

ON ELECTRICITY AND NATURAL GAS

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Chapter I - General Provisions

Article 1 - Scope, purpose and objectives of the Law

1. This Law regulates activities and relations of individual entrepreneurs, natural and legal persons in the areas of water supply, electric power system management, wholesale electricity (capacity) trading, power generation, transmission, dispatching and distribution, supply of electricity by electricity wholesale supplier, import, export and consumption, as well as in the areas of supply, import, export, transportation, distribution and consumption of natural gas. This Law ensures the functioning and development of water supply, electricity and natural gas sectors in compliance with the principles of a market-oriented economy.

1¹) This Law shall not apply to:

- a) Pumping and/or extracting water from surface-water or groundwater bodies;
- b) Exploration, extraction, processing and collection of natural gas; to relations between natural gas producers and suppliers, as well as to transiting natural gas through the territory of Georgia.

1²) Only those provisions of this Law that directly and immediately refer to and regulate transit of electricity and issues related thereto shall apply to the transit of electricity through the territory of Georgia and issues related thereto.

1³) provisions of this Law that solely apply to generation of power by a micro power plant owned by a retail consumer, and to its delivery to the distribution network shall be those that directly and immediately regulate these issues and the relations connected thereto.

2. The purpose of the Law is to:

- a) ensure the creation of markets for electricity and natural gas and tariff systems in Georgia by developing competition and using existing mechanisms for regulating a non-competitive market and on that basis, to accurately reflect in tariff systems those economically justifiable costs that have been incurred for water supply, power generation, transmission, dispatching, distribution, import, export and consumption, as well as for supply, import, export, transportation, distribution and consumption of natural gas;
- b) Create the legal basis necessary for the supply of electricity, natural gas and water to all categories of consumers;
- c) Encourage domestic and foreign investments in order to rehabilitate and develop the electricity, natural gas and water supply sectors;
- d) Support predominant use of local hydropower and other renewable, alternative and natural gas resources.

3. The objective of the Law is to:

- a) task the Ministry of Economy and Sustainable Development of Georgia with developing the main areas of national policy in the energy sector, including the electricity and natural gas sectors, with ensuring implementation of those areas, and creation and adoption of a legal and regulatory framework;
- b) determine basic principles for regulating generation, transmission, dispatching and distribution, supply of electricity by electricity wholesale supplier, import and export of electricity, as well as supply, import, export, transportation and distribution of natural gas; also, basic principles for regulating consumer relations and activities based on publicity and equality, and, for this purpose, establish legal basis for setting up an independent energy sector regulatory system;
- c) promote the increase in efficiency of generation, transmission, dispatching and distribution, supply of electricity by electricity wholesale supplier, import, export and consumption of electricity, as well as supply, import, export, transportation, distribution and consumption of natural gas;
- d) Promote the development of competition in electricity and natural gas markets of Georgia;
- e) ensure the formation of electricity and natural gas markets and tariff systems in Georgia and, on their basis, the establishment of a legal basis for tariff regulation that will protect consumers from monopoly tariffs and at the same time promote long-term financial stability and development of the energy sector;
- f) Assign the Georgian National Energy and Water Supply Regulatory Commission the task of regulating tariffs in the area of drinking water supply, drainage and treatment of sewage liquors.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 1124 of 22 March 2005 - LHG I, No 13, 12.4.2005, Art. 77

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 5466 of 20 November 2007 - LHG I, No 40, 3.12.2007, Art. 378

Law of Georgia No 92 of 5 July 2008 - LHG I, No 13, 16.7.2008, Art. 104

Law of Georgia No 4395 of 11 March 2011 - website, 17.3.2011

Law of Georgia No 452 of 25 March 2013 - website, 5.4.2013

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Law of Georgia No 4797 of 2 March 2016 - website, 14.3.2016

Law of Georgia No 4025 of 22 December 2018 - website, 25.12.2018

Article 2 - Definitions

The terms used in this Law have the following meanings:

a) electricity transmission activity - operation of a transmission network in order to transfer electricity (capacity) from the point of receipt to the point of delivery by means of a transmission network.

b) transmission network - an electricity (capacity) transmission facility connecting points of receipt to points of delivery. A transmission network includes high voltage transmission facilities transmitting over 110 kV, including substations and transmission lines, as well as transmission networks and corresponding substations with different voltage levels that are expressly specified in the transmission licence and are used for the system and/or inter-system transit of electricity. The Ministry of Economy and Sustainable Development of Georgia shall approve the list of transmission lines intended for system and inter-system transit of electricity. It is mandatory to transfer transmission network, all parts of a transmission network to the transmission system operator with the right to operate by signing the appropriate agreement, except for the cases, when the electricity transmission licensee and electricity dispatch licensee is one and the same person;

c) distribution network - an electricity (capacity) distribution facility that connects points of delivery with consumers. A distribution network comprises 0.4 - 3.3 - 6 - 10 - 35 - 110 kV grids, except for the exceptions referred to in sub-paragraph (b) of this article. The same term shall be used to denote a natural gas distribution network, which includes 1.2 - 0.6 - 0.3 - 0.005 MPa gas pipelines;

d) electricity distribution activity - receipt of electricity (capacity) from two or more independent points of delivery (from two or more substations owned by a transmission licensee and electricity generator), operation of the distribution network and sale (distribution) of received electricity to retail consumers, as well as wheeling of electricity;

e) electricity dispatching activity- technical management of licensees and consumers to ensure stable supply and consumption regime, and parallel operation of electricity systems of Georgia and of another country (other countries). Only one dispatch license shall be issued in Georgia;

f) Commission - the Georgian National Energy and Water Supply Regulatory Commission;

g) licence - a right granted under a resolution of the Georgian National Energy and Water Supply Regulatory Commission to a person who meets the requirements determined by law to carry out the activities defined in this Law;

