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Interview with Dr. Davit Narmania, the Chair of the Georgian National Energy and Water Supply Commission (GNERC)¹



Dr. Davit Narmania is the chair of the Georgian National Energy and Water Supply Commission (GNERC). He has been the Commissioner at GNERC since 2017 and previously served as the Mayor of Tbilisi and the Minister of Regional Development and Infrastructure of Georgia. GNERC is the sole country-wide regulatory authority that creates the legal basis for the energy sector and ensures its effective functioning. The Commission is also in charge of harmonizing normative acts in energy sector with the respective EU legislation.

¹ Dr. Davit Narmania was interviewed by Dr. Tinatin Akhvlediani, Researcher at CEPS.

1. You have been the commissioner at GNERC since 2017 and as of October 2019 you now chair the Commission. Let me congratulate you on your new appointment and let me ask you, what are the new priorities and the new objectives of the Commission within your mandate?

The new priorities of the Commission within my mandate will be based on the seven point action plan which I have presented to the Commissioners prior to my appointment. The first priority is to improve utility services. The other priority areas cover strengthening consumer rights by accelerating the process of handling complaints, developing new legislation in line with Georgia's commitments under the Energy Community Treaty, increasing transparency and public awareness by using all available platforms. To this end we are just about to launch a new project that will ensure that public sector, media, NGOs and energy companies will be fully informed about new regulations and expected changes in electricity and gas sectors. To reach our objectives it is important that the GNERC has effective internal management. To address this issue we have now launched an evaluation system for the GNERC team and we are working on establishing the ISO 9001:2015 quality management system that should further improve the quality of our activities.

2. The Association Agreement (AA)² and the Energy Community Treaty³ commit Georgia to align with the EU's energy policy. Among others, this includes highly important provisions from the EU's Third Energy Package, the so-called "unbundling". Could you tell us where Georgia stands now and what are the main challenges for unbundling electricity and gas markets?

Implementing Georgia's commitments is a very important yet a very lengthy process. By the end of 2019 a new Law of Georgia on "Energy and Water Supply" came into force that enlarges the mandate of the Commission and also implies that we have to adopt dozens of related normative acts in 2020. These legal acts will create grounds to regulate wholesale and retail energy markets, granting licenses and certificates to transmission system operators (TSOs) and determining functions of a new market player – universal service supplier and supplier of last resort.

As for unbundling, the GNERC started the process in 2020 at first in the electricity sector. Unbundling will improve competition of the markets and instead of a monopoly, the market will have a number of electricity suppliers. The TSO unbundling model is in the pipeline and the government is supposed to approve it this year. In terms of supply of energy, we are trying to ensure the highest protection of consumer rights. Moreover, a new market player – the universal service supplier will be established which will supply electricity as a public service to customers, typically households and SMEs, who for various reasons do not wish to choose an electricity supplier by themselves. Tariffs for energy supply in this category will be fixed by the GNERC.

² Georgia signed the Association Agreement with the EU in 2014.

³ Georgia became a full member in the Energy Community in 2017.

3. According to the AA Georgia is committed to promote renewable energies. Overall FDI's are increasing in the energy sector but investments in renewables are still low. Despite Georgia's abundant hydro resources, the share of renewable energy in overall energy consumption is only 27%. Could you tell us what are the main constraints for investments in renewables and what limits Georgia to exploit its hydro power?

One of our objectives is indeed to make Georgian energy sector more attractive to investors. To this end, we have already approved several acts that determine rules for the monitoring of energy markets, evaluation of investments and auditing expenditures.

As for renewables, the Commission is actively working to provide households and businesses with more opportunities to deploy renewable energy. We have introduced net metering that allows consumers to consume electricity from their own sources of renewables. This is done by linking net metering to the network of electricity distribution companies, so that, in case of surplus the network accumulates extra energy, and in case of shortage the consumers can get electricity from the networks instead of their own sources of renewables. We are planning to increase the generation capacity up from 100 KW to 500 KW to allow larger groups and businesses to benefit from the net metering. For the moment there are 158 consumers utilising energy from their own renewable energy sources thanks to net metering systems. Other policies to promote renewables concern wind turbines that started operation in Kvemo Kartli in 2016 and 5MW solar panels currently being built in Kakheti.

As for hydro resources, it is true that Georgia has abundant hydro power, however, exploitation of hydro resources is constrained by the resistance of the population stemmed from their fear of natural disasters and losing ownership of lands. To this end, it is crucial to increase awareness of general public on the benefits of concrete projects on exploitation of the hydro power. The Ministry of Economy and Sustainable Development is working on these issues and the Commission also expresses its readiness to participate in setting up effective investment policy and information campaigns within the framework of its competences.

4. Georgia's energy import dependency has been increasing over the past few years.⁴ This could be explained by growing tourism and increased energy consumption in Georgia. Does the Commission have a strategy to balance the growing demand with domestic energy supply?

Growing electricity consumption is closely linked to the economic growth. We can meet higher demand either by increasing energy imports or by raising domestic energy production. The latter is a clear priority. To this end, the resumption of paused

⁴ See the data by Eurostat at:

https://ec.europa.eu/eurostat/web/energy/data/database?p_p_id=NavTreeportletprod_WAR_NavTreeportletprod_INSTANCE_QAMy7Pe6HwI1&p_p_lifecycle=0&p_p_state=normal&p_p_mode=view&p_p_col_id=column-2&p_p_col_count=1

constructions and the launch of new constructions of power plants is very important. Of course all should be planned and implemented in close cooperation with the local population. This is going to be one of the main challenges for Georgia in 2020.

5. A few days ago the GNERC announced that you are planning to establish rules on chargers of electric vehicles based on the legal acts and best practices of the EU. I believe these rules will importantly increase the use of electric vehicles and therefore the air quality in Georgia. As this brings us to environmental matters, let me ask you, within your mandate does the Commission plan to systematically tackle environmental issues?

Indeed, in 2020 we are going to set up rules on chargers of electric vehicles. This falls within the enlarged mandate of the Commission based on the recently adopted Law of Georgia on "Energy and Water Supply". This will be a new regulation based on the legal acts and best practices of the EU. In this process it is very important to sufficiently inform the general public about the new rules. The GNERC will try to further increase public awareness by launching other related projects and using all communication tools.

6. Finally, let us quickly touch some global issues. The new EU Commission has recently launched the European Green Deal according to which Europe shall be 'the first carbon neutral continent' by 2050. As 'Europe as the continent' goes beyond the EU and creates room for regional cooperation, Ukraine has already opened a dialogue to develop a common roadmap within the framework of the European Green Deal. Following Ukraine's example, would Georgia also consider launching talks with the EU on the European Green Deal?

Georgia supports the EU's policy on the climate change and green energy. As the chair of GNREC I fully support prioritising environmental issues and within my mandate I am ready to closely cooperate with the EU and other international organizations and institutions to share best practices that will help us in the implementation of the policies on the climate, green energy and environment.