Funded by
the European Union

GREEN ENERGY REGULATION IN GEORGIA

TWINNING

WHAT IS TWINNING?

Twinning is a long-term instrument of the EU for institutional cooperation between public administrations of EU Member States and public administrations of a beneficiary or partner country. Twinning projects are based on a peer-to-peer approach bringing together experience and knowledge from EU Member States and beneficiary countries.

It aims at strengthening administrative capacities of the public administration of the partner country and supporting the approximation of its legislation and standards with the EU acquis in the framework of Cooperation or Association agreements signed with the EU.

For further information on Twinning visit:

https://neighbourhood-enlargement.ec.europa.eu/funding-and-technical-assistance/twinning_en

OUR TWINNING PROJECT

TITLE

Development of Network Tariff Setting Methodologies, Energy Efficiency and Renewable Energy Regulatory Strategy and Creating Regulatory Framework for Enabling Demand Side Involvement.

PARTNERS

Beneficiary

Georgian National Energy and Water Supply Regulatory Commission (GNERC)

Consortium

E-Control, Austria

(Lead Member State Partner)

Bundesnetzagentur, Germany

(Junior Member State Partner)

OUR TWINNING PROJECT

IMPLEMENTATION PERIOD

27 months implementation period starting 1 February 2021

MAIN ACTORS

- **Member State Project Leader (MS PL)**
  Mr Dietmar Preinstorfer, E-Control
- **Junior Project Leader**
  Ms Yvonne Grösch, BNetzA
- **Beneficiary Country Project Leader (BC PL)**
  Mr Giorgi Pangani, GNERC
- **Resident Twinning Adviser (RTA)**
  Mr Stefan Katzmann, E-Control
- **Resident Twinning Adviser Counterpart**
  Ms Nino Bukhnikashvili, GNERC

THE PROJECT IN A NUTSHELL

The purpose of this Twinning Project is to develop the institutional framework for the implementation of regulation of Georgia's energy market in line with the European Union acquis and to strengthen the capabilities of the GNERC as the independent national regulatory authority through the development of tools and mechanisms based on the best European Union practices with regard to developing network tariff setting methodologies, designing an energy efficiency and renewable energy strategy and creating a regulatory framework for enabling demand side involvement.

Member State partners shared their experience with the Georgian experts and provided assistance on the implementation and development of Georgia´s policy, action plans and relevant legislation. In addition, a series of workshops, seminars, training sessions, roundtables, discussion rounds with different stakeholders and study tours to Austria and Germany were organized within the framework of this Twinning Project.

The project consisted of three different substantive components:

1 Developing Network Tariff Setting Methodologies

2 Developing Regulatory Framework for Demand Side Participation at the Wholesale and Retail Markets

3 Developing Regulatory Strategy on Renewable Energy Integration and Energy Efficiency

MS PARTNER ORGANISATIONS

E-Control

E-Control is the regulatory authority for electricity and gas in Austria, and it is entrusted with a set of tasks in the fields of renewable energy and energy efficiency. E-Control has been active in EU Twinning projects for more than ten years. Its experience covers projects with energy regulatory authorities and energy ministries.

Bundesnetzagentur

Bundesnetzagentur (BNetzA) is Germany's main authority for infrastructure, promoting competition in the markets for energy, telecommunications, post and railways to guarantee the efficiency of country's vital networks. As a consumer protection authority, BNetzA also safeguard the interests of the people using these networks.

FACES OF THE PROJECT

Member State
Project Leader

Dietmar Preinstorfer

"Leading this project was a great honor for me. I worked with excellent experts from different organizations and different countries. We managed to transfer knowledge and experience in the field of tariffs, demand side management and renewable energies which are very dynamic and challenging sectors of energy regulation. I thank the management and all experts from GNERC for their input and wish GNERC and Georgia all the best in improving their energy systems towards a sustainable future."

