Supply Conditions and other applicable contractual conditions. Terms and procedures for invoicing, settlement and collections of payments shall be defined in the General Supply Conditions.

3. In accordance with Articles 102 and 106 of this Law, each eligible customer is entitled to a free choice of supplier and change of supplier. Each final customer is entitled to possess all relevant data in relation to its electricity and natural gas consumption and shall be able to, by explicit agreement and free of charge, give any registered supplier access to its metering data. The party responsible for data management shall be obliged to give those data to energy undertakings in charge. The General Supply Conditions shall define a format for the data and a procedure for suppliers and final customers to have access to the data.

4. Large customers shall have the right to contract simultaneously with several suppliers. General Supply Conditions define the rules and procedure enabling large customers to exercise this right.

5. In the event of technical or other disturbances in the delivery of electricity or natural gas the final customers shall have the right to demand the removal of those disturbances within the shortest possible period of time under the terms and conditions of transmission or distribution network if the mentioned disturbance is caused due to its facilities.

6. Disruptions due to the implementation of measures for suspended deliveries which are undertaken in the event of distortions on the electricity or natural gas market shall not be considered as disturbances in the delivery of electricity or natural gas referred to in paragraph 5 of this Article, provided that such disruptions are justified under terms and conditions stipulated in this Law and/or other applicable legal acts.

7. Final customers shall use electricity and natural gas under the conditions, in the manner and for the purposes established by this Law, the applicable Transmission Network Code and Distribution Network Code, other applicable acts and in line with respective contractual obligations.

Article 112 - Protection of vulnerable customers

With the view of protecting the vulnerable customer, the state and the local government bodies in consultation with other interested parties will develop special programs/measures/benefits to ensure the demand for power and natural gas and/or increasing access and define respective vulnerable customers benefiting from the mentioned programs/measures/benefits.

Article 113 - Suspension of deliveries to final customers

1. The supplier is authorised to request the respective transmission or distribution system operator in charge to suspend deliveries of electricity or natural gas to a final customer due to unfulfilled obligations of the final customer arising from the respective supply contract.
Article 114 – Energy market opening

1. Each eligible customer in Georgia shall be entitled to a free choice of the supplier and its change.

2. To avoid imbalance in the opening of energy markets, supply contracts with an eligible customer in the system of another Energy Community Party shall not be prohibited if the customer is eligible in both systems involved.

Article 115 - Measures to promote market opening

1. If necessary, the Commission shall, within the scope of its competence and regulatory powers, establish all required and proportionate measures for the promotion of efficient market competition and thus ensure proper functioning of energy markets. The Commission, upon its own initiative or following the request of the Energy Community Secretariat, shall take such measures wherever deemed necessary.

2. The measures referred to in paragraph one of this Article shall be proportionate, non-discriminatory and transparent. Those measures may be put into effect only following the notification to the Energy Community Secretariat based on its respective opinion.

3. In the event that the Energy Community Secretariat does not act within the two-month period of receiving the notification envisaged by point 2 of this article, the issue will be deemed agreed.

Article 116 - Supervision of energy market

1. The Commission shall carry out supervision of the energy market under the terms and conditions stipulated in this Law and in the rules on the monitoring of energy markets adopted by the Commission.

2. By the 1st of June each year the Commission shall prepare and publish the report on energy markets which, together with other information, shall include a detailed review of the opening, functioning and organisation of energy markets, analysis of the activities of market participants, analysis of market-based pricing and application of regulated tariffs and end-user prices, as well as indicated trends of any developments in energy markets. Where relevant, the Commission may issue separate reports on electricity and natural gas markets.

3. The market operator in charge while carrying out its tasks defined in Articles 122 and 128 of this Law shall:

   1) analyse the organisation of a respective energy market and propose to the Commission measures for its improvement;

   2) provide the Commission and transmission system operators in charge with an opinion on the rules on the system balancing as elaborated in the applicable Transmission Network Code;

   3) provide the Commission and transmission system operators in charge with an opinion on the rules on the allocation and use of cross-border capacities and the congestion management as elaborated in the applicable Transmission Network Code; and
4) perform other functions with regard to the observation of the trade in electricity or natural gas within the entire territory of Georgia, as assigned to by this Law and the rules on the monitoring of energy markets.

4. Market operators and transmission system operators in charge, within their respective competences, shall inform the Commission on any indicated or potential infringements of requirements for activities in energy markets.

Article 117 - Competition in energy markets

1. The Commission shall pursue that conditions for effective competition in energy markets and its development are established, and possibilities for market abuse are timely intercepted and controlled.

2. For the purposes of paragraph 1 of this Article, the Commission shall carry out the monitoring of energy markets and, when necessary, shall therefore proceed with the market survey:

   1) upon request of the Government, the Ministry, the Competition Agency, and the Public Defender of Consumers' Interests;
   2) upon request of the market participants, where they have evidence of market abuse and they suffer direct financial damage as a result of such abuse;
   3) on its own initiative.

3. The market survey shall constitute the following:

   1) definition of the market (scope of services, supply of production and geographical territory);
   2) analysis of the effectiveness of competition in the market, quantitative assessment of the concentration in the market and assessment (including, assessment of the share of the market possessed by each energy undertaking and the amount of competition among several undertakings);
   3) indication of persons having significant influence upon the market, as referred to in Article 118 of this Law;
   4) outcomes and decisions of the market survey or proposals for regulatory measures referred to in paragraph 8 of this Article.

4. The market survey shall be carried out under the terms and conditions established by the rules on the monitoring of energy markets adopted by the Commission and following respective decision of the Commission.

5. The market survey shall be processed in line with the laws of Georgia, respective regulations and/or recommendations of the Energy Community, and taking into account the best international practices in the field and in cooperation with the relevant national authorities.

6. For the purposes of the market survey, the Commission shall proceed with public consultations in accordance with Article 24 of this Law. Comments and proposal received during public consultations shall be analysed by the Commission and their consolidated review, including explanations provided by the Commission, shall be published on the website of the Commission.

7. The market survey shall be finished in seven (7) months from the date of the respective decision of the Commission to start such market survey. If reasonably required and duly justified, such term may be extended under decision of the Commission, but in any case not longer than for additional four (4) months. The Commission shall pursue that the market survey is finished in the most effective and timely manner.
8. The market survey shall be finished by adoption of the decision of the Commission, which shall demonstrate the outcomes of questions referred to in paragraph 3 of this Article. Decisions on or proposals for regulatory measures may include the following:
   a) revocation of a license for energy activities;
   b) penalties;
   c) application of measures to promote market opening according to Article 115 of this Law;
   d) address to a competent national/state bodies regarding the compliance of energy market players activities with the legislation of Georgia.

9. Results of the market survey and respective decisions of the Commission shall be submitted to the Government of Georgia, the Ministry, other competent national authorities of Georgia, and shall be published on the website of the Commission.

Article 118 - Significant influence upon energy markets

1. An undertaking shall be deemed as having a significant influence upon the energy market in cases where it, individually or in collaboration with another undertaking (or undertakings), covers a share of the respective market which may be considered as dominant, i.e. rendering such economic power which allows to undertake commercial activities enough independently from competitors, clients and/or customers, in accordance with the Law of Georgia on Competition. The amount of the significant market share at the respective energy market and the rule of defining it are determined by the legislative act of the commission.

2. In case an undertaking is deemed as having significant influence upon one particular market, it may be also considered as such in another closely interrelated market, in case such interrelation between those two markets allows using the influence in one market for increase of respective influence in another market.

3. An undertaking, which is acknowledged as having a significant influence upon the energy market under the decision of the Commission, shall be deemed as such until the Commission adopts another decision stating the absence of such influence.

4. Acknowledging the significant influence upon energy markets, pursuant to a respective decision of the Commission, may result in a decision on application of measures to promote market opening according to Article 115 of this Law.

Article 119. Concentration

1. Concentration, the value of whose both individual and joint assets of regulated enterprises or the annual turnover (according to the financial data of the previous financial year) on the territory of Georgia and/or any party to the energy community exceed the marginal amount set by the normative act of the commission, requires prior notification to the commission. Rules of submitting the notification on concentration to the commission and those for the review of the commission are defined by the decree of the commission.

2. After receiving the notification on concentration the commission prepares the report about the competitive effect of expected merging/consolidation.

3. It is inadmissible to have such concentration, which restricts effective competition at the energy market of Georgia, its part or any party to the energy union.

4. If concentration generates and strengthens dominant position, it is proposed that such concentration restricts effective competition at the energy market of Georgia, its part of
energy union expect the case if the regulated enterprise proves the opposite. The rule of defining the dominant position is defined by the legislative act of the commission.

5. For the registration of merging those regulated enterprises which are imposed with the obligation of the notification envisaged by point 1 of this article, it is essential to obtain the positive conclusion/report about the competitive effect regarding possible merging/unification. Issuance of the negative opinion/report by the commission serves as the basis for refusing the registration of merging of enterprises regulated by the legal entity of public law - National Agency of Public Registry - operating within the scope of operation of the Ministry of Justice of Georgia.

6. Concentration restricting the competition within the energy sector and/or violating the obligation to submit the notification to the commission in advance will lead to imposing the fine envisaged by the legislation of Georgia for the enterprises participating in the concentration.

7. The commission is authorised to do the following in respect with the enterprise participating in the concentration defined by point 1 of this article:
   a) request abolishing of concentration by means of merging, cancelling or shares purchased or assets expropriated so that the condition before carrying out concentration is restored. If before carrying out concentration, restoration of the existing situation is impossible by means of abolishing it, the commission has the right to take any other respective measure to get back to the condition existing before the concentration;
   b) impose sanctions in accordance with this law;
   c) request taking of any other measures which will ensure cancelling of concentration by the regulating enterprise taking part in concentration or restoration of the situation before concentration.