h) licence holder (licensee) - a person who has been granted the right under a resolution of the Georgian National Energy and Water Supply Regulatory Commission to carry out the activity specified in the license;

i) point of receipt - a point where a transmission and/or distribution licensee receives electric power and energy into the transmission and/or distribution network from the network of a generation licensee and/or another transmission licensee and/or another distribution licensee, including import of electricity from the network of small power plants and from the energy systems of other countries; or a point where a natural gas transportation licensee receives natural gas into the transportation system, including import;

j) point of delivery - a point where a transmission and/or a generation licensee supplies electric power and energy from the transmission and/or generation network to a distribution licensee, electricity direct customer and/or the energy system of another country; or a point where a natural gas transportation licensee supplies natural gas from the transportation system to a natural gas distribution licensee, natural gas direct customer and/or transportation systems of other countries;

j¹) consumer - a direct or retail consumer, as well as a person, who consumes drinking water from the water supply system for his/her personal needs;

k) direct customer – electricity direct customer and natural gas direct customer;

k¹) Direct customer of Electricity:

k¹.a) The customer, who meets compulsory criteria defined for direct customers of electricity by the decree of the Government of Georgia;

k¹.b) Any other customer besides the one defined by subparagraph “k¹.a” of this Article, who meets the requirements established by the Electricity (Capacity) Market Rules and is voluntarily registered as a wholesale trade participant direct consumer of electricity.

Note:

1. Registration as a direct customer has an irreversible character. Accordingly, the person registered as a direct consumer has no right to request registration as a retail customer.

2. Direct customer created as a result of change of ownership/possession right on the object (objects) or its part (parts) owned/possessed by direct customer is new direct customer, despite the change of the scheme of joining the network.

K²) natural gas direct customer – person/entity who is connected to the transportation system and receives natural gas on this way, consumes it only for its own needs and is not distribution licensee;

l) regulation fee - a fee defined by the Law of Georgia on Regulation Fees;

m) electricity generation activity - connecting a generation facility to transmission, distribution, and/or consumer electric networks and supplying electricity (or ensuring readiness for its supply) within transmission, distribution, or consumer electric networks; also, selling this electricity, except as provided for in Article 23⁵ of this Law;

n) exporter - a person, who sells electricity (capacity) at the point of delivery outside Georgia;

o) importer - a person, who receives and sells, and/or consumes electricity (capacity) from outside of Georgia at one or more points of receipt;

p) (deleted)

q) (deleted)

r) (deleted)

s) Electricity (Capacity) Market Rules - a document that regulates:

s.a) operation of the electricity market;

s.b) activities of an electricity market operator and a dispatch licensee;

s.c) technical, commercial and legal relations connected with the purchase and sale of electricity on the basis of direct contracts and/or through an electricity market operator;

s.d) terms for concluding direct contracts and their entry into force;

s.e) technical, commercial and legal relations connected with generation, transmission, dispatching, wheeling and distribution of electricity and activity of electricity wholesale supplier; providing the unified power grid of the country with firm capacity; import and export of electricity; parallel operation of electricity systems; and consumption of electricity generated by a generation licensee and by a small power plant for their own use;

s.f) setting exclusive terms and procedures for qualified enterprises according to the principles defined by this Law for generation, supply of electricity by electricity wholesale supplier, consumption, import and export of electricity;

s.g) procedures and conditions for allocation, without holding a special auction, of the transfer capacity of a transmission line intended for inter-system transit (flow) of electricity;

s.h) a procedure for determining the principles and conditions for holding a special auction for the allocation of the transfer capacity of a transmission line intended for inter-system transit (flow) of electricity;

s.i) procedures for drawing up and implementing electricity (capacity) balances;

s.j) procedures and conditions for determining a balancing electricity price;

s.k) a procedure for determining actual losses within the electricity system, including during the transit of electricity;

s.l) grounds and criteria for granting the status of a new transmission line intended for inter-system transit (flow) of electricity and procedures for testing a new transmission line intended for inter-system transit (flow) of electricity;

s.m) a procedure for importing electricity in the case of an accident in the power grid of Georgia, and for exporting electricity in the case of an accident in the power grid of a neighbouring country;

s.n) other issues connected with relations defined in this paragraph;

t) (deleted)

u) natural gas or gas - hydrocarbons, which are in a gaseous state at pressure of 1.2 MPa and temperature of 200⁰ C, and heat content of which is at least 31.8 MJ/m³ (7 600 kcal/m³);

v) natural gas transportation system or transportation system - all pipelines, compressor stations, metering stations, and other facilities that are used for natural gas transportation, that operate or are designed to operate at pressures greater than 1.2 MPa, that connect a point of receipt to a point of delivery, and that are owned, managed and/or operated by a transportation licensee. A transportation system includes all pipes and facilities, operating or designed to operate at pressures greater than 1.2 MPa, including compressor stations, metering stations, and other facilities specified in the transportation licence;

w) natural gas transportation activity - operation of a transportation system in order to transport natural gas through the transportation system from the point of receipt to the point of delivery;

x) natural gas distribution activity - receipt of natural gas from one or more points of delivery, operation of a distribution network, and supply of natural gas to consumers within the limits of a specific distribution network at the request of a supplier;

y) supplier - a person, who buys natural gas and sells it to other suppliers and/or consumers;

z) the Ministry - the Ministry of Economy and Sustainable Development of Georgia;

z¹) Natural Gas Market Rules - a document that regulates technical, commercial and financial relations arising from purchase-sale, wheeling and transportation of natural gas, including the procedure for drawing up and implementing natural gas balances;

z²) parallel operation of the electricity system - a process of synchronous operation of one or more neighbouring electricity systems (or parts of electricity systems) having the same parameters, which is intended to ensure stability of the electricity system. The same term shall be used to define the process of the asynchronous operation of one or more neighbouring electricity systems (or parts of electricity systems);

z³) (deleted)

