“Interconnectivity: Update on the status of the trade of electricity between the countries of Azerbaijan, Georgia and Turkey project”

The Republic of Azerbaijan

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Agenda

1. Existing and planned electricity interconnections
2. Project identification & appraisal
3. Financing & regulatory treatment of new interconnections
4. Main issues / hurdles faced in relation to the investment
5. Stakeholders involvement and cost sharing
Since 2007 Azerbaijan has been an electricity net exporter.
1. Existing and planned electricity interconnections

Export (1) and import (2) structure

- Россия Туриция Грузия Иран

M kWh
1 000
500
- (1)

(2) (1 500)
(1 000)
(500)
-
2. Project identification & appraisal

Electricity export from Azerbaijan to Turkey through Georgia is planned;

- Azerbaijan completely reconstructed a 500 kV power line “Samukh-Gardabani” and a new substation “Samukh 500/330 kV” is constructed;

- High voltage power line lines connecting Georgia and Turkey was commissioned late 2013;

- The project enables transit 700 MW of power to Turkey.
3. Financing & regulatory treatment of new interconnections

• Financing of the project on electricity sale between Azerbaijan, Georgia and Turkey is separately by these countries;

• Azerbaijani part of the project was done at the expense of government funds;

• The project between Azerbaijan and Iran – 330 kV interstate power line (ISPL) “Ardebil” was financed through credit funds provided by the Iranian bank to Azerbaijan;

• Interconnection 330 kV ISPL «Yashma-Derbent” between Azerbaijan and Russia was included in the Action Plan on Implementation of the Programme on Economic Cooperation between Azerbaijan and Russia until 2020
4. Main issues / hurdles faced in relation to the investment

- **Low internal tariffs** on electricity lead to a low IRR and long payback period of investment in electricity, what makes it **unattractive** for private investments and such international donors as World Bank, EBRD, ADB and others provide only sovereign credits, with the ceiling being limited by the government;

- Mechanisms of Public-private partnership are **not developed**:

- **Non-transparent system of tariffs** on electricity;

- **Lack of competitive environment** in electricity sector;

- **Lack of the Grid Code**, regulating among other things third party access to the networks for electricity export;
5. Stakeholders involvement and cost sharing

- There are no single rules for participation of the stakeholders in shared distribution of costs for establishment of interconnections on the case by case basis, it is decided by a bilateral procedure.
- Examples of different types of financing are shown on Slide 3.
THANK YOU!

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