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Strengthening capacities of the Georgian National Energy and Water Supply Regulatory Commission (GNERC) in updating incentive based electricity tariff methodology

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Agenda



- E-Control Austria
- Key parameters of the project
- The project objectives
- Twinning in partnership
- The regulator as an institution



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E-Control Austria portrait



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- Agency (public authority)
- Independent body, not bound by any orders
- Executive Board: two members, appointed for five years, renewable once
- Regulation Commission
- Decisions taken by E-Control Austria can be challenged before the Administrative and Constitutional Court
- Legal Basis: E-Control Act, Electricity Act, Natural Gas Act
- E-Control monitors, supports and regulates energy market liberalisation in Austria
- E-Control is an active member of CEER and ACER with prominent involvement at all levels
- E-Control was involved in the establishment of the Energy Community Secretariat



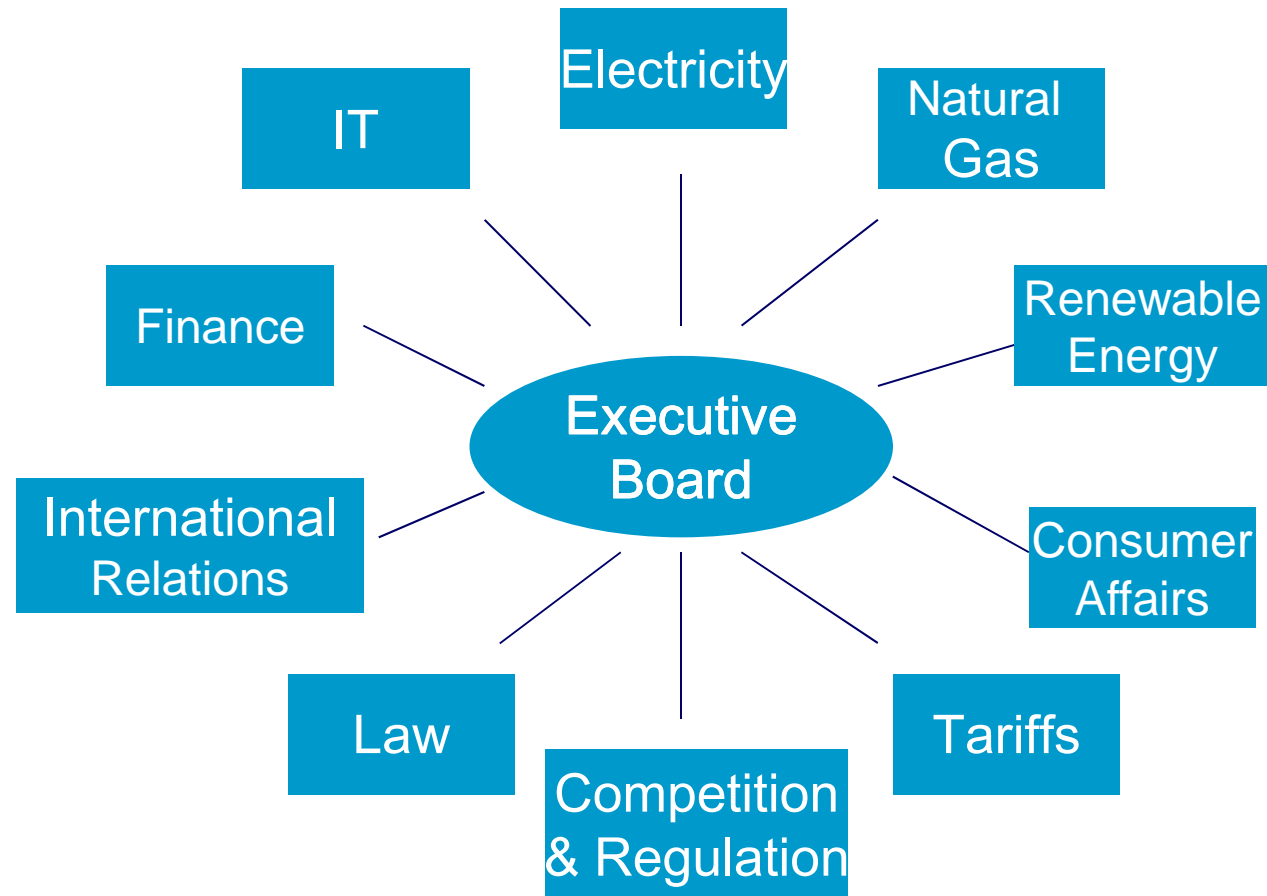
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Organisation of E-Control Austria



- 10 departments
- 100 employees
- Set up in 2001 as E-Control GmbH
- Since March 2011 E-Control Austria
- More information on the web www.e-control.at