z⁴) reliability standards - the ability of a transmission or a transportation licensee to meet the requirements necessary for operating the system, irrespective of changes in operating conditions; this standard may be included in a relevant normative act, as well as in relevant licences;

z⁵) reliability standard of a contracting party - the requirement for a dispatch or transportation licensee and for the other contracting party to adequately reflect their expected load and variations in such a way as not to impose unjustified costs on the contracting parties; this standard may be reflected in the rules of the relevant market, as well as in relevant licences;

z⁶) deregulation - based on this Law and under a normative administrative-legal act, granting to a generation licensee the right to operate without setting a tariff, or granting to a small power plant the right to operate without a licence and without setting a tariff, also, granting the right to operate without setting a tariff for the supply of natural gas, as well as in the case of construction of new transportation or distribution networks granting the right to operate without setting a tariff for transportation or distribution of natural gas respectively;

z⁶) } partial deregulation - based on this Law and under a normative administrative-legal act, granting to a generation licensee the right to operate based on a marginal tariff or granting to a small power plant the right to operate based on a marginal tariff and without a license; also, granting the right to operate based on a marginal tariff for the supply of natural gas, as well as in the case of construction of new transportation or distribution networks granting the right to operate based on a marginal tariff for transportation or distribution of natural gas respectively;

z⁷) emergency situation - a situation defined by the Law of Georgia on State of Emergency;

z⁸) Market Rules - 'Electricity (Capacity) Market Rules' and 'Natural Gas Market Rules';

z⁹) Supply and Consumption Rules - 'Electricity (Capacity) Supply and Consumption Rules', 'Natural Gas Supply and Consumption Rules', and 'Drinking Water Supply and Consumption Rules';

z¹⁰) Electricity (Capacity) Supply and Consumption Rules - a document regulating relations between distribution licensees, small power plants on the one hand, and retail consumers on the other hand, during the sale, purchase, distribution, wheeling and/or consumption of electricity through the distribution network; also a procedure for delivery of electricity to a distribution licensee by a retail consumer owning a micro power plant, deduction of the electricity delivered, and/or payment of the fee for excess electricity;

z¹¹) Natural Gas Supply and Consumption Rules - a document that regulates relations between suppliers, distribution licensees and/or retail consumers during the sale, purchase, distribution, wheeling and/or consumption of natural gas through the distribution network;

z¹²) small power plant - a power plant, the design capacity of which does not exceed 13 MW; also, this term shall denote, based on the context, a person who owns and operates such power plant.

z¹³) retail consumer - A customer who is not a direct customer of electricity and direct customer of natural gas which receives natural gas from the distribution licensee network and consumes only for its own needs;

z¹⁴) direct contract - a bilateral power purchase agreement between a wholesale buyer and a seller of electricity (a qualified enterprise) that defines the amount, price, term, conditions, and quality parameters of the electricity and capacity to be purchased, and that is duly registered by a dispatch licensee;

z¹⁵) balancing electricity - electricity (capacity) purchased and/or sold by qualified enterprises, which is used to meet actual needs of buyers and sellers, and to balance the contracted amount of the electricity stipulated in direct contracts;

z¹⁶) firm capacity - capacity provided by sources of firm capacity, that contributes to the stability and safe and reliable operation of the country's unified power grid, and the amount of which for each firm capacity source is defined by the Government of Georgia;

z¹⁷) qualified enterprise - generation and distribution licensees, electricity wholesale supplier, direct customers, importers, exporters, electricity market operator, and small power plants, which are eligible to participate in electricity (capacity) wholesale trade under this Law and the Electricity (Capacity) Market Rules, and persons in cases provided for under Article 24¹(2) of this Law;

z¹⁸) electricity market operator ('the market operator') - the Joint Stock Company 'Electricity System Commercial Operator' ('ESCO') (identification code No 205170036) or its legal successor that buys and sells balancing electricity and firm capacity to satisfy (to balance) the demand of qualified enterprises. It also performs the duties provided for by this Law according to the legislation of Georgia;

z¹⁹) long-term tariff - a pre-defined fixed or marginal price set for not less than three years;

z²⁰) firm capacity source - a power plant or power plants (a generation licensee or generation licensees) determined by the Government of Georgia to ensure safe operation of the national power grid and to provide it with the required minimum firm capacity, which is (are) able in an idle state

to synchronise with the electricity system within not later than 24 hours, and develop capacity within not later than the next 12 hours. The Government of Georgia shall also define the period during which the relevant source will provide the country's unified power grid with firm capacity. Further, in case of a thermal power plant built after 2010, the Government of Georgia may define the percentage of constant (fixed) expenses that are determined by the Commission, which must be paid for by the firm capacity fee;

z²¹) wheeling - except for transmission services, transfer of electricity (capacity) owned by a third person to the electrical grid owned by a pre-defined person through the network of a distribution or a generation licensee, of a small power plant or electricity direct customer; also, transferring of natural gas owned by another person through the network of a natural gas distribution licensee;

z²²) water supply activity - operation of a drinking water supply system, supplying drinking water to customers and/or sewage services within the limits of a specific water supply system/systems;

z²³) drinking water - water of an appropriate quality as defined by technical regulations for drinking water;

z²⁴) sewage – drainage of waste waters and its treatment in treatment facilities until it reaches permissible standards;

z²⁵) drinking water supply system – an aggregation of water receipt, transportation, and distribution networks (pipelines, reservoirs, open and closed canals, pumping stations if necessary, etc.) used for supplying drinking water to water consumers;

z²⁶) drinking water supply - supplying drinking water to water consumers by means of a drinking water supply system;

z²⁷) Drinking Water Supply and Consumption Rules - a document that regulates relations between a supplier and a consumer when buying, selling, supplying, and consuming drinking water through a drinking water supply system;

z²⁸) drinking water consumption rate - a rate of drinking water per capita defined during calculation of a water supply tariff by the Georgian National Energy and Water Supply Regulatory Commission individually for each water supply licensee, which shall be reflected in the water supply tariff;