Chapter XXX - Organisation of the electricity market

Article 120 - Scope of the electricity market

1. The electricity market shall include the retail and wholesale electricity market.
2. Electricity supply transactions between final customers and their suppliers shall take place on the retail electricity market.
   3. Segments of the wholesale market are defined in accordance with the conception of the electricity market.

Article 121 - Organisation of the electricity market

1. The electricity market operator, within the competence assigned by this Law and/or the Electricity Market Rules, shall be responsible for the organisation of the respective segment of organised electricity markets in Georgia for trade in electricity, as well as for its connection and integration with other organised electricity markets. Organisation of the electricity market shall be regulated by the Electricity Market Rules.
2. The possibility of establishing the stock exchange of electricity derivatives shall not be limited only to the electricity market operator.
3. The electricity market operator shall perform its activities on the basis of a license issued by the Commission under the terms and conditions stipulated in the Law of Georgia on Licenses and Permits in accordance with Chapter V [Authorisation of energy activities] of this Law.
4. The electricity market operator shall perform its duties respecting the principles of transparency, objectivity and non-discrimination, under the supervision of the Commission.

5. The electricity market operator shall apply the fees for its services as approved by the Commission in accordance with the defined methodology.

**Article 122 - Tasks of the electricity market operator**

1. The electricity market operator shall be particularly responsible for the following:
   a) organising electricity markets within the assigned competence under this Law and/or the Electricity Market Rules;
   b) keeping records on contracts and contractual obligations in accordance with the Electricity Market Rules;
   c) preparation of daily schedules for purchase and sale of electricity within and across the borders of Georgia pursuant to contractual obligations arising from purchasing and selling on the day-ahead electricity market;
   d) timely delivery of daily schedules for purchase and sale of electricity referred to in subparagraph 3 to the transmission system operator in charge;
   e) registering and keeping records on electricity market participants;
   f) appropriate publishing of information required for unhindered organisation of the electricity market and performance of the electricity activities.

2. The electricity market operator may be assigned with other tasks and responsibilities under this Law and the Electricity Market Rules, including those additional tasks and responsibilities on the basis of this law, conception of the model of electricity market and rules of the electricity market.

3. The electricity market operator shall not trade in electricity, except for the purpose of trading on the organized electricity markets where the electricity market operator represents a contractual party in the case of the rules envisaged by the electricity market.

4. Electricity undertakings shall provide the electricity market operator with continuous and unlimited access to data that the electricity market operator needs for the organisation of the electricity market in line with the Electricity Market Rules.

**Article 123 - Electricity market concept design and the Electricity Market Rules**

1. The electricity market concept design shall be adopted by the Government as prepared and submitted by the Ministry in cooperation with the Commission.

2. The electricity market concept design shall develop the general guidance for the organisation and functioning of the electricity market in Georgia. The general guidance shall define the structure of the electricity market and shall provide general outline of the rights and obligations of market participants to extent where it is essential to define the general essence of the market structure. The electricity market concept design shall stipulate the mechanism in relation to fulfilment of the commitments undertaken under the agreements with electricity undertakings signed before adoption of this Law, subject to the compliance with Article 9 of this Law. The stages of moving to the target model may also be defined as well as the public organization and special requirements of supplying electricity on the occupied territories of Georgia. Organization of the electricity market and operating it, including, all the procedures related with the any segment of the market defined by the conception of the model of the electricity market, are regulated by the commission in accordance with the terms and conditions defined by electricity market rules.
3. The Electricity Market Rules shall define the manner of organisation and operation of the electricity market, including:
   a) design of the electricity market in accordance with the electricity market concept design;
   b) procedures, principles and standards for organisation and operation of the electricity market in line with the applied electricity market concept design;
   c) method for identification and registration of electricity market participants;
   d) types and templates of contracts concluded on the electricity market;
   e) products for trading in the electricity market;
   f) standards and procedures for keeping records of transactions conducted on the electricity market;
   g) standards and procedures for establishing and keeping a database necessary for functioning of the electricity market;
   h) standards and procedures for the application, preparation, verification and change of daily schedules for purchasing and selling of electricity;
   i) standards and procedures for the procurement of electricity to cover losses in electricity transmission and distribution networks;
   j) responsibility for and calculation of imbalances;
   k) calculation of quantitative imbalances of balancing groups and financial settlement of the imbalances on the electricity market by the balancing group responsible parties;
   l) terms and conditions of organizing and operating each segment of the market defined by the conception of the electricity market model;
   m) other terms and conditions necessary for the organisation and operation of the electricity market as well as organizing the procedures inside the market.

Article 124 - Electricity market participants

1. Electricity undertakings and other legal and natural persons shall be allowed to participate in the electricity market for sale and/or purchase of electricity under the terms and conditions stipulated in this Law and the Electricity Market Rules.

2. Each electricity market participant, including producers, traders, suppliers, including those performing the supply of electricity as a public service, and large customers, shall be entitled for trade in electricity on the organised electricity market of Georgia under the terms and conditions stipulated in this Law and the Electricity Market Rules.

3. Electricity market participants shall fulfil their mutual rights and obligations by contracts in line with the Electricity Market Rules.

4. In relation to the obligation of procuring electricity to cover the losses in the transmission and distribution network, transmission and distribution system operators are specific electricity market participants whose special characteristics are further regulated by the Electricity Market Rules.

5. In relation to the trade on the organised electricity markets, where the electricity market operator represents a contractual party as referred to in paragraph 2 of Article 122 of this Law, the electricity market operator is a specific electricity market participant whose special characteristics are further regulated by the Electricity Market Rules.

Article 125 - Liability of electricity market participants in relation to imbalances
(1) Liability for the imbalance is established for all electricity market participants based on the balancing group model, for the purpose of unobstructed performance of purchase and sale transactions on the electricity market and their fair settlement, achieving a balance between generation and consumption in the electricity system of the Georgia and separation of financial transactions from physical delivery.

(2) The conditions related to details of the balancing group model, including rights and obligations of the balancing group responsible parties, shall be prescribed in the Electricity Market Rules, which shall include the definition of the balancing group responsible parties, as well as the liability for the imbalance of those undertakings.

(3) Keeping the register of the persons responsible for balancing and defining the need for balance electricity caused by their imbalance, as well as calculation of the respective volume are ensured by the transmission system operator.

(4) The register of accounting metering points of one balancing group for delivery points in the transmission system shall be kept by the transmission system operator. Transmission system operators shall use data from the register referred to in paragraph 3 of this Article with the view of defining the need for balance electricity caused by the imbalance of the persons responsible for balancing and calculating the respective volume.
Chapter XXXI - Organisation of the natural gas market

Article 126 - Scope of the natural gas market

1. The natural gas market shall include the retail and wholesale natural gas market.
2. Transactions between final customers and their suppliers shall take place on the retail natural gas market.
3. Natural gas wholesale market segments are defined by the conception of the model of natural gas market.

Article 127 - Organisation of the natural gas market

1. The natural gas market operator shall be responsible for the organisation of the market of natural gas, for trade in natural gas as well as for its connection and integration with other organised natural gas markets. Organisation of the natural gas market shall be regulated by the Natural Gas Market Rules.
2. Both the natural gas market operator and other subjects are entitled to the right to establish the stock exchange of natural gas derivatives.
3. The natural gas market operator shall perform its activities on the basis of a license issued by the Commission under the terms and conditions stipulated in the Law of Georgia on Licenses and Permits in accordance with Chapter V of this Law.
4. The natural gas market operator shall perform its duties respecting the principles of transparency, objectivity and non-discrimination, under the supervision of the Commission.
5. The Commission determines the service fee of natural gas market operator in accordance with approved methodology.

Article 128 - Functions of the natural gas market operator

1. The natural gas market operator shall be particularly responsible for the following in the segment (segments) defined by the license:
   1) organising the natural gas market;
   2) registering and keeping records on natural gas market participants;
   3) appropriate publishing of information required for unhindered organisation of the natural gas market and performance of natural gas activities.
2. The natural gas market operator may also be assigned with other tasks and responsibilities within its competence under this Law, natural gas market model conception and natural gas market rules.
3. The natural gas market operator shall not trade in natural gas, except the case when this is carried out to ensure trade of natural gas at the organized market and the natural gas market operator represents a contractual party in the case envisaged by the natural gas rules.
4. Natural gas undertakings shall provide the natural gas market operator with continuous and unlimited access to data that the natural gas market operator needs for the organisation of the natural gas market in line with the Natural Gas Market Rules.
Article 129 - Natural gas market concept design and the Natural Gas Market Rules

1. The natural gas market concept design shall be adopted by the Ministry and approved by the government of Georgia in cooperation with the commission.

2. The natural gas market concept design shall develop the general guidance for the organisation and functioning of the natural gas market in Georgia. The general guidance shall define the structure of the natural gas market and shall provide general outline of the rights and obligations of market participants to extent where it is essential to define the general essence of the market structure. The conception may also define the stages of moving to the market model. Organization and operation of natural gas, including, all the procedures related with any segment of the market segment defined by the conception of the model of the natural gas market, are regulated by the commission in accordance with the conditions defined by the rules of the natural gas market.

