

Ladies and Gentlemen,  
Dear Guests,

Let me express my highest consideration on behalf of Georgian National Energy and Water Supply Regulatory Commission, GNERC. We congratulate our Austrian colleagues with National Day of Austria. We wish you success and promotion.

(October 26 is celebrated as the following day of the day when foreign military forces left Austrian Territory, the very first day when Austria became independent and sovereign again.)

I'd like to congratulate all of you, first of all, GNERC staff and Austrian colleagues with start up of one of the most important projects for Commission "Electricity Incentive – based Tariff Methodology" Project within Twinning program between GNERC and Austrian Regulator E-Control. We appreciate greatly EU for their assistance and support. The project is oriented to improve energy regulation in Georgia helping step-to-step introduction and development of the incentive – based tariff methodology.

I'll briefly overview our Commission role and activity. In our country transformation of energy sector began on July 4, 1996 after publishing the Order № 427 of the President of Georgia on "Restructurisation of Energy Sector" and an energy and water supply regulatory institution with its basic legislation was created with the support of US Agency for International Development, USAID. In 1997, the Law of Georgia on "Electricity" was adopted and in 1999 the Law was amended and natural gas field was added to energy sector. Consequently, the functions of Energy Regulatory Commission covered electricity and natural gas sectors. In 2007 water supply sector was added to the Commission regulation.

Today, Commission represents an independent body with specific capacity free from State Structures, authorities and organisations. Fields under Commission regulation are: electricity, natural gas and water supply sectors.

By 2000, as a result of energy sector restructuring and partial privatization, transitive model of electricity market of Georgia, so called "a single buyer market" was formed and "electricity wholesale market" was created. Most of the electricity generation units were privatized, "Telasi" Distribution Company being among them. In spite of the implemented activities, standing development of the field was not

achieved, in fact, the speed of the investment flow in the field was very low, electricity factual losses were very high and etc.

In 2006 important amendments were made to the Law of Georgia on “Electricity and Natural Gas”. The terms of “deregulation” and “partial deregulation” were adopted. Electricity System Commercial Operator was created instead of electricity wholesale market. Amendments in the Law brought changes in the electricity market structure and Direct (so called “forward”) Contract market structure was formed. The Law and later Market Rules specified licensing demands to distribution companies’ activities. These amendments also deprived Commission of some functions, among them adoption of electricity market rules, control over which was transferred to the Ministry of Energy of Georgia.

“The Principle Directions of the State Policy in Georgian Energy Sector” was adopted by the Parliament of Georgia in the same year, according which the main targets of Georgian Energy Policy became: the complete satisfaction of demands of residential – utility and industry sectors on the base of local energy resources; economical recovery of the energy sector and achievement of the stability in the sector; the complete satisfaction of the existing demands in Georgia step-by-step, first – replacement of import and then – thermo generation; Creation of attractive investment environment in the field and support competition development; etc.

Following the Energy policy, the full opening of the electricity market in Georgia is planned by 2017. It must be said, that for the proper functioning of the market it is necessary for Georgian Parliament, Ministry of Energy and Commission to cooperate closely and constructively.

Commission is always open and ready to cooperate with local and international institutions, discuss with them and take recommendations from them.

Today, energy is the most dynamically developing field and political, social and economic determinant in Georgian economy. Energy supply reliability and effective price making mechanisms in energy sector greatly impress the social condition of the population of the county. In recent years, the effective electricity market of the country was significantly recovered and gradually stepped into competitive – market relations field and everything due to the correct political direction, proper legislative – normative base and Commission regulatory supervision.

EU and Georgia Neighboring Initiative National Program of 2011 – 2013 defines energy to be the principle field of cooperation with the Eastern Europe countries within which EU and Georgia have one and the same purpose of creation of

a standing regulatory framework following the EU unified normative base. It also states, that the entrance of Georgia in Energy Community requires perfection of Georgian legislation in line with European energy and environmental legislation base. To support this process, the special attention is drawn on development of institutional and administrative capacities of all spheres, on effective implementation of modern laws and standards.

Nowadays, Commission conducts intensive work to harmonize energy regulatory frames with EU energy legislation and plans to go deeper in this direction and cooperate with foreign colleagues, partners or international organizations. It must be admitted, that the most priority directions of the Commission are international relations and active participation in important projects devoted to the development of the country. Within its existence, Commission has laid close relations with foreign colleagues and partners. The principle partners are: US Agency for International Development – USAID, National Association of Regulatory Utility Commissioners – NARUC, Energy Regulators Regional Association – ERRA, Energy-Community, and International Water Association – IWA.

Commission permanently participates in USAID projects to improve energy condition and regulatory environment; USAID finances Commission staff study courses and trainings, participation in workshops and conferences to raise their qualification;

With US National Association of Regulatory Utility Commissioners – NARUC organizational and USAID financial support, in 1999 GNERC experienced the first “Partnership Program” with the Regulatory Commission of Michigan State.

The following “Partnership Program” was implemented with the Regulatory Commission of Vermont State. “Partnership Program” with the Regulatory Commission of Kentucky State is one of the most productive partnerships and it still goes on.

Within “Partnership Program” with the Regulatory Commission of Kentucky, Commission shared and introduced not a single practice. They are: On place check of licensees on the base of received complaints; Practice of local, informal discussion of disputes between DSOs and consumers; Connection rule of a new consumer to the network; Practice of online support of Public Hearings;

GNERC, with the same organizations of other countries, represents an establishing member of Energy Regulators Regional Association – ERRA. Commission

permanently participates in the meeting of association where discussions with foreign colleagues and sharing of practices take place.

Commission is also an observer at Energy Community and since 2010 GNERC became a member of International Water Association.

Today, official ceremony of starting of “Electricity Incentive-based Tariff Methodology” Project within Twinning Program is held. For Commission, Commissioner Gocha Shonia, the PL in this project, is going to speak in details on the significance of the Project.

Twining Program is a great challenge for us and another proper step towards European family. Your support is very important for us.

Once more, we are thankful to Euro Union, officials and the entire staff of EuroDelegation to Georgia for their financial and organizational support. We appreciate the help of the Project Administrative Office – PAO – a unit within the Office of the State Minister of Georgia on European and Euro – Atlantic Integration of Georgia; - Our Austrian colleagues, which earn great sympathies of our staff. I'd like to wish them success within the Project and in future plans as well.