



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

Georgia

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BUILDING PARTNERSHIPS FOR ENERGY SECURITY

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

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1. Existing electricity interconnections (2015)



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PROGRAMME FUNDED BY THE EU



1. Planned electricity interconnections (2022-25)



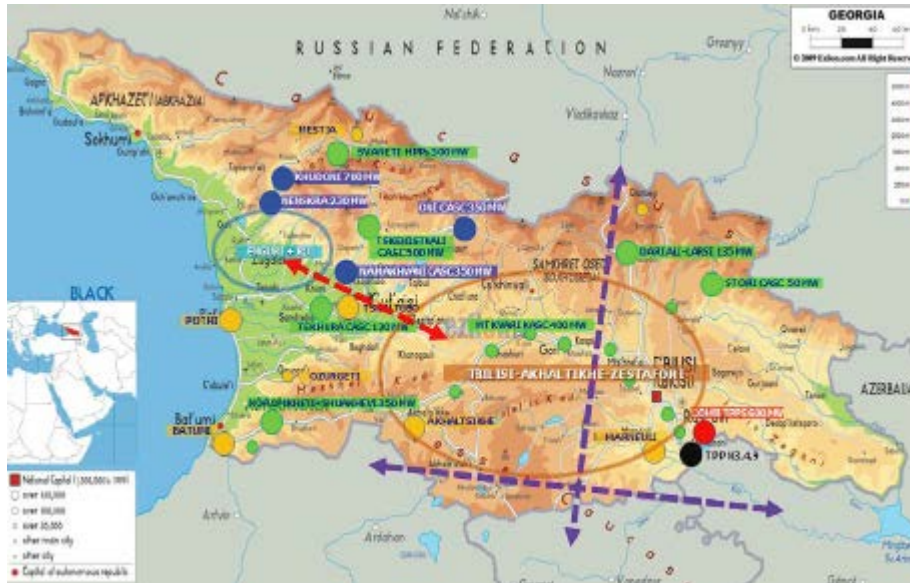
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2. Project identification & appraisal



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



Facility Details	
Borrower	EnergoTrans Ltd
Sponsor	Georgian State Electrosystem (GSE)
Lenders	- KfW: €100 mln - EIB: €80 mln - EBRD: €80 mln - EC/NIF grant: €8 mln
Tenor	- KfW: 15 yrs - EIB: 20 yrs - EBRD: 15 yrs
Structure	- Sovereign-guaranteed loan to EnergoTrans, a subsidiary of state-owned GSE

- Project finance with multisource borrowing
- Blending (grant/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

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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

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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;

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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);

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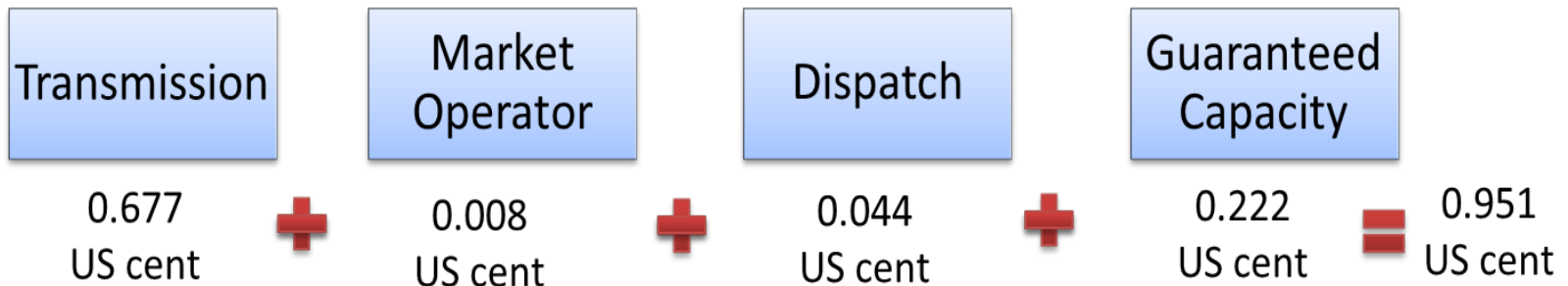