3. The Natural Gas Market Rules shall define the manner of organisation and operation of the natural gas market, including:
   a) design of the natural gas market in accordance with the natural gas market concept design;
   b) procedures, principles and standards for organisation and operation of the natural gas market in line with the applied natural gas market concept design;
   c) method for identification and registration of natural gas market participants;
   d) types and templates of contracts concluded on the natural gas market;
   e) products for trading in the natural gas market;
   f) standards and procedures for keeping records of transactions conducted on the natural gas market;
   g) standards and procedures for establishing and keeping a database for the needs of the natural gas market;
   h) standards and procedures for the application, preparation, verification and change of daily schedules for purchasing and selling of natural gas;
   i) standards and procedures for the procurement of natural gas to cover losses in the natural gas transmission and distribution network in order to ensure continuous, safe and reliable supply of customers with natural gas;
   j) terms and conditions of operating and organizing each segment of the market defined by the conception of the model of natural gas market;
   k) other issues necessary for the organisation and operation of the natural gas market as well as taking case of procedures within the market.

Article 130 - Natural gas market participants

1. Natural gas undertakings and other legal and natural persons shall be allowed to participate in the natural gas market for sale and/or purchase of natural gas under the terms and conditions stipulated in this Law and the Natural Gas Market Rules.

2. All natural gas market participants, including producers, traders, suppliers, including those performing the supply of natural gas as a public service, and large customers, shall be entitled for trade in natural gas on the organised natural gas market of Georgia under the terms and conditions stipulated in this Law and the Natural Gas Market Rules.

3. Natural gas market participants shall fulfil their mutual rights and obligations by contracts in line with the Natural Gas Market Rules.
4. In relation to the obligation of procuring natural gas to cover the losses in the transmission and distribution network, transmission and distribution system operators are specific natural gas market participants whose special characteristics are further regulated by the Natural Gas Market Rules.

5. In relation to the trade on the day-ahead natural gas market, where the natural gas market operator represents a contractual party as referred to in paragraph 2 of Article 128 of this Law, the natural gas market operator is a specific natural gas market participant whose special characteristics are further regulated by the Natural Gas Market Rules.

Article 131 - Derogations in relation to take-or-pay commitments

1. If a natural gas undertaking encounters, or considers it would encounter, serious economic and financial difficulties because of its take-or-pay commitments accepted in one or more natural gas purchase contracts, the natural gas undertaking may apply to the Commission for a temporary derogation from the duty to provide access to natural gas systems under the terms and conditions stipulated in this Law. Applications shall be presented on a case-by-case basis, either before or after refusal of access to the system, at the choice of the natural gas undertaking. Where a natural gas undertaking has refused access, the application shall be presented without delay. The application shall be accompanied by all relevant information on the nature and extent of the problem and on the efforts undertaken by the natural gas undertaking to solve the problem.

2. With respect to the situation described in paragraph 1 of this Article, if alternative solutions of the economic and financial difficulty caused by the obligation of “get and pay” are not reasonably available, the Commission may decide to grant derogation. The Commission shall notify the Energy Community Secretariat without delay of its decision to grant derogation, together with all the relevant information with respect to the derogation. That information may be submitted to the Energy Community Secretariat in an aggregated form, enabling the Energy Community Secretariat to reach a well-founded decision. Within two (2) weeks of receipt of that notification, in case of failure to submit the opinion, the issue is considered agreed with it.

3. When deciding on derogation, the Commission shall take into account, in particular, the following criteria:

   a) the objective of achieving a non discriminatory, transparent competitive gas market;
   b) the need to fulfil public service obligations and to ensure security of supply;
   c) the position of the natural gas undertaking in the gas market and the actual state of competition in the market;
   d) the seriousness of the economic and financial difficulties encountered by natural gas undertakings, the transmission system operator or eligible customers;
   e) the dates of signature and terms of the contract or contracts in question, including the extent to which they allow for market changes;
   f) the efforts made to find a solution to the problem;
   g) the extent to which, when accepting the take-or-pay commitments in question, the undertaking could reasonably have foreseen, having regard to the provisions of this Law, that serious difficulties were likely to arise;
   h) the level of connection of the system with other systems and the degree of interoperability of these systems; and
   i) the effects the granting of derogation would have on the correct application of this Law as regards the smooth functioning of the internal gas market.
4. A decision on a request for a derogation concerning take-or-pay contracts concluded before 1 July 2006 should not lead to a situation in which it is impossible to find economically viable alternative outlets. Serious difficulties shall in any case be deemed not to exist when the sales of natural gas do not fall below the level of minimum off-take guarantees contained in gas-purchase take-or-pay contracts or in so far as the relevant gas-purchase take-or-pay contract can be adapted or the natural gas undertaking is able to find alternative outlets.

5. Natural gas undertakings which have not been granted a derogation as referred to in paragraph 1 of this Article shall not refuse, or shall no longer refuse, access to the system because of take-or-pay commitments accepted in a gas purchase contract. In this regard, the Commission shall ensure that relevant provisions of this Law regulating the third-party access and gas supply contracts are fully applied and properly implemented.

6. Any derogation granted by the Commission shall be published and duly substantiated and notified to the Energy Community Secretariat.
SECTION XIII
SECURITY OF SUPPLY OF ELECTRICITY AND NATURAL GAS

Chapter XXXII - Safeguarding the security of supply

Article 132 - Competences regarding security of supply

1. The Ministry shall be a competent authority for safeguarding the security of electricity and natural gas supply in Georgia.

2. The Ministry
   a) shall adopt the strategy to act in extreme situations in the sectors of natural gas and electricity;
   b) ensures processing and finalization of the legislative normative base;
   c) specifies the energy potential of Georgia;
   d) approves the rules of security of supplying electricity and natural gas which regulate functions and responsibility of energy enterprises, market players, users of the system and beneficiaries in the process of achieving the minimum level and standard of security of supplying electricity and natural gas.

3. Regulations referred to in paragraph 2 of this Article shall be based primarily on market measures, and shall take into account the economic impact, effectiveness and efficiency of the measures, the effects on the functioning of energy markets and the impact on the environment and on customers, and shall not put an undue burden on energy undertakings, nor negatively impact on the functioning of the energy markets.

4. The Commission and other competent national authorities shall contribute to the security of supply in accordance with this Law and other applicable legal acts.

Article 133 - Regional solidarity

1. In order to safeguard the security of supply on internal energy markets, competent national authorities of Georgia shall cooperate with respective competent authorities of other Energy Community Parties so as to promote regional and bilateral solidarity.

2. The cooperation referred to in paragraph 1 of this Article shall also cover situations resulting or likely to result in the short term in a severe disruption of supply of electricity or natural gas in a short term (when more than 20 % of the total volume of natural gas supply is under threat and managing this situation at the national level is less possible), which affects both Georgia and another party to the energy union. In such a case, cooperation shall involve:
   i) coordination of measures related to the security of electricity supply referred to in Articles 134 and 136 of this Law;
   ii) coordination of measures related to the security of natural gas supply referred to in Articles 139 and 141;
   iii) identification and, where necessary, development and upgrading, of electricity and/or natural gas interconnectors, including, enabling bi-directional capacities in natural gas interconnectors; and
   iv) conditions and practical modalities for mutual assistance.
3. The Energy Community Secretariat and the other Energy Community Parties shall be kept informed of such cooperation as defined by this article.
4. To ensure the aims given in this article, the Ministry also cooperates with other neighbouring countries (which are not the party to the energy union) on the basis of the agreement with competent bodies.

Chapter XXXIII - Security of electricity supply

Article 134 - Measures concerning security of electricity supply

1. The Ministry, in cooperation with the Commission and other competent national authorities of Georgia, while developing and implementing the security of supply regulations for electricity, as referred to in Article 132 of this Law, and monitoring the security of electricity supply in accordance with Article 138 of this Law shall aim at ensuring:

   a) continuity of secure and reliable supply of electricity to final customers in Georgia;

   b) transparent and stable regulatory framework for the electricity activities, taking into account clearly defined roles and responsibilities of the electricity market participants, and harmonised regulatory practices in Georgia;

   c) effective functioning, development and integration of a single electricity market in Georgia, including liquidity of the internal trading in electricity, both wholesale and retail, as well as unrestricted access for cross-border exchanges in electricity;

   d) regular maintenance and, where necessary, renewal of electricity transmission and/or distribution networks to maintain the performance of respective networks;

   e) relevant quality standards in accordance with technical rules established pursuant to Article 97 of this Law;

   f) unrestricted and justified investments in electricity transmission and/or distribution networks in order to meet a foreseeable demand from the electricity market, including commercial investments in development of the cross-border interconnection capacities;

   g) promotion of electricity produced from renewable energy sources and in combined generation of electricity and heat;

   h) sufficient transmission and generation reserve capacities for stable operation of the electricity system;

   i) maintaining a balance between the demand for electricity and the availability of generation capacities;

   j) reduction of long-term effects of the growth of electricity demand;

   k) promotion of the energy efficiency and the adoption of new technologies, in particular demand management technologies, renewable energy technologies, distributed generation of electricity, as well as smart metering technologies, in order to adopt a real-time electricity demand management;

   l) encouragement of the energy conservation measures;

   m) removal of administrative barriers and minimised administrative burden to investments in the electricity infrastructure for the access of new electricity generation capacities; and

   n) removal of barriers that prevent the use of interruptible contracts and conclusion of contracts of varying lengths for both producers and customers.
2. Any regulatory measures undertaken or adopted for the purpose of paragraph 1 of this Article shall be non-discriminatory, shall not distort conditions for competition and price signals on the electricity market to the extent higher than the minimum level necessary, and shall not place an unreasonable burden on electricity market participants, including new entrants and undertakings with small market shares. Such measures shall be also justified on their economic and social effect to the final customers in Georgia, including their possible impact on electricity prices.