z²⁹) renewable energy sources- all non-fossil and sustainable energy sources that are generated by, but not limited to: bio- and hydro powers, geothermal, solar, wind, and marine (including tidal, wave and thermal) energies;

z³⁰) Network Rules - "Electricity Network Rules" and "Natural gas Network Rules";

z³¹) transit ordering party - a person who has concluded with an electricity dispatch licensee an agreement provided for in Article 41⁴(1) of this Law;

z³²) transmission system operator – an electricity dispatch licensee that has concluded an appropriate agreement with electricity transmission licensees on transferring their authority of operation and development planning of their transmission network to the electricity dispatch licensee, and that performs the functions provided for by the above agreement, in accordance with the procedure provided for by the legislation of Georgia;

z³³) micro power plant – a renewable source of power owned by a retail consumer, which is connected to the electricity distribution network in the point of electricity consumption by the retail consumer, and whose power capacity does not exceed 100 kW;

z³⁴) "Electricity Network Rules" - a normative document approved by the Commission, which combines transmission network and distribution network managing and using (including, connection) procedures, conditions and principles (Except for the issues envisaged by the Technical Regulations approved by the Government of Georgia) for managing and using transmission and distribution networks, and define relations in that area between relevant licensees and subjects that use their services;

z³⁵) "Natural Gas Network Rules" – a normative document approved by the Commission, which combines transportation system and distribution network managing and using (including, connection) procedures, conditions and principles (Except for the issues envisaged by the Technical Regulations approved by the Government of Georgia) for managing and using transmission and distribution networks, and define relations in that area between relevant licensees and subjects that use their services.

z³⁶) "Service Quality Rules" - the normative administrative-legal act, approved by the Commission, which sets for the electricity and natural gas distributor licensees, water supply licensees and natural gas suppliers (who provide the retail consumers with the natural gas) the minimum level of standards of services related to informing the consumer about the timely elimination of interruption and reduction of supply, interruption of supply as well as respond to the consumer's request, the conditions of real time control of this service process, the target indicators of performance standards and the rule of issuance of compensation to the consumer;

z³⁷) "Investment Evaluation Rule" - the normative administrative-legal act, approved by the Commission, which sets the rule and conditions of submission to the Commission and approval by the Commission of the investment plans and their constituent projects to be carried out by the licensees, who are subject to the tariff regulations and also the rule and conditions of introducing changes to the agreed investment plans and/or projects and implementing those changes;

z³⁸) "Rule of Energy Markets Monitoring" - the normative administrative-legal act, approved by the Commission, that establishes the forms and data of reports to be submitted to the Commission by the enterprises that are subject to regulation in the energy sector as well as their means of submission and periodicity, principles of protecting confidentiality and transparency, also periodicity, rule and terms of publication of the results of monitoring of energy markets Conditions by the Commission;

z³⁹) "Electricity Wholesale Supplier" – enterprise, which supplies electricity wholesale supply activity in accordance with this Law and "Electricity (Capacity) Market Rules".

- Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63*
- Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448*
- Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179*
- Law of Georgia No 4911 of 8 June 2007 - LHG I, No 22, 19.6.2007, Art. 195*
- Law of Georgia No 5466 of 20 November 2007 - LHG I, No 40, 3.12.2007, Art. 378*
- Law of Georgia No 5803 of 7 March 2008 - LHG I, No 6, 25.3.2008, Art. 15*
- Law of Georgia No 92 of 5 July 2008 - LHG I, No 13, 16.7.2008, Art. 104*
- Law of Georgia No 1558 of 31 July 2009 - LHG I, No 24, 13.8.2009, Art. 138*
- Law of Georgia No 3162 of 28 June 2010 - LHG I, No 35, 12.7.2010, Art. 208*
- Law of Georgia No 3349 of 6 July 2010 - LHG I, No 35, 12.7.2010, Art. 213*
- Law of Georgia No 3295 of 2 July 2010 - LHG I, No 37, 14.7.2010, Art. 226*
- Law of Georgia No 4065 of 15 December 2010 - LHG I, No 72, 22.12.2010, Art. 437*
- Law of Georgia No 4395 of 11 March 2011 - website, 17.3.2011*
- Law of Georgia No 4865 of 21 June 2011 - website, 6.7.2011*
- Law of Georgia No 452 of 25 March 2013 - website, 5.4.2013*
- Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013*
- Law of Georgia No 2933 of 12 December 2014 – website, 23.12.2014*
- Law of Georgia No 4587 of 10 December 2015 – website, 22.12.2015*
- Law of Georgia No 4797 of 2 March 2016 - website, 14.3.2016*
- Law of Georgia No 5499 of 22 June 2016 - website, 29.6.2016*
- Law of Georgia No 1187 of 30 June 2017 - website, 13.7.2017*
- Law of Georgia No 1651 of 07 December 2017 - website, 14.12.2017*
- Law of Georgia No 2326 of 04 May 2018 – website, 11.05.2018*
- Law of Georgia No 4025 of 22 December 2018 - website, 25.12.2018*

Chapter II - National Policy in Electricity and Natural Gas Sectors

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Article 3 - Developing and implementing national policy in electricity and natural gas sectors

1. The Ministry shall develop principal areas of national policy in the energy sector and ensure its implementation after their approval by the Parliament of Georgia. In the process of attaining this objective, the Ministry shall have the following main functions:

- a) developing short-, medium-, and long-term development strategies and priorities in the energy sector, as well as developing and coordinating energy sector programmes based on these strategies and priorities;
- b) supporting the attraction of short-, medium-, and long-term investments and credit resources, as well as injecting state investments in order to rehabilitate and develop the energy sector;
- c) supporting the optimisation of restructuring and privatisation processes in state-owned enterprises in the energy sector and promoting the development of competition in electricity and natural gas markets; also, developing procedures and strategies for conservation and liquidation of facilities in these sectors;
- d) participating in the establishment and development of a legislative and regulatory framework; monitoring technical and economic situations in the energy sector;
- e) coordinating the development and implementation of a unified state programme of measures for increasing the efficiency of generation, transmission, dispatch and distribution, providing of electricity by electricity wholesale provider, import, export and consumption of electricity, as well as

supply, import, export, transportation, distribution and consumption of natural gas;

f) promoting the development of research, design, and educational programmes in the energy sector, including supporting the attraction of investments and credit resources, and injecting state investments;

g) promoting environmental protection in the energy sector, and optimal consideration of environmental aspects when developing and implementing programmes;

h) promoting establishment of relationships between licensees, importers, exporters, suppliers and foreign energy enterprises; also, supporting transit and import-export relations in electricity and natural gas sectors;

i) developing a national strategy for emergency situations in the energy sector;

j) determining a safety strategy for the energy sector, developing recommendations, as well as studying the causes of accidents and other technical failures, and preparing appropriate reports;

k) promoting expansion of the extraction of energy resources, giving priority to the use of renewable (alternative) energy sources, and supporting energy-efficient measures related to the increase of generation efficiency;

l) (deleted)

2. The functions of the Ministry shall not include implementation of ownership, regulatory and operational-economic activities in the electricity and natural gas sectors.

3. The Ministry shall also approve the following documents by an order - a normative administrative-legal act:

a) electricity (capacity) balance b) natural gas balance

c) Electricity (Capacity) Market Rules d) Natural Gas Market Rules

e) Regulations and procedures for installation and safe operation of power facilities, equipment and installations;

f) Ten-year Transmission Network of Georgia Development Plan – based on the consent of the Government of Georgia.

4. The following power plants are deregulated:

a) The power plant, which is built after August 1, 2008 and is not a source of guaranteed capacity;

b) The power plant project capacity of which does not exceed 40 megawatts and is not a source of guaranteed capacity.

4¹. In addition to the cases envisaged by paragraph 4 of this Article, the Ministry has the right to make a decision on deregulation or partial deregulation, based on state policy.

5. (Deleted)

6. Protected zones of power facilities, corridors in forested areas and woodlands, the parameters of the roads leading to protected zones, the restrictions in place and conditions for conducting works within protected zones.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 1124 of 22 March 2005 - LHG I, No 13, 12.4.2005, Art. 77

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 4911 of 8 June 2007 - LHG I, No 22, 19.6.2007, Art. 195

Law of Georgia No 92 of 5 July 2008 - LHG I, No 13, 16.7.2008, Art. 104

Law of Georgia No 3349 of 6 July 2010 - LHG I, No 35, 12.7.2010, Art. 213

Law of Georgia No 1291 of 24 September 2013 - website, 8.10.2013

Law of Georgia No 1187 of 30 June 2017 - website, 13.7.2017

Law of Georgia No 2933 of 12 December 2014 – website, 23.12.2014

Law of Georgia No 4025 of 22 December 2018 - website, 25.12.2018

Article 3¹ - Unified automated management tools

1. The Ministry and Commission may use a piece of software and unified automated management tools for office work and to ensure access to information.

2. The Ministry and Commission may receive, publish, or issue any information and/or documents using unified automated management tools.

3. The Ministry and Commission may keep and issue an electronic copy of any document prepared or held by them.
4. (deleted)
5. Data may be entered into a document published or issued by the Ministry and Commission using mechanical and/or electronic tools.
6. The Commission is entitled to establish a normative administrative-legal act to establish obligation on the reporting of enterprises subject to regulation and / or the obligation to carry out the corresponding by automatic turnover between the Commission and enterprises subject to regulation and at its own expense, to ensure the proper operation of the software through its own or third party.

Law of Georgia No 5644 of 27 December 2011 - website, 9.1.2012

Law of Georgia No N651-III of 21 April 2017 - website, 10.05.2017

Law of Georgia No 1187 of 30 June 2017 - website, 13.7.2017

Article 3² - Ten-year Transmission Network of Georgia Development Plan

1. The purpose of working out the Ten-year Transmission Network of Georgia Development Plan shall be the reliability, safety, and sustainable development of the transition network, provision of electricity of adequate quality, and raising the transit capacity of the electricity network of the country.
2. The Ten-year Transmission Network of Georgia Development Plan implies:
 - a) information on the present and future (forecast) electricity requirements and supply;
 - b) rational forecast of electricity generation, transmission, consumption, and the volume of exchange of electricity with other countries;
 - c) information on the transmission network infrastructure to be built or improved in the next 10 years, with the indication of concrete timeframes for implementing investment;
 - d) information on agreed investment and on identifying the new investment that is to be implemented in the next 3 years;
 - e) information on integrating new generation facilities (including, renewable energy sources) in the network;
 - f) information on transmission capacity of each unit of the future network for the purposes of integration of new generation facilities;
 - g) defining short circuit for the purposes of selecting power equipment for the units to be planned;
 - h) information on the development of the internal network of generation facilities.
3. The state agencies and organisations in the field of economy, finance and statistics, and the organisations in the field of energy, shall, within the sphere of their respective authority, provide the information, data and forecast that are to be considered in the Ten-year Transmission Network of Georgia Development Plan.
4. The transmission system operator shall, in agreement with electricity transmission licencees, annually, during the next 10 year, work out/update a draft Ten-year Transmission Network of Georgia Development Plan (this process shall involve carrying out all necessary research and assessment). The draft plan shall be forwarded to the Ministry and the Commission not later than 1 October of the respective year. The Commission shall consider the Ten-year Transmission Network of Georgia Development Plan within 1 month after receiving the draft, and shall present to the Ministry its Notes and Recommendations on the draft plan.
5. The Ministry shall consider the Ten-year Transmission Network of Georgia Development Plan and the submitted Notes and Recommendations together with the Commission, the transmission system operator, and the electricity transmission licencees. The Ministry shall, based on the consent of the Government of Georgia, not later than the completion of the respective year, ensure the approval of the Ten-year Transmission Network of Georgia Development Plan.
6. Introducing ad hoc amendments to the Ten-year Transmission Network of Georgia Development Plan shall be possible, observing the procedures provided for by this Article. The draft ad hoc amendments to the plan may be worked out and submitted for consideration at any time during the calendar year.
7. The Ten-year Transmission Network of Georgia Development Plan shall be a binding act. The transmission system operator and the relevant electricity transmission licencees, as well as other legal persons, determined in the plan as responsible for the development of individual network components, shall be responsible for implementing the Plan.
8. All the electricity transmission licencees shall be obliged, based on the Ten-year Transmission Network of Georgia Development Plan, annually work out and submit for agreement to the transmission system operator, action programmes for the next 3 calendar years. The procedure for working out the above programme, considering and agreeing it with the transmission system operator shall be determined by the Electricity (Capacity) Market Rules.
9. The transmission system operator and electricity transmission licencees shall, submit for agreement to the Commission, the investments to be implemented during each next 3 calendar years, as determined by the Ten-year Transmission Network of Georgia Development Plan, approved under this Article. The Commission shall monitor the implementation of the above investments.
- 10 The Ministry shall control the implementation of the Ten-year Transmission Network of Georgia Development Plan.