E-Control Austria Departments



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About NRAs /1



- 2nd liberalisation package in 2003
 - requirement to establish national regulatory authorities (NRAs)
 - NRAs need to be independent from industry
 - set of powers of NRAs restricted to national market
- 3rd liberalisation package 2010
 - requirement of designating a single NRA at national level in order to bundle all competences
 - extension of powers and duties (focus on customers)
 - establishment of ACER (with the aim to harmonise cross-border rules)
 - strengthening the independence of NRAs



About NRAs /2



Core duties

- Setting tariffs and rules for access to transmission and distribution networks:
- General oversight of energy companies: ensuring compliance with all relevant provisions
- Consumer protection: helping to ensure that the consumer protection measures are effective and enforced;



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About NRAs /3



Powers

- implementing of measures to promote effective competition and to ensure proper functioning of the market
- demanding information from undertakings relevant to fulfill tasks
- imposing effective, proportionate and dissuasive penalties
- acting as a dispute settlement authority



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About NRAs /4



- **Impartiality:**
 - NRAs have to act and take decisions in a neutral way, based on objective criteria and methodologies
- **Transparency:**
 - NRAs must adopt and publish their rules of procedure; this includes procedures for decision making; NRAs must have clear contact points for all stakeholders and publish information on their own organisation and structure
 - NRAs should consult stakeholders before taking important decisions
 - NRAs must publish their decisions



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About NRAs /5



- Independence

- NRA is legally distinct and functionally independent from any other public or private entity
- NRA decisions are immediately binding and directly applicable without the need for any formal or other approval of any other third party
- Financial independence (adequate resources and autonomy on how to spend the allocated budget)
- NRA staff has to act independently from any market interest and do not take direct instructions from any government or other entity when carrying out the regulatory tasks. → but close cooperation with other authorities (e.g. competition authorities) is allowed.
- The NRA's board or top management is appointed for a fixed term of five up to seven years, renewable once.



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Key parameters of the project /1



- **Title:** Strengthening capacities of the Georgian National Energy and Water Supply Regulatory Commission (GNERC) in updating incentive based electricity tariff methodology
- **Partners:** GNERC, E-Control, EXAA, PUC, BNetzA
- **Budget:** € 1.1 million
- **Duration:** 21 months implementation + 3 month finalisation



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Key parameters of the project /2



- 32 activities
- 363 expert days
- 3 Working Groups
- Experts from
 - Austria – E-Control and EXAA
 - Latvia – PUC
 - Germany – BNetzA



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Key parameters of the project /3