3. In cases where building of new electricity interconnectors or maintenance of existing interconnectors is considered by the transmission system operator in order to increase cross-border exchange capacities, any regulatory measures referred to in paragraph 1 of this Article shall be considered taking into account at least the following criteria:
   a) specific geographic situation of Georgia and its neighbouring countries concerned;
   b) maintaining a reasonable balance between the costs of building new electricity interconnectors and the benefit to final customers; and
   c) ensuring that existing electricity interconnectors are used as efficiently as possible.

4. In cases where the guaranteed electricity generation capacity is needed in order to ensure the stability, safety and reliability of the electricity system, including balance between supply and demand, the Government, subject to the proposal by the Ministry, may impose an obligation on an electricity producer or several electricity producers to maintain the guaranteed electricity generation capacity which may be effectively allocated for the system balancing needs in case of emergency or other defined extraordinary circumstances in the electricity system. Such obligation shall in all cases comply with the criteria for public service obligations in accordance with Article 9 of this Law and shall be therefore justified, including the screening in accordance with competition and/or State aid rules, and consulted pursuant to requirements stipulated therein. Terms and conditions for the maintenance of the guaranteed electricity generation capacity shall be established by the Government. Dispatching of the guaranteed electricity generation capacity shall be performed by the transmission system operator to whose network respective electricity generation facilities are connected under the terms and conditions stipulated in the Electricity Transmission Network Code. Electricity produced following allocation of the guaranteed electricity generation capacity shall be traded under the terms and conditions stipulated in this Law. The fee of guaranteed capacity and/or the tariff of generating electricity of the guaranteed capacity sources are defined by the commission in accordance with the methodology approved by it.

5. Technical and safety provisions relevant for the security of electricity supply and therefore mandatorily applicable to electricity facilities and their associated equipment as well as requirements for technical inspections thereto shall be regulated by the technical rules adopted by the Government in accordance with Article 97 of this Law.

6. The government of Georgia is authorised to approve the list of sites which, based on their strategic importance, should be supplied with power as priority in urgent situations.

**Article 135 - Operational security of electricity networks**

1. The transmission system operator shall set the minimum operational rules and obligations of the security of the electricity transmission network in compliance with this Law, regulations on the security of electricity supply, Transmission Network Code, technical rules as referred to in Article 97 of this Law, and other applicable legal acts of Georgia.

2. Operational rules and obligations of the security of the electricity transmission network shall be adopted following prior consultations with system users and other relevant parties in Georgia and, where relevant, with transmission system operators of the neighbouring countries. The transmission system operator shall consult the Commission and the Ministry as regards the compliance of its set operational rules and obligations with legal acts referred to in paragraph 1 of this Article.
3. The Ministry and the Commission, within their competence, shall ensure that transmission and, where relevant, distribution system operators comply with the minimum operational requirements and quality requirements for services in the transmission and/or distribution network, and maintain an appropriate level of the operational security of electricity networks.

4. The transmission system operator shall maintain an appropriate level of technical transmission reserve capacity for operational security of electricity networks and cooperate with system operators of interconnected systems and of the neighbouring and/or other countries concerned. The level of foreseeable circumstance in which security shall be maintained shall be defined in the operational rules and obligations of the security of the electricity transmission network in compliance with legal acts referred to in paragraph 1 of this Article.

5. The transmission system operator shall exchange information with the relevant system operators in interconnected systems relating to the operation of network in a timely and effective manner in line with the minimum operational requirements.

6. The transmission system operator shall meet network security performance objectives and, where relevant, the quality of the supply of electricity, as stipulated in the operational rules and obligations of the security of the electricity transmission network.

7. For the purposes of the cross-border exchanges in electricity and the operational security of electricity networks thereto, the transmission system operator, the electricity market operator and/or any other electricity undertaking in charge shall not discriminate between the cross-border contracts and national contracts.

**Article 136 - Emergency situation in electricity**

1. Emergency situation in electricity may be caused and announced in case generation, transmission, distribution, supply of electricity and/or trade in electricity is interfered by unexpected circumstances or those beyond the reasonable control of the electricity undertakings in charge, and which threatens the overall security and reliability of the electricity system or supply to the final customers in order to meet their demand for electricity.

2. Emergency situation in electricity shall be announced under the decision of the Government or the body authorised by the Government following its adopted rules and regulations.

3. Safeguard measures and procedures applied in case of the emergency situation in electricity shall be adopted by the Government and shall be duly consulted and closely coordinated with the Commission, the transmission system operator and distribution system operators, as well as competent authorities and operators of the Energy Community Parties and/or other countries concerned.

4. All such measures referred to in paragraph 3 of this Article shall be applied temporarily and shall cause least possible disturbance in the functioning of the electricity market, and shall not be wider in scope than is strictly necessary to remedy the threat to the physical safety or security of persons, electricity facilities and/or equipment.

5. The Government shall without delay notify the safeguard measures to the Energy Community Secretariat and shall provide all relevant data and information.

6. This Article shall apply without prejudice to the general terms and conditions for dealing with emergency situation in the country pursuant to the Law of Georgia on the State of Emergency subject to, however, a proper implementation of sector specific requirements for dealing with emergencies in electricity in accordance with this Article.
Article 137 - Curtailment of the supply of electricity

1. Supply of electricity to the final customers in Georgia may be temporarily interrupted only when such interruption is justified by necessity to secure the public interest, including the emergency situation in electricity, as referred to in Article 146 [Emergency situation in electricity] of this Law, or in case when such interruption is technically required for maintenance of the network or connection of new customers.

2. Supply of electricity may be interrupted or restricted without prior notice to the customers only in cases when it is required to avoid accidents or breakdowns in the electricity system, or to eliminate such accidents or breakdowns, including conditions referred to in paragraph 1 of this Article. In these cases the customers shall be informed without any delay on such interruptions or restrictions, their effect towards supply of electricity and intended continuance.

3. Curtailments of supply due to the planned maintenance of electricity transmission and/or distribution networks shall be carried out following the adopted schedule, which shall be published, and respective separate announcements shall be sent to the customers before the intended start of the maintenance works following the deadlines established by applicable legal acts.

4. Without prejudice to paragraphs 1 and 2 of this Article, transmission and distribution system operators may interrupt the supply of electricity for those customers which do cause disturbances in the network and/or negative impact towards the quality of electricity supply, in case such infringements are not eliminated in five (5) days following a written notice from the respective operator, and their continuance may cause the risk of accident or breakdown in the electricity system or otherwise negatively effects security, safety and/or reliability of the electricity system.

5. Transmission and distribution system operators may, upon prior written notice provided in terms referred to in paragraph 4 of this Article, interrupt supply of electricity to the customers which do not allow for authorised representatives of respective operators to enter the territory of the customer for installation, maintenance or verification of the electricity metering devices.

6. Terms and conditions for the implementation of procedures for interruptions of electricity deliveries, and thus interruption of supply, through electricity transmission and distribution networks shall be established in the applicable Electricity Transmission Network Code and the Electricity Distribution Network Code.

7. This Article shall apply without prejudice to possible suspension of electricity deliveries to final customers due to their failure to comply with contractual obligations for the transmission and/or distribution or supply of electricity.

Article 138 - Monitoring the security of electricity supply

1. The Ministry shall monitor, in cooperation with the Commission and, where relevant, with other competent national authorities of Georgia as well as with transmission system operators for electricity, the security of electricity supply in Georgia. Such monitoring shall, in particular, cover:

   a) the balance of supply and demand in the electricity market of Georgia;
   b) the level of expected future demand and envisaged additional capacity being planned or under construction;
   c) the quality and level of maintenance of the networks;
   d) measures to cover peak demand and to deal with shortfalls of one or more suppliers.
2. By the 31st of July each second year the Ministry shall prepare and publish a common single security of electricity supply report for Georgia, incorporating the information collected and compiled by the Ministry itself, the Commission and, where relevant, by other competent national authorities of Georgia and the transmission system operator. This report shall outline the findings resulting from the monitoring of those issues referred to in paragraph 1 of this Article, as well as any measures taken or envisaged to address them. Report prepared by the Ministry shall be submitted to the Energy Community Secretariat forthwith.

3. Report referred to in paragraph 2 of this Article, shall inter alia cover the overall adequacy of the electricity system of Georgia to supply current and projected demands for electricity, comprising:
   a) operational security of electricity networks;
   b) the projected balance of supply and demand for the period of next five (5) years;
   c) the prospects for security of supply for the period between five (5) and fifteen (15) years from the date of the report; and
   d) the investment intentions, for the next five (5) or more calendar years, of transmission system operators and those of any other party of which it is known, as regards the provision of cross-border interconnection capacity.

4. The section of the report relating to interconnection investment intentions, referred to in subparagraph 4 of paragraph 3 of this Article, shall take account of:
   a) the principles of congestion management as set out in Article 63 of this Law;
   b) existing and planned electricity transmission lines;
   c) expected patterns of generation, supply, trade, cross-border exchanges and consumption of electricity, allowing for energy efficiency/demand-side management measures;
   d) regional, national and pan-European sustainable development objectives, including, the Energy Community priority electricity infrastructure projects.