Beneficiary
Project Leader

Giorgi Pangani

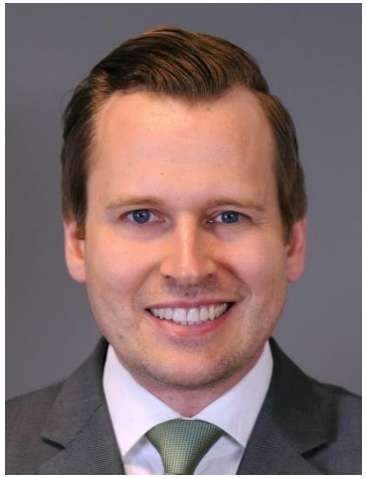
"In this EU Twinning project GNERC efficiently cooperated with experts from Austria and Germany on Green Energy Regulation.
Particular attention was given to network tariffs, market opening, demand-side involvement, renewable energy and energy efficiency.
I am confident that the experience gained will help Georgia to reduce energy dependence and promote sustainable development. We would like to thank the European Union for its support of Georgia and look forward to further cooperation."

FACES OF THE PROJECT

Junior Member State Project Leader

Yvonne Grösch

"The Twinning with GNERC was our first Twinning project in Georgia and it was a great pleasure to share our knowledge and expertise of implementing a regulatory framework for demand side management with our Georgian colleagues. I personally hope that the European Union will further continue its support of Georgia in order to enhance the market opening in Georgia and that we can continue our fruitful cooperation."



Resident Twinning Adviser

Stefan Katzmann

"Twinning is a unique instrument that has a clear benefit for all involved institutions. The partner organizations are working together on a daily basis and thus learning from each other.

Our Austrian and German experts closely collaborated also with external stakeholders and exchanged their experience and knowledge which encompassed not only a professional, but also cultural exchange."

FACES OF THE PROJECT

Resident Twinning Adviser Counterpart

Nino Bukhnikashvili

"The implementation of the project was a unique, interesting and informative experience both for the agency and for me personally. Experts from different countries worked as a team to solve specific problems. I am confident that our cooperation will continue, and the acquired knowledge and skills will help to find optimal solutions for further development of renewable energy in Georgia."

SHORT SUMMARY OF THE PROJECT

The project delivered the following results and recommendations:

Component 1

Component 1 focused on network tariffs. Beside unbundling, the component focused on three topics:

Tariffs for producers: It is the objective of GNERC, that also producers contribute with a fair part to the network cost of the TSOs and DSOs. Therefore, MS and BC experts calculated the part which producers are allowed to pay for using the network according to EU legislation and a corresponding model for calculating tariffs.

Capacity tariffs: Currently, there are only volume tariffs at DSO level. Capacity tariffs bear advantages over volume tariffs and GNERC intends to implement capacity tariffs in the future. Therefore, MS and BC experts worked out the optimum relation capacity tariffs vs. volume tariffs and created data collection files for DSOs.

Tariff treatment of ancillary services: Balancing and ancillary services were discussed as well as supplemented by case studies from three MS NRAs.

The following recommendations were proposed: There should be incentives for producers to build new power plants according to the needs of the network to reduce the costs of the network. These incentives can be given by different tariffs according to the region, where the power plant is set up.

Capacity is the biggest driver of network development and GNERC should implement capacity tariffs for consumers. For reducing roll-up of earnings of the DSOs fixed costs should be covered by the capacity charge and variable ones by the volumetric tariff. As capacity is not yet measured the capacity charge should be charged according to the connection capacity, which is available.

SHORT SUMMARY OF THE PROJECT

Component 2

In component 2, everything revolved around the opening of wholesale and retail markets and the integration of flexibility. In different activities, prosumers and energy communities, consumer protection, demand response and net metering were discussed, but market barriers were also analyzed and action plans developed. Workshops on the European framework for the organization of the electricity market, on demand response and energy communities also helped to develop a common understanding of terms and specifications. Experts from Austria, Germany, France and Lithuania reported on their experiences on the above-mentioned topics in their countries. The Austrian experiences with energy communities were presented, the German prosumers were examined in more detail and Lithuanian ideas for demand response were discussed. On the Georgian side, it was already possible to fall back on experience in the development of a new electricity market design, but also in the area of net metering. The installation of smart meters, an important technical prerequisite for creating flexibilities in the power grid, is already part of the Georgian legal framework.

Various prerequisites must be created for communities, companies and citizens to actively participate in the electricity market. On the one hand, technical requirements such as smart meters must be available across the board to quickly delimit and bill electricity quantities. On the other hand, the legal and regulatory framework must also enable participation like energy communities or as a prosumer.