Chapter III - Georgian National Energy and Water Supply Regulatory Commission*Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63**Law of Georgia No 5466 of 20 November 2007 - LHG I, No 40, 3.12.2007, Art. 378***Article 4 - Status and functions of the Georgian National Energy and Water Supply Regulatory Commission**

1. The Georgian National Energy and Water Supply Regulatory Commission ('the Commission') is an entity defined by the Law of Georgia on National Regulatory Bodies that is not set up by state-owned property.
2. The legal basis for the Commission's activity shall be the Constitution of Georgia, treaties and international agreements, this Law, the Statute of the Commission, and other legislative acts.
3. The Commission shall prepare and approve the Statute, structure, and staff list of the Commission.
4. The Commission may issue licences in the Georgian electricity and natural gas sectors, regulate activities of licensees, importers, exporters, the market operator, electricity wholesale suppliers and natural gas suppliers, as well as monitor the energy market.
5. The following shall be the main functions of the Commission:
 - a) to establish procedures and conditions for issuing licences for generation, transmission, dispatch, and distribution of electricity, as well as for transportation and distribution of natural gas, and for water supply; to modify and revoke licences according to the Law of Georgia on Licences and Permits, this Law and licensing procedures;
 - b) under this Law and according to the principal areas of national policy in the energy sector, normative administrative-legal acts adopted on the basis of the national policy directions and in compliance with the established methodology to set and regulate tariffs for generation, transmission, dispatch, distribution, transit, import and consumption of electricity, also tariffs for services of the market operator, for transportation, transfer, distribution, supply and consumption of natural gas, for supplying drinking water, and for draining and treatment of waste waters, as well as to set and regulate firm capacity prices and tariffs for generation of electricity from a firm capacity source, except for tariffs for natural gas sold by filling stations;
 - c) to resolve, within the scope of its authority, disputes between licensees, small power plants, importers, exporters, electricity wholesale suppliers, natural gas suppliers, consumers and the market operator;
 - d) to monitor compliance with licence terms in the electricity and natural gas sectors, and implement measures provided by law in the case of violation of these terms;
 - e) to organize and coordinate certification activities in the energy sector;
 - f) (deleted)
 - g) (deleted)
 - h) to set a water supply tariff;
 - i) to determine drinking water consumption rates.
- J) Regulation of the issues related to extinguishing fire, using the water extracted from the fire hydrants (regardless of their ownership form) by the Fire Rescue Section of the Emergency Management Agency (hereafter – Emergency Management Agency) – state institution of special purpose within the sphere of the Ministry of Internal Affairs of Georgia and accounting/reimbursement of the costs.

*Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63**Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448**Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179**Law of Georgia No 4911 of 8 June 2007 - LHG I, No 22, 19.6.2007, Art. 195**Law of Georgia No 5466 of 20 November 2007 - LHG I, No 40, 3.12.2007, Art. 378**Law of Georgia No 1558 of 31 July 2009 - LHG I, No 24, 13.8.2009, Art. 138**Law of Georgia No 3162 of 28 June 2010 - LHG I, No 35, 12.7.2010, Art. 208**Law of Georgia No 3349 of 6 July 2010 - LHG I, No 35, 12.7.2010, Art. 213**Law of Georgia No 4865 of 21 June 2011 - website, 6.7.2011**Law of Georgia No 1594 of 20 November 2013 - website, 3.12.2013*

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Law of Georgia No 2624-III of 27 June 2018 - website, 06.07.2018

Law of Georgia No 4025 of 22 December 2018 - website, 25.12.2018

Law of Georgia No 4085 of 22 December 2018 - website, 28.12.2018

Article 5 - Legal acts adopted by the Commission

1. The Commission shall adopt a normative administrative-legal act - a resolution in the cases defined by the legislative act and within its competence. The Commission resolution approves the following:

- a) The Statute of the Commission
- b) Regulation of Administrative Proceedings;
- c) Procedural Rules for Disputing Issues;
- d) The amount of regulatory fees and rules for their calculation
- e) Licensing Rules
- f) "Supply and Consumption Rules"
- g) Methodology of Tariffs
- h) Tariffs (Including, the Marginal Tariffs)
- i) Amount of Normative Losses and the Rule of Calculation
- j) Grid Code
- k) "Service Quality Rules"
- l) "Investment Assessment Rule"
- m) "Energy Markets' Monitoring Rule ".

2. The Commission shall, within its powers, make decisions on certain individual issues provided for by this Law, including issues arising from the resolutions.