5. For the purpose of carrying out its monitoring and reporting duties stipulated in this Article, the Ministry shall closely cooperate with other competent national authorities of Georgia as well as with transmission system operators and in this regard:
   a) all data and information possessed by the Commission, collected in course of carrying its regulatory functions, as well as any other relevant information possessed by other competent national authorities of Georgia shall be transferred to the Ministry without any delay upon receipt of respective written request, considering the obligation to ensure non-disclosure of the commercially sensitive information, as required under Article 151 of this Law;
   b) transmission system operators shall provide the Ministry with information on its investment intentions or those of any other party of which it is aware;
   c) transmission system operators shall provide the Ministry with information on investments related to the building of internal electricity transmission lines that materially affect the provision of cross-border interconnection capacity;
   d) transmission system operators, where relevant, shall consult with transmission system operators of neighbouring and/or other countries concerned, and shall provide the Ministry with respective information on cross-border cooperation.

6. While carrying out its monitoring and reporting duties stipulated in this Article, the Ministry shall ensure non-disclosure of the commercially sensitive information, as required under Article 151 of this Law.
Chapter XXXIV - Security of natural gas supply

Article 139 - Measures concerning security of natural gas supply

1. The Ministry, in cooperation with the Commission and other competent national authorities of Georgia, while developing and implementing the security of supply regulations for natural gas, as referred to in Article 131 of this Law, and monitoring the security of natural gas supply in accordance with Article 143 of this Law shall *inter alia* contain the following:

   1) identification of protected customers;
   2) instruments and measures performed by the natural gas undertakings, to endeavour to ensure the supply of natural gas to protected customers in the following cases at least in the event of:
      a) extreme temperatures during a 7-day peak period occurring with a statistical probability of once in twenty (20) years;
      b) any period of at least thirty (30) days of exceptionally high gas demand, occurring with a statistical probability of once in twenty (20) years; and
      c) for a period of at least thirty (30) days in case of the disruption of the single largest gas infrastructure under average winter conditions.
   3) identification of the natural gas undertakings referred to in subparagraph 2;
   4) identification of various groups of major risks to security of natural gas supply (risk assessment);
   5) measures to mitigate the risks identified, as referred to in subparagraph 4, but in particular of disruption scenarios modelling the loss of a major infrastructure or natural gas supply route/source in case of exceptional high natural gas demand;
   6) contents of the report by a natural gas undertakings on the security of natural gas supply;
   7) obligations imposed on natural gas undertakings and other relevant bodies, including for the safe operation of the natural gas system.

2. Any regulatory measures undertaken or adopted for the purpose of paragraph 1 of this Article shall be non-discriminatory, shall not distort conditions for competition and price signals on the natural gas market to the extent higher than the minimum level necessary, and shall not place an unreasonable burden on natural gas market participants, including new entrants and undertakings with small market shares. Such measures shall be also justified on their economic and social effect to the final customers in Georgia, including their possible impact on natural gas prices.

3. Technical and safety provisions relevant for the security of natural gas supply and therefore mandatorily applicable to natural gas facilities and their associated equipment as well as requirements for technical inspections thereto shall be regulated by the technical rules adopted by the Government in accordance with Article 97 of this Law.
Article 140 - National Natural Gas Emergency Plan

1. The Ministry, after consulting natural gas undertakings, relevant organisations representing the interests of household and industrial natural gas customers, and the Commission, shall, without prejudice to Article 139 of this Law, establish the National Natural Gas Emergency Plan containing the measures to be taken to remove or mitigate the impact of disruptions in supply of natural gas.

2. The National Natural Gas Emergency Plan shall:
   1) define the crisis levels;
   2) define the role and responsibilities of natural gas undertakings and of industrial natural gas customers including relevant electricity producers, taking account of the different extents to which they are affected in the event of disruptions of natural gas supply, and their interaction with the Ministry at each of the crisis levels defined thereto;
   3) define the role and responsibilities of the Ministry and of the other bodies to which tasks have been delegated at each of the crisis levels;
   4) ensure that natural gas undertakings and industrial natural gas customers are given sufficient opportunity to respond at each crisis level;
   5) identify, if appropriate, the measures and actions to be taken to mitigate the potential impact of disruptions in supply of natural gas on district heating and on the supply of electricity produced from natural gas;
   6) establish detailed procedures and measures to be followed for each crisis level, including the corresponding schemes on information flows;
   7) designate a crisis manager or team and define its role;
   8) identify the contribution of market-based measures, for coping with the situation at defined levels of the emergency situation;
   9) identify the contribution of non-market based measures planned or to be implemented for the emergency level, and assess the degree to which the use of such non-market based measures is necessary to cope with a crisis, assess their effects and define the procedures to implement them, taking into account the fact that non-market based measures are to be used only when market-based mechanisms alone can no longer ensure supplies, in particular to protected customers;
   10) describe the mechanisms used to cooperate with other Energy Community Parties for each crisis level;
   11) detail the reporting obligations imposed on natural gas undertakings at alert and emergency levels; and
   12) establish a list of predefined actions to make natural gas available in the event of an emergency, including commercial agreements between the parties involved in such actions and the compensation mechanisms for natural gas undertakings where appropriate, taking due account of the confidentiality of sensitive data. Such actions may involve cross-border agreements between Energy Community Parties and/or natural gas undertakings.
Article 141 - Emergency situation in the natural gas sector

1. Emergency situation in natural gas may be caused and announced in the event of a sudden crisis in the natural gas market, where the production, transmission, distribution, supply of natural gas and/or trade in natural gas is interfered by unexpected circumstances or those beyond the reasonable control of natural gas undertakings in charge thus threatening the overall security and reliability of the national system or supply to the final customers in order to meet their demand for natural gas, or where the physical safety or security of persons, apparatus or installations or system integrity is threatened.

2. Emergency situation in natural gas shall be announced under the decision of the Government or the body authorised by the Government. The rule of announcing emergency situation is approved by the Government of Georgia.

3. Based on the decision referred to in paragraph 2 of this Article and following actions predefined in the National Natural Gas Emergency Plan, the Government, acting upon proposal by the Ministry, may take the necessary safeguard measures remedying the emergency situation.

4. The Government shall ensure that:
   a) no measures are introduced which unduly restrict the flow of gas within the internal market at any time;
   b) no measures are introduced that are likely to endanger seriously the gas supply situation in another Energy Community Party; and
   c) cross-border access to infrastructure is maintained as far as technically and safely possible, in accordance with the National Natural Gas Emergency Plan.

5. Any safeguard measures applied in case of the emergency situation in natural gas shall be duly consulted and closely coordinated with the Commission, the transmission system operator and distribution system operators, as well as competent authorities and operators of the Energy Community Parties and/or other countries concerned.

6. Any safeguard measures shall be applied temporarily and shall cause least possible disturbance in the functioning of the natural gas market, and shall not be wider in scope than is strictly necessary to remedy the threat to the physical safety or security of persons, natural gas facilities and/or equipment.

7. The Government shall without delay notify the safeguard measures to the Energy Community Secretariat and shall provide all relevant data and information.

8. In cases where the emergency situation in the natural gas sector cannot be adequately managed with national measures, the Government shall notify the Chair of the Security of Supply Coordination Group of the Energy Community, which shall forthwith convene an ad hoc meeting of the Security of Supply Coordination Group for examination and, where appropriate, assisting Georgia and/or other Energy Community Parties concerned in coordinating the measures taken at national level to deal with the emergency situation in the natural gas sector.

9. This Article shall apply without prejudice to the general terms and conditions for dealing with emergency situation in the country pursuant to the Law of Georgia on the State of Emergency subject to, however, a proper implementation of sector specific requirements for dealing with emergencies in natural gas in accordance with this Article.
Article 142 - Curtailment of the supply of natural gas

1. Supply of natural gas to the final customers in Georgia may be temporarily interrupted only when such interruption is justified by necessity to secure the public interest, including the emergency situation in natural gas, as referred to in Article 141 of this Law, or in case when such interruption is technically required for maintenance of the network or connection of new customers.

2. Supply of natural gas may be interrupted or restricted without prior notice to the customers only in cases when it is required to avoid accidents in the natural gas system or to eliminate such accidents, including conditions referred to in paragraph 1 of this Article. In these cases the customers shall be informed without any delay on such interruptions or restrictions, their effect towards supply of natural gas and intended continuance.

3. Curtailments of supply due to the planned maintenance of natural gas transmission and/or distribution networks shall be carried out following the adopted schedule, which shall be published, and respective separate announcements shall be sent to the customers before the intended start of the maintenance works following the deadlines established by applicable legal acts.

4. Without prejudice to paragraphs 1 and 2 of this Article, transmission and distribution system operators may interrupt the supply of natural gas for those customers which do cause disturbances in the network and/or negative impact towards the quality of natural gas supply, in case such infringements are not eliminated in five (5) days following a written notice from the respective operator, and their continuance may cause the risk of accident in the natural gas system or otherwise negatively effects security, safety and/or reliability of the natural gas system.

5. Transmission and distribution system operators may, upon prior written notice provided in terms referred to in paragraph 4 of this Article, interrupt supply of natural gas to the customers which do not allow for authorised representatives of respective operators to enter the territory of the customer for installation, maintenance or verification of the natural gas metering devices.

6. Terms and conditions for the implementation of procedures for interruptions of natural gas deliveries through natural gas transmission and distribution networks shall be established in the applicable Natural Gas Transmission Network Code and the Natural Gas Distribution Network Code.

7. This Article shall apply without prejudice to suspension of natural gas deliveries to final customers due to their failure to comply with contractual obligations for the transmission and/or distribution or supply of natural gas by the end user in accordance with Article 113 of this Law.