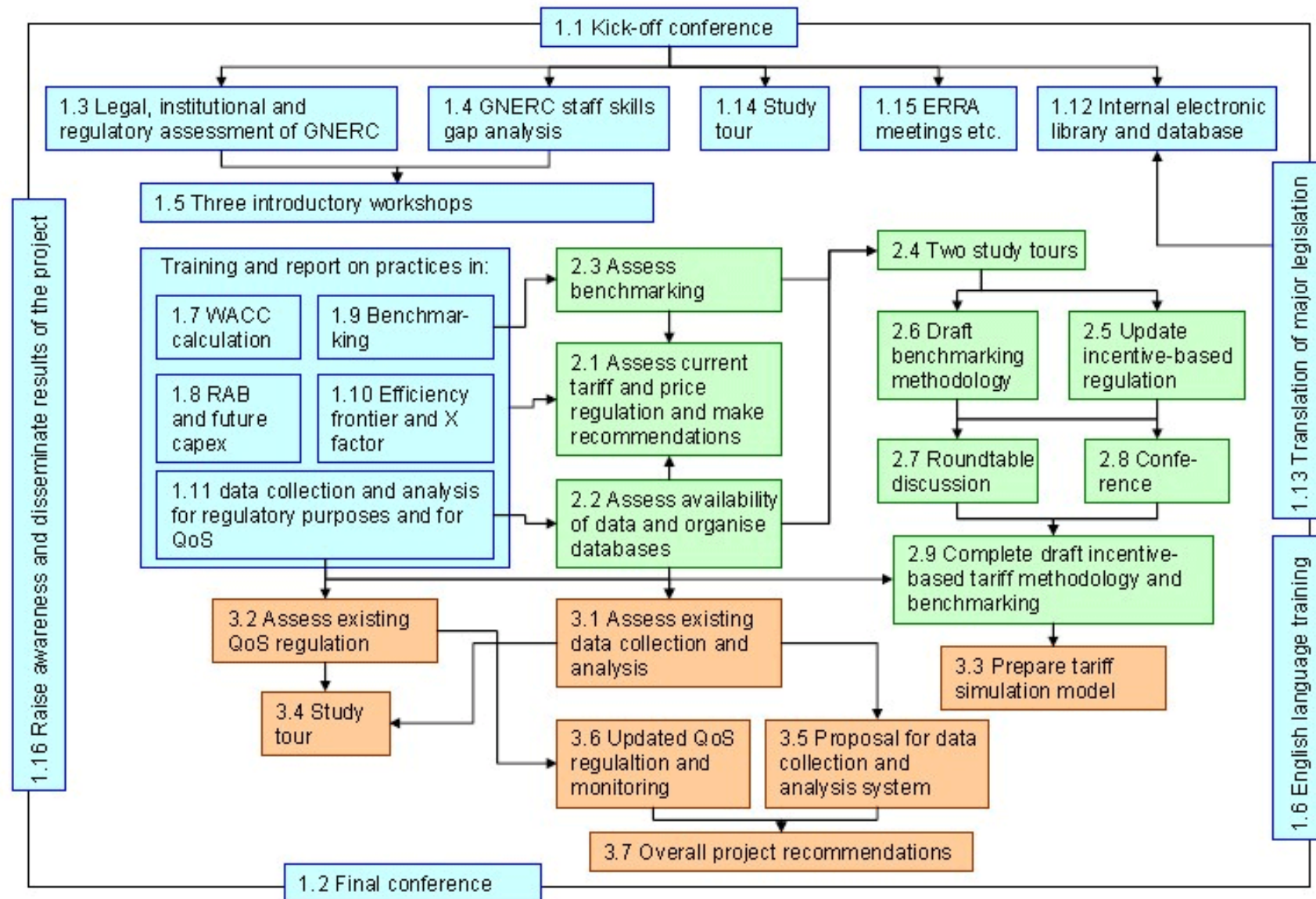
- **Subjects:**

- benchmarking
- incentive based tariff methodology
 - WACC, RAB, regulatory period
- quality of service regulation
- data management & analysis



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Twinning project activities



The project objectives /1



Legal
Working Group

Regulatory
Working Group

Organisational
Working Group

Electricity Market Conditions in Georgia

European
legislation
& standards

- Benchmarking techniques
- Efficiency of network operators
- WACC calculation
- RAB and future investments
- Quality of service regulation
- Incentive based tariff methodology
- Data organisation, collection, monitoring

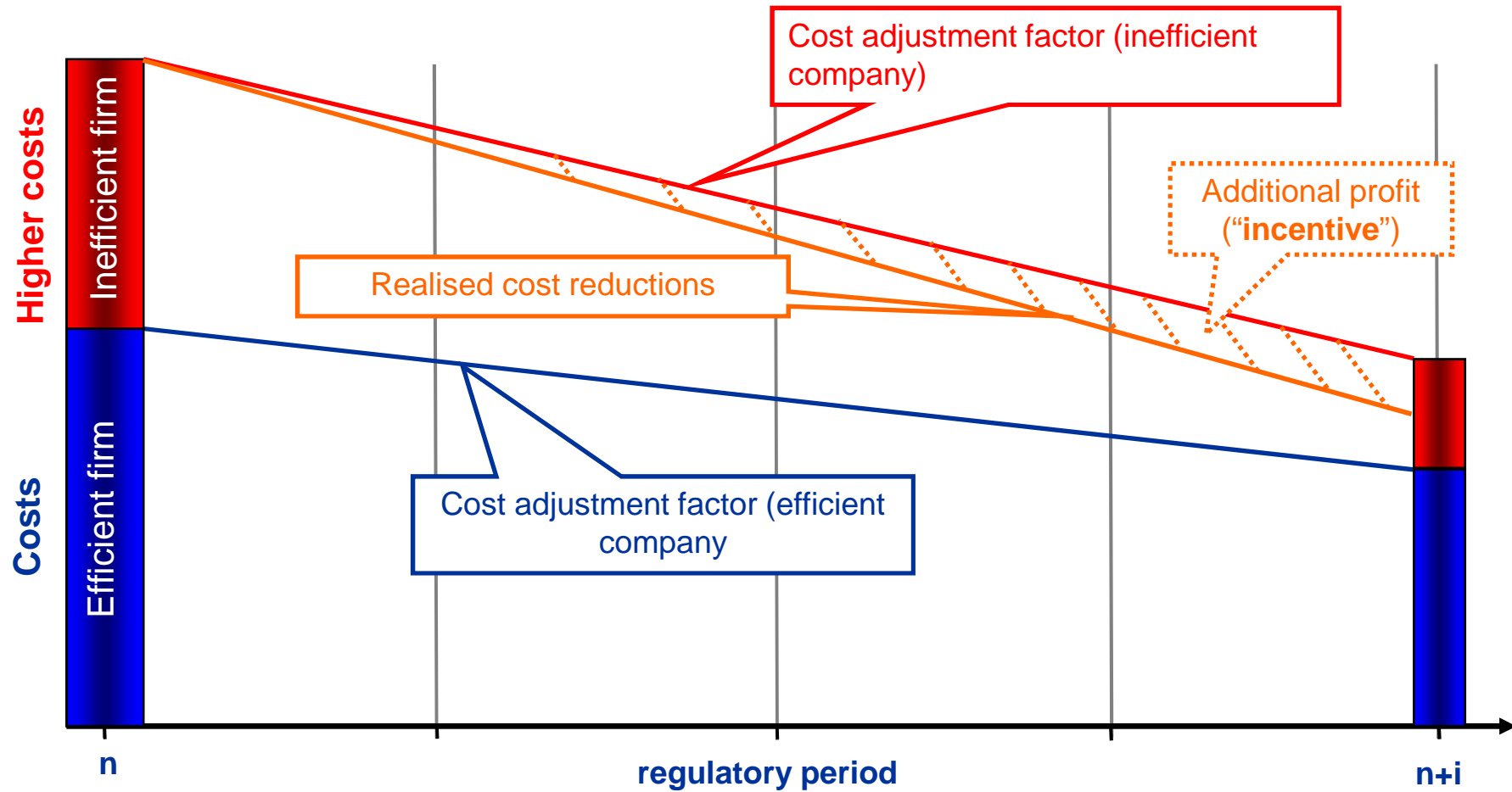
- skills
- internal processes
- language
- translations