3. Financing & regulatory treatment of new interconnections:

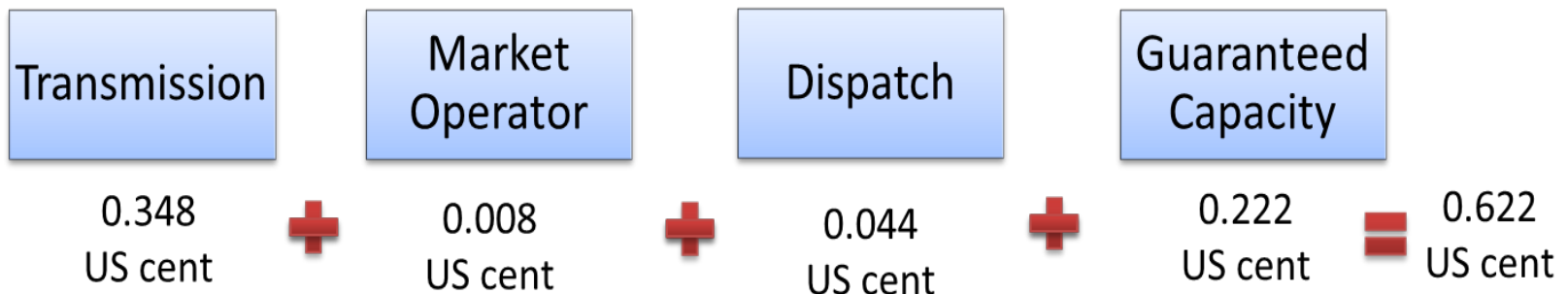
Transmission Cost for Exporting Electricity