Article 143 - Monitoring the security of natural gas supply

1. The Ministry shall monitor, in cooperation with the Commission and, where relevant, with other competent national authorities of Georgia as well as with transmission system operators for natural gas, the security of natural gas supply in Georgia. Such monitoring shall, in particular, cover:

   a) proper implementation of the security of supply standards, as stipulated in Article 139 of this Law, including measures undertaken and instruments applied thereto;
   b) the balance of supply and demand on the natural gas market of Georgia;
   c) the degree of new long-term gas supply import contracts from third countries;
   d) the existence of adequate liquidity of natural gas supplies;
e) the level of working gas and of the withdrawal capacity of natural gas storage;

f) the level of interconnectors of the natural gas system of Georgia with the systems of its neighbouring Energy Community Parties;

g) the level of expected future demand and available supplies and, consequently, the foreseeable gas supply situation in function of demand, supply autonomy and available supply sources;

h) envisaged additional capacity being planned or under construction;

i) the quality and level of maintenance of the networks; and

j) measures to cover peak demand and to deal with shortfalls of one or more suppliers.

2. By the 31st of July each second year the Ministry shall prepare and publish a common single security of natural gas supply report for Georgia, incorporating the information collected and compiled by the Ministry itself, the Commission and, where relevant, by other competent national authorities of Georgia and the transmission system operator. This report shall outline the findings resulting from the monitoring of those issues referred to in paragraph 1 of this Article, as well as any measures taken or envisaged to address them. Report prepared by the Ministry shall be submitted to the Energy Community Secretariat forthwith.

3. The report referred to in paragraph 2 of this Article shall inter alia cover the following:

a) the competitive impact of the measures taken pursuant to Article 141 of this Law on all natural gas market participants;

b) the levels of natural gas storage capacity;

c) the extent of long-term (10 years) natural gas supply contracts concluded by companies established and registered in Georgia, and in particular their remaining duration, based on information provided by the companies concerned, but excluding commercially sensitive information, and the degree of liquidity of the natural gas market;

d) the regulatory frameworks to provide adequate incentives for new investment in exploration and production, transport and storage of natural gas.

4. For the purpose of carrying out its monitoring and reporting duties stipulated in this Article, the Ministry shall closely cooperate with other competent national authorities of Georgia, as well as with transmission system operators and in this regard:

a) all data and information possessed by the Commission, collected in course of carrying its regulatory functions, as well as any other relevant information possessed by other competent national authorities of Georgia shall be transferred to the Ministry without any delay upon receipt of respective written request, considering the obligation to ensure non-disclosure of the commercially sensitive information, as required under Article 151 of this Law;

b) transmission system operators shall provide the Ministry with information on its investment intentions or those of any other party of which it is aware as regards the provision of cross-border interconnection capacity;

c) transmission system operators shall provide the Ministry with information on investments related to the building of internal natural gas transmission pipelines that materially affect the provision of cross-border interconnection capacity; and

d) transmission system operators, where relevant, shall consult with transmission system operators of neighbouring and/or other countries concerned, and shall provide the Ministry with respective information on cross-border cooperation.
5. The report envisaged by point 2 of this article prepared by the Ministry shall be submitted to the Government and the Energy Community Secretariat, as well as published on the official website of the Ministry.
SECTION XIV
DRINKING WATER SUPPLY

Chapter XXXV - Regulation and organisation of the drinking water supply

Article 144 - Drinking water supply activities

Drinking water supplier shall perform activities on the basis of a license for drinking water supply under the terms and conditions stipulated in this law.

Article 145 Rights and obligations of drinking water suppliers

1. Each drinking water supplier shall be entitled to the rights and shall fulfil the obligations, including a full-scope performance of assigned functions, duties and responsibilities, attributable to drinking water supply activities as established by this Law, the Drinking Water Supply and Consumption Rules and decisions of the Commission.

2. Drinking water suppliers shall:
   a) render drinking water supply services within the territory prescribed in this law and normative acts;
   b) carry out exploitation of the systems of drinking water supply and water systems, supply of drinking water and water reservoirs;
   c) provide supply of drinking water to the consumer of the quality commensurate with standards established in Georgia through the drinking water supply system;
   d) ensure constant control of drinking water quality;
   e) ensure appropriate protection of the drinking water supply system and prevent adverse impact on the drinking water supply system and/or contamination of drinking water by any third persons;
   f) by means of the water reservoir systems ensure treatment of contaminants of water flowing into surface water sites in accordance with technical terms and conditions applicable in Georgia;
   g) develop plans of special measures to be activated in emergency situations and carry out respective negotiations and conclude agreements with other parties on drinking water supply in such cases;
   h) in emergency periods ensure allocated limits of drinking water, following of the set schedule, priority supply of sites of special importance upon the condition of paying the water supply fee by them;
   i) in case of providing water with a special schedule, to provide the emergency situations management service with information on the schedule of water supply;
   j) register drinking water for another water supply licensee in its own network in return for the fee defined by the commission;
k) provide the public with the following documentation and access to information:
   i. approved tariffs of water supply;
   ii. approved terms and conditions of water supply service;

l) develop and present to the commission and the public the investment program and the working plan of the next year as well as the information which the commission deems necessary, except the cases envisaged by the legislation of Georgia;

m) to pay in a timely manner the regulatory fee set by the commission, keep the respective account copy in the head office and if requested, provide it to any interested person.

Article 146 – Principles of Tariff-setting for Drinking Water Supply

1. Water supply tariffs are set by the commission in accordance with principles of tariff setting as stipulated by this law.

2. While setting water supply tariffs, the Commission shall be authorised to set differentiated tariffs for drinking water supply and reservoirs separately.

SECTION XV
TRANSPARENCY AND PROVISION OF INFORMATION

Chapter XXXVI - Access to and unbundling of accounts

Article 147 - Rights of access to accounts of the energy enterprise

1. The Commission and other competent national authorities of Georgia authorised by applicable laws shall, insofar as necessary to carry out their activities, have a right of access to the accounts of regulated undertakings.

2. The Commission and other competent national authorities of Georgia, as referred to in paragraph 1 of this Article, shall preserve the confidentiality of commercially sensitive information. Such information may be provided for the disclosure only under the terms and conditions provided by applicable laws.

Article 148. Annual account. Unbundling of accounts

1. Energy undertakings, whatever their system of ownership or legal form is, shall draw up, submit to audit and publish their annual accounts under the terms and conditions stipulated in applicable laws of Georgia.

2. Energy undertakings which are not legally obliged to publish their annual accounts shall keep a copy of these at the disposal of the public in their head office.

3. Transmission system operators and, where relevant, transmission system owners shall, in their internal accounting, keep separate accounts for their activities related to the transmission as they would be required to do if such activities were carried out by separate undertakings, with a view to avoiding discrimination, cross-subsidisation and distortion of competition. Revenues from ownership of the transmission system shall be specified in the accounts.
4. Without prejudice to paragraph 3 of this Article, all energy undertakings shall keep separate accounts, which may be consolidated, for the energy activities and, where relevant, those activities not related to energy.

5. Internal accounts of energy undertakings shall include a balance sheet and a profit and loss account for each activity.

6. The audit referred to in paragraph 1 of this Article shall, in particular, verify that the obligation to avoid discrimination and cross-subsidies referred to in paragraph 3 of this Article is respected.

7. Requirements laid down in this Article shall apply, mutatis mutandis, also to other regulated undertakings, including drinking water suppliers.

**Article 149. Consolidated system of accounting**

1. The consolidated system of accounting is the system of accounting and reporting, which encompasses:
   a) the plan of accounts;
   b) instructions on how to use the plan of accounts and maintain registration;
   c) the form and content of reports to be submitted for regulatory purposes;
   d) periodicity of reporting;
   e) rules of maintaining separately accounting of revenues, expenditures, assets, liabilities, financial outcomes and one’s own capital in case of carrying out by the person more than one licence activity and/or another entrepreneurial activity together with that of licensing;

2. Maintaining the united system of accounting is obligatory for the transmission licence holder and that of distribution and water supply which has not less than 50 000 consumers.

3. If the person possesses more than one license and/or together with licensing activities carries out other entrepreneurial activities, s/he is obliged to register articles of revenues, expenditures, assets, liabilities, financial outcomes and one’s own capital related with licensing activities, separately in accordance with the united accounting system.

4. The commission approves the united system of accounting.

**Chapter XXXVII - Provision of information and confidentiality**

**Article 150 - Provision of information**

1. The Government, the Ministry, the Commission and other competent national authorities of Georgia shall, insofar as necessary to carry out their activities, have a right to request from relevant authorities and regulated undertakings for any data and information related to their activities under this Law.

2. The Commission shall have a right to request from other competent national authorities of Georgia and regulated undertakings for any data and information necessary for due fulfilment of its tasks related to monitoring the activities covered by this Law, including such relevant data and information obtained from the Energy Community bodies and/or the Energy Community Parties or any other third countries.

3. Regulated undertakings shall provide the data and information referred to in paragraph 2 of this Article under the terms and conditions established by applicable legal acts, including rules on provision of information adopted by the Commission.

**Article 151 - Confidentiality obligations**
1. The Government, the Ministry, the Commission and other competent national authorities of Georgia shall preserve the confidentiality of commercially sensitive information provided by relevant authorities and regulated undertakings, and shall use the data and information obtained only for the purposes indicated in their request for information. The confidential information may be disclosed only under the terms and conditions established by applicable laws.

2. Without prejudice to Article 147 of this Law or any other legal duty to disclose information, each system operator and market operator shall preserve the confidentiality of commercially sensitive information obtained in the course of carrying out its activities, and shall prevent information about its own activities which may be commercially advantageous from being disclosed in a discriminatory manner. Such information may be disclosed only under the terms and conditions established by applicable laws or in cases where it is expressly required for carrying out a business transaction.