Recommendations for updating the tariff methodology



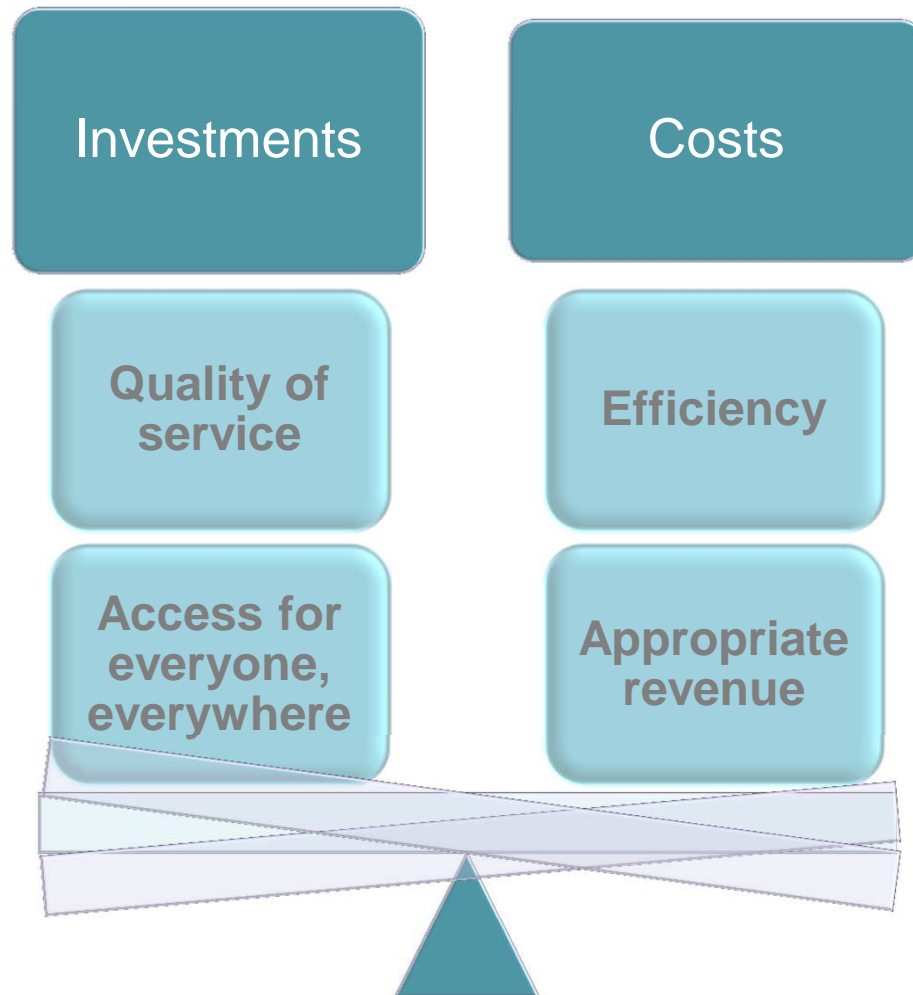
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The project objectives /2



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The project objectives /3



**Regulation has
to find the right
balance!**



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Twining – how does it work /1



- Not designed to provide only advice
- Administrative cooperation in a specific field
- Not one-way assistance
- Mandatory results
- Training – “on the job”



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Twinning – how does it work /2



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