A focus on smart meter rollout is recommended. In the area of demand response, the first step should be to discuss with companies whether there is potential for flexibility in the purchase of electricity within the framework of their technical processes that can be used as flexibility on the electricity market or in the electricity grid. The introduction of energy communities in Georgia should also be examined. It can be helpful to design the framework for the charging infrastructure for electric vehicles as flexibly. With all these changes, it is important to involve all stakeholders, including consumers, as this is the only way to achieve successful implementation.

SHORT SUMMARY OF THE PROJECT

Component 3

Component 3 focused on Renewable Energies, Guarantees of Origin and Energy Efficiency. Apart from the targets of the project, these topics were boosted over the last months due to the ongoing energy crisis. On an European level a large number of actions, measures and strategies were implemented to increase the share of RES and to accelerate Energy Efficiency among all sectors. In 2023 recasts of the Energy Efficiency Directive and the RES Directive are expected to set new legal frameworks. All these developments implied a major impact in the work, the discussions and the implementation of this project, which was implemented in three segments. The first part was a general overview about the European legislation, country cases and best practices how the relevant directives were implemented across Europe. These examples were compared with the situation and the legal framework in the BC. The second part was a detailed analysis of specific topics which represent new and future-oriented developments. These topics were Renewables Gases, Guarantees of Origin, obligation schemes for Energy Efficiency and Energy Communities. The third part represented strategic elements how a state-of-the-art regulator should deal with the requirements of the changing energy markets. For this purpose, strategies and actions plans were discussed and proposed.

The implementation of component 3 demonstrated that GNERC is a pro-active and future-oriented regulator. Even during the implementation period major topics of the project were discussed and realized in the BC. The highlight is the implementation of a GO system in the BC, where the experts of the project exchanged their knowledge and supported the realization.

The cooperation between the MS and BC experts generated recommendations and to-dos for the near future: RES and Energy Efficiency are important issues for a regulator. These topics have a major impact on the daily business of a regulator and direct influence on the core business. The energy transformation implies new technologies, new services, smart technologies. A regulator has to deal with these developments and must create an environment for these technologies to be effective on the energy markets, as well as to contribute to the fast and secure change of the energy system. The regulator must develop strategies to cope with the developments, to build up the necessary in-house-resources and to guarantee an attractive long-term development.

SHORT SUMMARY OF THE PROJECT

In the course of the project, the partners proposed the following future actions:

Future actions in component 1 could be implementing the recommendations which are stated above. For ancillary services there could be several future actions: implementing the parts, which are not yet set up and improving the parts, which are already implemented, so that the cost of these services for the network will be reduced.

In component 2, future developments related to market opening and flexibilities in the electricity sector shall be tackled. Electromobility could be considered with its challenges for the electricity supply due to its additional requirements, but also with its advantages due to additional flexibilities through intelligent charging control. The same can also apply to electrification in the heating sector. Here, too, an increasing demand for electricity would pose a challenge, but new flexibilities could also arise through intelligent control of demand. In the electricity sector itself, the focus should be on continuing the smart meter rollout, which represents the technical basis for recording and billing almost all flexible models. Building on this, with a focus on the electricity sector and industry, in addition to making electricity procurement more flexible, an investigation and promotion of energy efficiency potentials could be the focus.

In the environment of household customers, an investigation and promotion of energy efficiency potentials would be a measure worth considering, which could very well complement projects for local energy generation in energy communities.

In component 3, it is recommended to implement the European directives and develop the energy markets towards a reliable, secure, efficient and renewable system. The crisis on the energy markets will not end soon and the uncertainty about security of supply and high prices might be a long-term situation. Therefore, the instruments from the European directives, the new available technologies and the new possibilities on the markets must be implemented quickly. With more energy efficiency and the optimized use of national resources, the future energy supply will be more secure, more sustainable and will create additional GDP and jobs.

SHORT SUMMARY OF THE PROJECT

Resume

Twinning is about working together on an everyday basis, sharing experience and knowledge, and building up long-lasting relations between the implementing institutions. By collaborating closely, the beneficiary organization is not only learning the content, but also getting familiarized with good governance and working practices from EU Member States. The close cooperation allows the beneficiary organization also to work on equal footing with experts from other countries and to further develop its soft skills.

Funded by
the European Union

DISCLAIMER

This publication has been produced with the assistance of the European Union. Its contents are the sole responsibility of E-Control do not necessarily reflect the views of the European Union.