3. The Commission shall adopt decisions and resolutions at its meetings by a majority of members of the Commission. Meetings of the Commission shall be duly constituted if attended by at least three members of the Commission. Licensees, small power plants, importers, exporters, the market operator electricity wholesale suppliers, natural gas suppliers and consumers shall comply with decisions and resolutions of the Commission.

4. The Chairperson of the Commission shall issue orders on internal organizational issues concerning staff of the Commission.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 317 of 2 October 2008 - LHG I, No 21, 6.10.2008, Art. 150

Law of Georgia No 3162 of 28 June 2010 - LHG I, No 35, 12.7.2010, Art. 208

Law of Georgia No 3349 of 6 July 2010 - LHG I, No 35, 12.7.2010, Art. 213

Law of Georgia No 4865 of 21 June 2011 - website, 6.7.2011

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Law of Georgia No 2326 of 04 May 2018 - website, 11.05.2018

Law of Georgia No 4025 of 22 December 2018 - website, 25.12.2018

Article 6 - Members of the Commission and the term of membership

1. The Commission shall be composed of five members. The President of Georgia shall, by the introduction of the Government of Georgia, nominate candidates for Commission membership to the Parliament of Georgia. The Parliament of Georgia shall elect members of the Commission by a majority of the current nominal list.

2. A citizen of Georgia, who has higher education, and qualification and experience necessary for performing the duties determined by this Law, may be elected as a member of the Commission.

3. (deleted – 06.12.2018, N3888).

4. Each member of the Commission shall have one vote when adopting a decision.

5. After the expiration of the term of the Commission membership, it shall continue automatically only one time for the period until the same or the other person is elected as a member of the Commission in accordance with the procedure prescribed by the Rules of Procedure of the Parliament of Georgia, but no more than 3 months.

6. After expiration of the term of Commission membership, the act of paragraph 5 of this article shall not be applicable to the member of the Commission if the number of remaining Commission members shall be no less than 3.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 317 of 2 October 2008 - LHG I, No 21, 6.10.2008, Art. 150

Law of Georgia No 837 of 12 July 2013 - website, 25.7.2013

Law of Georgia No 1291 of 24 September 2013 - website, 8.10.2013

Law of Georgia No 1187 of 30 June 2017 - website, 13.7.2017

Law of Georgia No 3459 of 20 September 2018 - website, 09.10.2018

Law of Georgia No 3459 of 20 September 2018 - website, 09.10.2018

Law of Georgia No 3888 of 06 December 2018 – website, 14.12.2018

Article 7 - Termination of powers of a Commission member and dismissal

1. Powers of a Commission member shall cease if:

- a) he/she resigns voluntarily;
- b) a judgement of conviction against him/her has entered into force;
- c) the court declares him/her missing or recognises as a beneficiary of support, unless otherwise determined under court decision;
- d) he/she loses Georgian citizenship;
- e) he/she violates the requirements established under the Law of Georgia on Conflicts of Interest and Corruption at Public Institutions;
- f) he/she fails to perform his/her official duties for four consecutive months;
- g) he/she dies.

2. A member of the Commission may be dismissed only in the cases referred to in the first paragraph of this article. The Parliament of Georgia, in accordance with the Rules of Procedure of the Parliament of Georgia, shall make a decision on dismissal of a member of the Commission in the cases provided for in sub-paragraphs (e) and (f) of the first paragraph of this article. In all other cases, powers of the Commission member shall cease automatically from the date of the occurrence of the relevant legal fact.

3. A Commission member may appeal the decision about his/her dismissal in the manner prescribed by the legislation in force.

Law of Georgia No 984 of 17 October 1997 - The Gazette of the Parliament of Georgia, No 44, 11.11.1997, p. 83

Law of Georgia No 1291 of 24 September 2013 - website, 8.10.2013

Law of Georgia No 3388 of 20 March 2015 – website, 31.3.2015

Law of Georgia No 4353 of 27 October 2015 – website, 11.11.2015

Law of Georgia No 131 of 21 December 2016 – website, 28.12.2016

Law of Georgia No 3888 of 06 December 2018 – website, 14.12.2018

Article 8 - Chairperson of the Commission and his/her duties

1. The President of Georgia shall, by introduction of the Government of Georgia, recommend one of the members of the Commission to the Parliament of Georgia to be elected as the Chairperson of the Commission. The Parliament of Georgia shall vote on the nominated candidate and elect the Chairperson of the Commission by a majority of the current nominal list. The Chairperson may resign from his/her position and stay as a member of the Commission for the remaining term of his/her office. In his/her absence, the Chairperson may assign his/her duties to one of the other members of the

Commission.

2. The Chairperson shall preside over Commission meetings, shall be responsible for ensuring that the Commission observes the rules of procedure when adopting decisions and resolutions, and for publishing them, as well as for administering the Commission and its staff.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 837 of 12 July 2013 - website, 25.7.2013

Law of Georgia No 1291 of 24 September 2013 - website, 8.10.2013

Law of Georgia No 3459 of 20 September 2018 - website, 09.10.2018

Law of Georgia No 3888 of 06 December 2018 – website, 14.12.2018

Article 9 - Appointing and dismissing the Commission staff members

The Commission shall have a staff to perform its duties. The Chairperson of the Commission shall appoint and dismiss a staff member of the Commission in agreement with the members of the Commission, according to the legislation in force. The powers of Commission members, except for their administrative powers, shall equally apply to staff members of the Commission.

Article 10 - Political activity of a member of the Commission

A member of the Commission shall suspend his/her membership in any political party during his/her service on the Commission. No political parties or public organisations, or their structural units may be formed within the Commission and its staff.

Article 11 - Principal rights and obligations of the Commission

1. The Commission shall follow the basic directions of national policy in the energy, security, economy, environmental protection and other areas and the normative acts issued on the basis of these directions. The Commission may also take into account the transactions entered into by the State in the energy and water supply sectors, and other relevant legal acts.