3. In order to ensure full respect of the rules on information, the transmission system owner including, in the case of a combined operator, the distribution system operator, and the remaining part of the undertaking shall not use joint services, such as joint legal services, apart from purely administrative or IT functions.

4. System operators shall not, in the context of sales or purchases of electricity or natural gas by related undertakings, misuse commercially sensitive information obtained from third parties in the context of providing or, as the case may be, negotiating access to their respective systems.

5. Information necessary for effective competition and the efficient functioning of energy markets shall be published. Such obligation shall be implemented without prejudice to preserving the confidentiality of commercially sensitive information.

SECTION XVI

ADMINISTRATIVE LIABILITY AND DISPUTE SETTLEMENT

Chapter XXXVIII – Administrative Liability

Article 152 - Liability of regulated undertakings

1. Regulated undertakings shall be liable for carrying out their duties and fulfilling their tasks with regard to each particular activity in due compliance with requirements and obligations stipulated in this Law, other applicable Laws and their implementing regulations.

2. Regulated undertakings, or any other persons in charge, may become liable for their non-performance or misconduct under the terms and conditions stipulated in this Law or other applicable laws.

Article 153 - Penalty provisions
1. The commission is authorised to impose liability over the physical or legal entity on the basis of the legislation of Georgia, including, this rule and the Law of Georgia on Licences and Permits for the violation of requirements of this law or the legislative act of the commission.

2. The Commission is authorised to give a written warning to the transmission system operator or a vertically integrated enterprise of impose a financial penalty over it and the amount of the penalty should not exceed 10 % of the turnover of the previous year of the operator of the transmission system or the vertically integrated undertaking for non-compliance with their respective obligations on the unbundling of activities and/or independence of the transmission system operator.

3. The Commission may impose a financial penalty of a lump sum from GEL 5,000 to 75,000 on the regulated undertaking for each violation of requirements established by this Law in cases where such regulated undertaking:
   a) carries out several economics activities without separation of accounts and ensuring their availability among which there is one or more than one energy activity;
   b) fails to submit to the Commission the report of activities;
   c) fails to provide the Commission, system operators and/or market operators with requested data and information, which are related with the activities of its a regulated enterprise and/or necessary to fulfil the respective functions defined by the legislation of Georgia;
   d) refuses to grant access to its operated systems through violating the legislation of Georgia;
   e) violates license terms;
   f) fails to comply with the requirements submitted by the commission on the basis of the legislation of Georgia;
   g) violates other requirements stipulated by this law and normative acts approved by the commission.

4. On the basis of rule envisaged by point 2 of this article, the Commission is authorized to impose the sanction over a person who carries out the activities envisaged by this law about the licence of certification in a respective case, without the final positive decision about certification, besides the exceptions envisaged by this law or if it does not notify the commission about starting activities in accordance with this law.

5. In case of repeated violations envisaged by point 3 of this article, the commission is authorised to apply towards the regulated enterprise banning of carrying out energy and professional activities for up to the term of 1 (one) year together with the penalty.

6. The penalty imposed by the Commission and the justification of a violation for which the penalty is imposed shall be provided in the act of the Commission adopted in accordance with the provisions of this Law.

7. In case of failure to wipe out the violation or its repeated conduct within the period of 1 (one) year, the commission is authorised to impose the double penalty over the regulated enterprise.
Article 154 - Enforcement of penalty provisions

1. Enforcement of penalty provisions established in Article 153 of this Law shall be regulated under the rules adopted by the Commission.

2. Penalties imposed on regulated undertakings and other persons concerned shall be differentiated by the Commission based on the following criteria:
   1) gravity and continuity of the infringement;
   2) overall effect of the infringement;
   3) palliating or aggravating circumstances.

3. Proactive behaviour of a regulated undertaking or other person concerned if aimed at minimising the overall negative effect of the infringement, immediate cease of the violating activities, and supporting the Commission in investigation of any effects related thereto shall be treated as palliating circumstances.

4. Behaviour of a regulated undertaking or other person concerned if impeding investigation of the violation of any requirement established by this Law, aimed to conceal such infringement or any effects thereto, continuity of the violating activities, or repeated infringements shall be considered as aggravating circumstances.

5. Other palliating or aggravating circumstances apart from those specified in paragraphs 3 and 4 of this Article shall also be taken into consideration by the Commission.

6. Decision to impose a penalty shall be adopted within six (6) months after the infringement was detected by the Commission. Payment provisions may not be enforced due to the infringement ceased more than five (5) years before its detection or disclosure of its effects. Only one penalty can be imposed for the same infringement or violation.

7. Penalties imposed by the Commission shall be paid within the time period indicated in the respective decision of the Commission. All penalties shall be made to the budget of Georgia.

8. In case of the failure to comply with the commission decision on imposing the sanction by the violating regulated enterprise or another person, the commission is authorised to apply to the competent bodies of Georgia with the view of enforcement.
Chapter XXXIX – Review of Disputable Issues and Appealing Against the Commission Decision

Article 155 - Dispute settlement

1. Complaints filed to the Commission are regarding review of disputable issues are discussed by the commission within the scope of its competence, in accordance with the rules of dispute review approved by this law and the commission.

2. The Commission discusses the disputable issue by means of simple rule of administrative dealing without oral hearing except the case when upon its own initiative the commission makes a decision regarding oral hearing.

3. The Commission, acting as a dispute settlement authority, shall issue a ruling within a time period of two (2) months after receipt of the complaint or request to settle a dispute, including all the documentation and/or other information required to be enclosed to such a complaint or request. Such time period may be extended by two (2) months is the commission requires additional time for seeking for the information. The ruling of the Commission shall have a binding effect.

Article 156 - Appeal

1. All rulings issued by the Commission shall be appealable in court on the basis of the rule defined by the legislation of Georgia.

SECTION XVII

TRANSITORY AND FINAL PROVISIONS

Chapter XL - Transitory provisions

Article 157 – Trans-border trade

1. Until August 31, 2026, requirements of this article do not apply to the south Caucasus pipeline and north-south main gas pipeline as functioning, operation and management of natural gas systems.

2. Before the electric energy and/or natural gas systems energy union side is physically interconnected with respective systems, requirements of this law do not apply to trans-border flow of power and/or natural gas.

3. Trans-border trade with those countries which are not parties to the energy union, trans-border trade relations of selling natural gas are regulated by the respective international agreement and on the basis of the specific nature of existing relations which will have to be fulfilled on the basis of the premises within the market rules and/or network rules adopted on the basis of this law. In this case as well, the requirements of this law should be taken into consideration so that this can make impact on trade between the energy union.

4. Transition provisions taken into consideration by this law are used if it does not limit the obligation of trans-border and/or regional cooperation of other authorised bodies of Georgia and the operator of the transmission system.
Article 158. Transit of electric energy

1. Before immediate physical connection with the system of the energy union, transit of power is regulated in accordance with this law.

2. With the view of carrying out power transit on the territory of Georgia, the person (the one who orders transit) interested in transit is obliged to sign the agreement about technical provision of electric power transit with the operator of the transition system.

3. While carrying out transit of power the regulatory fee for it is not charged. While providing power transit the respective tariffs of power transmission stipulated by the commission do not apply. The amount of tariffs is defined in accordance with point 4 of this article.

4. The fee for electric power transit should ensure reimbursement of all expenses which are related with provision of transit. Besides, electricity losses of technical provision of power transit in the transmission network may be reimbursed by the client by means of supplying respective power (compensation power).

5. The amount of transit electric power on the transit territory is calculated on the basis of the agreement on technical provision of transit of electric power during the reporting period envisaged by market rules taking into consideration the total amount of power imported into or exported out of the territory of Georgia. Besides, the amount of transit power imported into Georgia and at the same time exported to the final destination country of transit from Georgia, during separate days and/or hours within the scope of technical provision of electricity transit, in the reporting period, may not coincide. After the reporting period ends, equal shares of total amounts of transit power imported into Georgia and exported from it to the country of final destination of transit will be regarded as transit power.

6. When calculating the amount of transit power, additional supplied power by the client of transit in accordance with the market rules to reimburse losses in the transmission network of Georgia, is not taken into consideration while carrying out the power transit.

7. Claims made regarding supply-receipt of transit power prepared on the basis of agreements on technical provision of power transit, according to separate days and/or hours may envisage unequal amounts of importing of power into Georgia and at the same time transiting from Georgia to the country of final destination provided that upon the end of the reporting period equal parts of the amount of power imported and exported from Georgia within the scope of summative transit will be regarded as transit. At the same time, other essential requirements of the operator of the transmission system as well as agreements on operation of the systems of Georgia and those neighbouring it in parallel manner, will be met. The final decision on certifying and issuing the respective license should be made by the commission not later than the terms stipulated by point one of this article.

8. Licenses on dispatching and transmitting power issued before the enactment of this law as well as the natural gas transportation licence temporarily remain in force and immediately upon unbundling on the basis of the rule defined by this law, their owners continue providing services of dispatching-transmitting power or transporting natural gas on the basis of normative acts envisaged by article 168 of this law whereas in case of abolishing them, the rule defined by respective normative acts adopted on the basis of this law. Application of these licences will be terminated automatically immediately upon the adoption of respective decisions envisaged by point 7 of this article.

