“Interconnectivity: The Georgian TYNDP and the East West & North South electricity trading corridors in South Caucasus”

Georgia

Sulkhan Sumburidze – GSE & Nugzar Beridze - GNEWRC

INOGATE Regional Seminar on Security of Supply and Interconnectivity
Brussels, Belgium, 10 December 2015
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
1. Existing electricity interconnections (2015)
1. Planned electricity interconnections (2022-25)
2. Project identification & appraisal

TYNDP is the key document describing “what the power system will look like in 2025”

New projects:

- Collectively serving national & regional integration purposes:
  - Cross border;
  - Internal;
  - Local

- Technical assessment (all)

- Economic assessment (CBA); only cross border and internal
3. Financing & regulatory treatment of new interconnections

- Project finance with multisource borrowing
- Blending (grand/loans)
- No Cross Border Cost allocation in the notion of Article 12 of Regulation (EU) 347/2013
- Investment recovery through the electricity tariffs
- No merchant interconnector in the notion of Article 17 of Regulation (EC) 714/2009
3. Financing & regulatory treatment of new interconnections (Legal Framework)

• General Principles
  ▪ Georgian Law on Electricity and Natural Gas;
  ▪ The Electricity (Capacity) Market Rules

• In addition to those rules for new cross-border line
  ▪ Cross Border Electricity Trade Agreement (20/01/12)
  ▪ Interconnection Operation Agreement (TEIAS-GSE/Energotrans) (18/09/13)
  ▪ Special Auction Rules
3. Financing & regulatory treatment of new interconnections - General Principles (1)

- Electricity export/import is fully deregulated;
- Electricity export/import can be done by any person based on direct contracts;
- Exporter and importer are obliged to act in accordance with the Electricity (Capacity) Balances;
- Electricity (Capacity) Balances is approved by the Ministry of Energy under the proposal submitted by the Dispatch Licensee;
- During emergency situations imports and exports can be done without being included in the Electricity (Capacity) Balances;
3. Financing & regulatory treatment of new interconnections - General Principles (2)

- Person interested in transiting electricity shall conclude an agreement with a dispatch licensee on the provision of technical support for transiting electricity.
- No regulation fees are charged for power transit.
- The respective tariffs set by the Commission for transmission and dispatch services shall not be applied in case of power transit;
- Electricity transit fee covers all costs related to transiting electricity including electricity losses.
- The dispatch and transmission licensees shall enter into the separate agreement, which shall stipulate the amount of compensation for the use of transmission licensee’s networks.
3. Financing & regulatory treatment of new interconnections - General Principles (3)

• In case the transmission licensee refuses to enter into agreement on transit of the power, it is obliged to bear the usage of its network and provide the transmission services;

• The issues related to the power transit are also regulated by the rules of power (capacity) market and by the agreement on technical provisioning of power transit;

• The participants of transit process are obliged to submit information to the market operator (ESCO);
3. Financing & regulatory treatment of new interconnections:

Transmission Cost for Exporting Electricity

Exporting Electricity to Turkey

Transmission: 0.677 US cent
Market Operator: 0.008 US cent
Dispatch: 0.044 US cent
Guaranteed Capacity: 0.951 US cent

Electricity to Other Directions

Transmission: 0.348 US cent
Market Operator: 0.008 US cent
Dispatch: 0.044 US cent
Guaranteed Capacity: 0.622 US cent
3. Financing & regulatory treatment of new interconnections:
Annual usage rate of cross-border lines

<table>
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<tr>
<th>Year</th>
<th>Russia</th>
<th>Turkey</th>
<th>Azerbaijan</th>
<th>Armenia</th>
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<tr>
<td>2009</td>
<td>12.2%</td>
<td>3.0%</td>
<td>0.9%</td>
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<td>2010</td>
<td>23.1%</td>
<td>21.7%</td>
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<td>2011</td>
<td>16.9%</td>
<td>16.6%</td>
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<td>2012</td>
<td>14.5%</td>
<td>6.0%</td>
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<tr>
<td>2013</td>
<td>13.6%</td>
<td>4.9%</td>
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<tr>
<td>2014</td>
<td>12.8%</td>
<td>4.0%</td>
<td>2.2%</td>
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4. Main issues / hurdles faced in relation to the investment

- **Cost overrun:**
  No cost overrun in terms of budget approved at the tendering stage

- **Time overrun:**
  Time schedule was generally kept. BTB and SS were even delivered ahead of schedule

- **Stranded assets:**
  FS estimated budget was generally kept. Final implementation budget resulted to be less than what FS has predicted

- **Identification of efficiently incurred cost:**
  Construction cost of per km of OHL was in line with the market price and comparable to similar type of recently signed contracts

- **Liquidity risk:**
  Repayment plan is not fulfilled due to the lack of transit through interconnection line; actual export value is less than projected one
5. Stakeholders involvement and cost sharing

• No cost sharing framework at the moment

• Stakeholders involvement as provided for in the national legislation:
  – Article 3 of the Law on Electricity and Gas
  – Article 29 of the Grid Code
Спасибо!
Thank you!

Sulkhan Sumburidze
Chairman of Management Board
GSE
Georgia

Nugzar Beridze
Head of Electricity Dept
GNERC
Georgia

sulkhan.zumburidze@gse.com.ge  n.beridze@gnerc.org

INOGATE Technical Secretariat and Integrated Programme in support of the Baku Initiative and the Eastern Partnership energy objectives