Exporting Electricity to Turkey

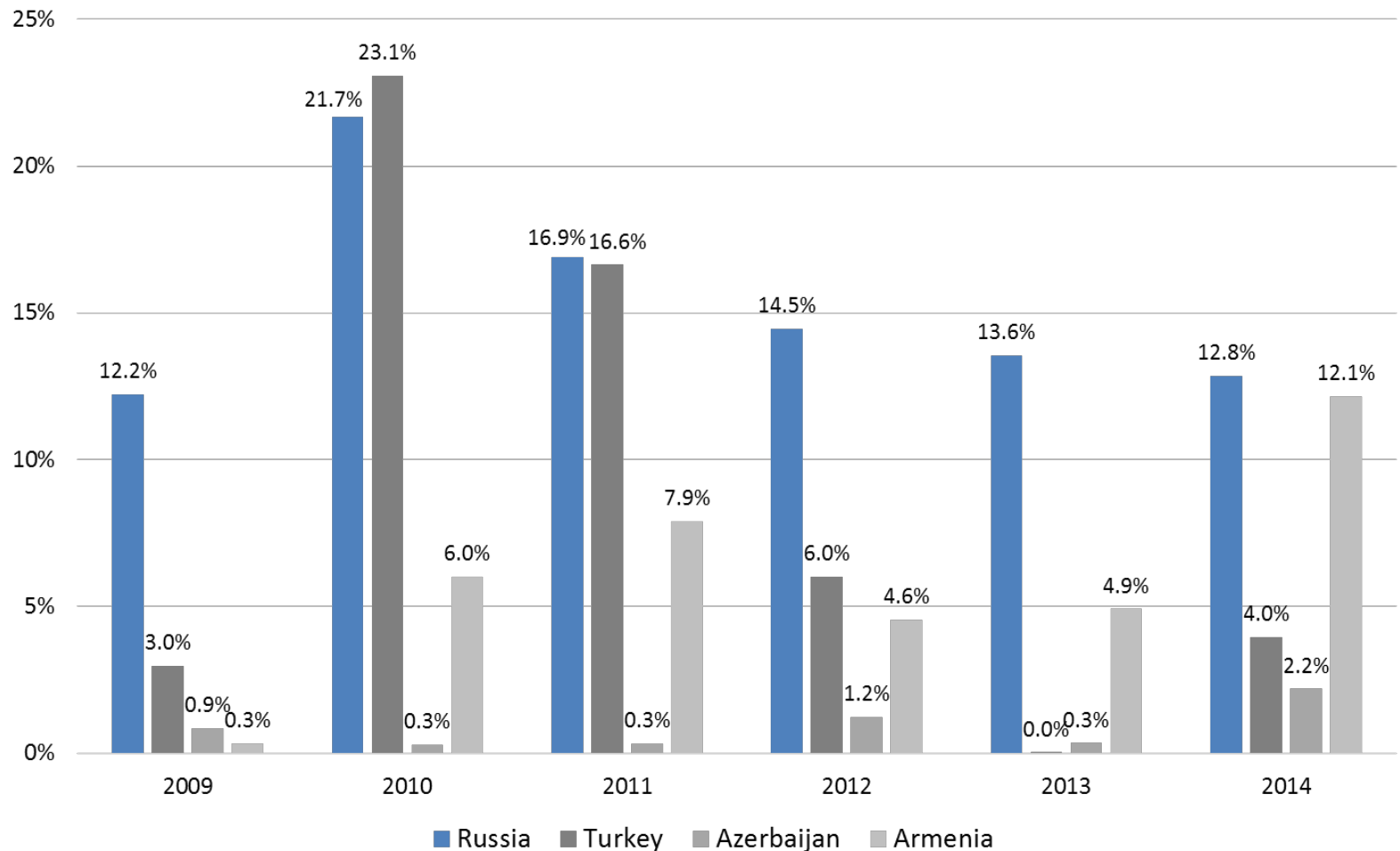


Electricity to Other Directions



3. Financing & regulatory treatment of new interconnections:

Annual usage rate of cross-border lines



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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



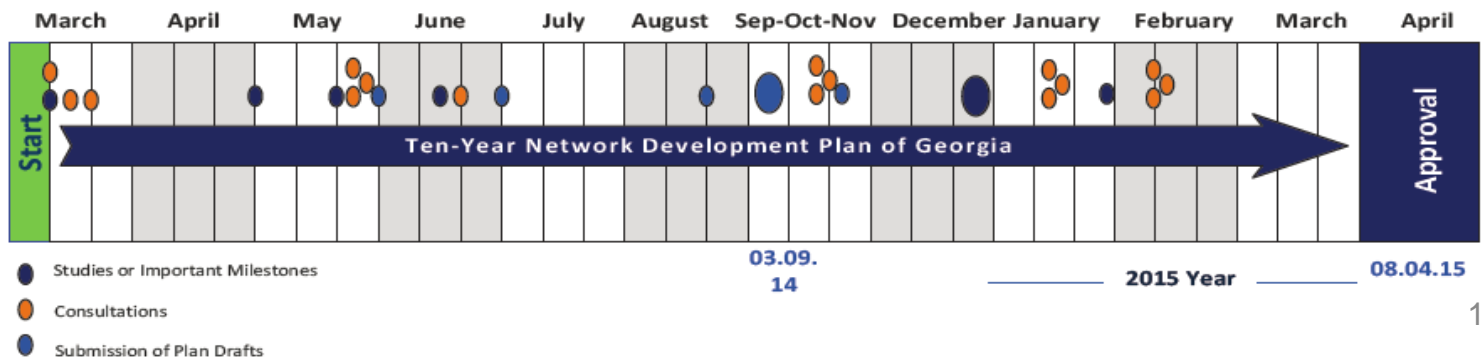
Liquidity risk:

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!

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