9. Within the term of 6 months after the adoption of the decision envisaged by point 7 of this article, the operator should develop and submit to the commission for approval the rules of the transmission network or changes in the acting rules to take into consideration the requirements of this law.
Article 160. Unbundling of the distribution systems operators

1. The requirements of independence of the operator of the distribution system and unbundling as envisaged by this law, should be respectively implemented after the market rules envisaged in Article 162, point 2, sub-points “a.a.” of this law are approved:

a) not later than December 31, 2020 - for the power distributor system operator;
b) not later than December 31, 2021 – for the natural gas distribution system operator.

2. The following should be done after the approval of the market rules envisaged by sub-point a. a., point 2, article 162 of this law to meet the requirements of point one of this article:

a) within the term of 2 months, each license holder of power distribution should prepare and submit to the commission the unbundling plan, including, detailed measures, actions and the term of its application to practice;
b) Within the term of 9 months each license holder of natural gas distributor should prepare and submit to the commission the unbundling plan, including, the term of actions of the detailed measures and their practical application.

3. The commission should approved the unbundling plan within the period of 2 months after receiving essential information.

4. Unbundling procedures of the distribution licence holders should end within the term indicated in point one of this article.

5. The commission should implement monitoring of the status of unbundling the distribution system and continue using regulatory functions in case of failure to carry out the measures at the required level given in this article.

6. Distribution licenses issued before the enactment of this law temporarily retain power and until finishing unbundling on the basis of the rule defined by this law, their holders continue to provide power or natural gas distribution-supply service rendering for the persons registered in the transition period as their users upon the enactment of this law or after it by means of normative acts envisaged by article 168 of this law whereas in case of abolishing them, the rule defined by the respective normative acts adopted on the basis of this law. Application of these licenses on the basis of this law is automatically seized immediately upon authorization of the respective distribution system and issuance of the new licence of distribution.

7. Points 1-5 of this article do not apply if the exception envisaged by point 11, article 73 of this law is applied to unbundling of the distribution system operator.

8. Each operator of the distribution system should ensure compliance with demands envisaged by the rule of the distribution network of their own distribution networks (including, operational systems and registration points) and other inter-related systems and inter-connection between points of connection with the equipment of end user within the set deadlines.

Article 161. Authorisation

1. Any enterprise, which through authorization granted before the enactment of this law carries out activities envisaged by this law, should continue implementation of such activity on the basis of terms and conditions imposed through this authorisation before issuance of new authorization in accordance with the conditions of this law. Besides, such an enterprise (except the production licence holder, cases envisaged by point 2 of this article and articles
159 and 160 of this article) is obliged to address the commission within the period of 2 months after the enactment of this law with the view of authorization on the basis of this rule.

2. The commercial operator of the system, according to the conception of the model of the electricity market before formulation of the respective market operator and issuance of the respective license as well as the enactment of this law or after it, the persons taking part in trading electric power or natural gas in the transition period, regulated enterprises carry out their rights and obligations by the normative acts envisaged by article 168 of this law whereas in case of abolishing them, the rule defined by respective normative acts adopted on the basis of this rule.

3. Any new demand for authorization after the enactment of this law should be discussed by the commission in accordance with the terms and conditions envisaged by this law.

Article 162. Conception of the market model. Authorisation of suppliers of public service, rules of the market and supply.

1. The government of Georgia to ensure the following:
   a) Immediately upon the enactment of this law:
      a. a) within the period of 3 months – approval of the conception of the model of electricity market;
      a. b) within the period of 10 months – approval of the conception of the model of natural gas;
      a. c) within the period of 12 months – adoption of respective legislative acts and/or making amendments to acts in force to take into consideration the requirements of this law;
   b) not later than December 31, 2020 – authorization of the supplier of last alternative of the supplier of universal service in the power sector as well as other leading enterprises of public service, if necessary.
   c) no later than December 31, 2020 – authorisation of the supplier of public service and that of the last alternative in the sector of natural gas.

2. The commission should ensure the following:

   a) within the period of 4 (four) months after the approval of the conception of the respective market model envisaged by point 1 of this article, taking into consideration this rule and the conception of the market model approved by this law and the government of Georgia:

      a. a. Approval of the market rules of the respective sector;
      a. b. Approval of the rule of supply (including, universal service and last alternative provision);
      a. c. Making respective amendments to the network rules and other respective legislative acts;

   b) Within the period of three months after the enactment of this law, approval of the rule of certification of the transmission systems operator.

3. The commission and the ministry should ensure making respective amendments into respective legislative normative acts within their competence in force before the enactment of this law and the transition period within the period of one month after the enactment of this law, related with cancelling tariff regulation of import of electric energy.
4. The government of Georgia and the commission should develop before December 31, 2020 the action plan of normalizing the issue of collecting the fee of electric power consumed in certain regions of Georgia before December 31, 2020 and submit it to the parliament of Georgia for approval.

**Article 163. Tariffs of separate water supply and the rule of their setting in the transition period**

1. When setting the tariff of water supply, the commission is authorized not to envisage before January 01, 2027 the requirement of point 1, article 146 of this law and distribute the service cost of water supply and service among consumers of various categories at different proportion.

2. Before fully organizing the systems of water supply, the commission is authorised to define the rule of imposing the water supply fee over the utility and/or non-utility user having been metered, taking into consideration the seasonality.

**Article 164. Integrated and coordinated provision of united administration of electricity, natural gas, water supply and cleaning services**

1. Services of electricity, natural gas, water supply and cleaning (hereinafter referred to as the service) and imposing the respective fee/cost is based on the united integrated and coordinated system of administration (hereinafter referred to as the united system of administration) based on the conditions defined by the commission.

2. On the basis of the decision, the commission determines the scope of spread of the united system of administration (territorial limits) and the persons providing the service through this system. One of the persons rendering the service defined on the basis of the commission decision (hereinafter referred to as the administrator) carries out through the united system of administration, administration of service fees.

3. Through the united system of administration, administration of service is carried out on the basis of the agreement signed with the administrator and the persons rendering the service. Upon signing the agreement, parties are obliged to be guided by the principle of minimum cost and sign the agreement on non-discriminative and just basis. In case the parties are not able to agree, the commission makes a decision.

4. While providing services through the united system of administration, the administrator is obliged to stop providing his/her services to the respective user in case of failure to pay or pay incompletely the cost and/or fee given in the receipt, which is not violation of the contractual obligation of the administrator towards the consumer. Besides, responsibility for providing correct information to the administration by the person rendering the service is imposed upon the one submitting the information.

5. Persons rendering services are obliged to ensure constant harmonization of databases available to them with the database of the legal entity of public law “State Service Development Agency” operating within the scope of governance of the Ministry of Justice of Georgia.
Article 165. Unbundling of accounts

1. Requirements of article 148 of this law should be met by:
   a) Energy enterprises – not later than December 31, 2020;
   b) Natural gas or other regulated enterprises – not later than December 31, 2021.

2. Supervision over the compliance with the requirements of this article and if necessary using the respective regulatory measure is ensured by the commission.

3. The commission should ensure approval of the united system of accounting for the transferring and distributing natural gas to the license holder envisaged by sub-point “b”, of this article before December 31, 2024.

Article 166. Registration of the end user as the qualified one

1. All end users are authorised to get registered as qualified users.

2. To implement the respective stage of opening the market or/and the conception of the respective market, the government of Georgia is authorised to gradually define those obligatory criteria and terms which, if complied with properly, the end user is considered by the compulsory law as the qualified user and therefore gets registered.

3. Users registered as guaranty licence holders (subscribers) who, upon signing the agreements on the basis of the rule envisaged by this law, are not granted agreements signed by the rule envisaged by this law with the suppliers, will receive power supply services from universal suppliers whereas natural gas will be supplied to them by the respective public service supplier on the basis of the rule and conditions defined by the commission. Besides, the above-mentioned does not limit the right of this consumer to afterwards choose themselves, if they deem it appropriate, the supplier acceptable them on the basis of the rule defined by the legislation of Georgia.

Article 167. Security of Supply

1. To prepare the first report of supply security monitoring envisaged by article 138 of this law by March 31, 2021.

2. To prepare the first report of supply security monitoring envisaged by article 143 of this law by March 31, 2022.

3. The government of Georgia and the ministry to ensure development and approval of respective legislative normative acts regulating security of respective supply within the terms envisaged by Article 170, points 2 and 3 of this law and/or making amendment to acting legislative normative acts to envisage the requirements of this law.

4. The commission should ensure preparation of recommendations on using the natural gas and/or carbon monoxide detectors and their placement on its website within the period of 6 months.
Chapter XLI - Final provisions

Article 168. Enactment of legislative normative acts existing before the enactment of this law.

Legislative normative acts adopted and enacted on the basis of the Law of Georgia of June 27, 1997 on Electricity and Natural Gas (Parliament Messenger, N 33, July 31, 1997, p. 20), in the sectors regulated by this law, retain legal power and the right to make respective amendments to them is granted to the bodies adopting the mentioned normative acts on the basis of this law and the defined rule before the enactment of the respective regulatory legislative normative act (acts) envisaged by this law.

Article 169. Normative acts that lost effect

To announce Law of Georgia on Electricity Natural Gas of June 27, 1997 void immediately upon the enactment of this law (Parliament Messenger, N 33, July 31, 1997, p. 20).

Article 170 - Entry into force

1. This Law, except Chapters XXXIII and XXXIV and Article 148 (in respect with the licence holders of water supply) shall be effective immediately upon its publication.

2. Chapter XXXIII of this law shall be effective from September 30, 2020.

3. Chapter XXXIV of this law shall be effective from September 30, 2021.

4. Article 148 of this law (in respect with the licence holder of water supply) shall be effective from January 1, 2025.

President of Georgia

Salome Zurabishvili

December 20, 2019
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