2. The Commission shall permit the parties concerned, including electricity, natural gas, and drinking water consumers, to freely represent their interests at the Commission meetings.

3. The Commission and staff members shall, within their powers, have an unimpeded access to the personnel and documentation of the licensees, importers, exporters, market operator, electricity wholesale suppliers and natural gas suppliers that are necessary to perform the Commission's duties.

4. Within its powers, the Commission may verify the correctness of presented documents and data.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 92 of 5 July 2008 - LHG I, No 13, 16.7.2008, Art. 104

Law of Georgia No 3349 of 6 July 2010 - LHG I, No 35, 12.7.2010, Art. 213

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Law of Georgia No 4025 of 22 December 2018 - website, 25.12.2018

Article 12 - Commission meetings. Confidentiality of information

1. The meetings of the Commission shall be open to public. The decisions and resolutions of the Commission shall be published according to established procedures.

2. The Commission shall keep minutes of the meetings and other relevant documents for a period determined by the Commission. A member of the Commission shall have free access to information, records, and other documentation held by the Commission.

3. All decisions and resolutions, orders, records, and other documents of the Commission shall be open for public review. The Commission shall establish a procedure for observing confidentiality of the information kept at the Commission according to legislation.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Article 13 - Conduct of the Commission meetings

Before adopting any decision or resolution, the Commission shall notify interested parties and allow them to attend the relevant meeting of the

Commission. In order to maintain confidentiality of information, the Commission may hold closed meetings. The decisions and resolutions adopted at closed meetings shall be published.

Article 14 - Liability for violation of the Law

The Commission may hold liable natural or legal persons for violating this Law or the requirements of the decisions or resolutions of the Commission as prescribed by legislation.

Article 15 - Appeals

A decision made by the Commission may be appealed to a court according to legislation.

Law of Georgia No 1738 of 23 June 2005 - LHG I, No 36, 11.7.2005, Art. 225

Article 16 - Commission's consultations and meetings with interested parties

The Commission shall determine procedures for holding meetings of the Commission and staff members with interested parties. According to these procedures, a member of the Commission shall give prior written notice to interested parties about the consultations and allow them to participate in the consultations.

Article 17 - Conflicts of interest

1. Procedures for restricting activities, incompatibility of offices and economic interests of the Commission members shall be established by the Law of Georgia on Conflicts of Interest and Corruption at Public Institutions.
2. A staff member of the Commission may not have any direct or indirect, property or economic interest with regard to the market operator or any licensee, importer, exporter, supplier, or hold any position in any of their enterprises.
3. Staff members of the Commission may be customers of a licensee, importer, or supplier, but the licensee, importer, exporter, or supplier may not offer free or discounted service to the staff member, and the staff member may not accept such offer.

Law of Georgia No 984 of 17 October 1997 - The Gazette of the Parliament of Georgia, No 44, 11.11.1997, p. 83

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Law of Georgia No 4353 of 27 October 2015 - website, 11.11.2015

Law of Georgia No 131 of 21 December 2016 - website, 28.12.2016

Article 18 - Personal safety and assistance in further employment

1. No threats, violence, or any other illegal action may be used against Commission members in connection with the performance of their official duties. Violation of this article shall result in penalties determined by law.
2. The State shall assist Commission members in finding employment after their membership term expires.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Article 19 - Budget of the Commission; Regulatory fee

1. By the end of each year, the Commission is obliged to approve its next year budget that reflects all the costs of the Commission, including the salaries and income of the Commission members and personnel. Based on the forecast of year's activity volume received from the licensees, importers, electricity wholesale suppliers and natural gas suppliers, the Commission shall set the regulatory fee by September 15th of each year to provide for covering expenses planned for the following budget year of the Commission. The Commission is obliged to publish its budget.
2. The regulatory fee shall be transferred to the Commission's account. Only the Commission shall be authorised to administer the funds held in this account. The funds that the Commission has not used during the current year shall be carried over to the next year, with a corresponding reduction of the regulatory fee. If revenue generated from the regulatory fee does not cover the current expenses of the Commission, the Commission may take out a loan. The loan and the respective interest shall be covered by the regulatory fee of the following year. The State Budget may allocate funds or grants for the Commission's use.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 2326 of 04 May 2018 – website, 11.05.2018

Law of Georgia No 4025 of 22 December 2018 - website, 25.12.2018

Article 20 - Financial reporting; Auditing

1. By 31 March of each year, the Commission shall prepare and publish a financial report of the past year, which shall show the amount of regulatory fees transferred into the Commission's account and the use of those funds by the Commission during the year. The financial report shall also show any loans taken out and other sums used by the Commission during that year. The Commission shall make the financial report available to the public.

2. The relevant authorised bodies, including an independent auditor invited by the Commission, shall audit the financial activities of the Commission according to the legislation in force. The auditing of the financial activity of the Commission shall not cause suspension or obstruction of the Commission's activities.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Article 21 - Annual report of the Commission

By May 1 of each year, the Commission shall prepare its activity report for previous year and submit it to the President of Georgia, the Parliament of Georgia and the Government of Georgia. The Commission report should be available to the public.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 2326 of 04 May 2018 – website, 11.05.2018

Law of Georgia No 3459 of 20 September 2018 - website, 09.10.2018

Chapter IV - Electricity (Capacity) Wholesale Trade; Market Operator

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Article 22 - Wholesale trade with electricity and firm capacity

1. The subject of wholesale trade within the unified power grid of Georgia shall be electricity and guaranteed capacity.

2. Qualified enterprises, as well as transmission and dispatch licensees may participate in electricity wholesale trade in cases determined by a relevant normative act; only qualified enterprises may participate in the firm capacity wholesale trade. The market operator shall register a wholesale participant, make changes in registration data, and annul registration according to the Electricity (Capacity) Market Rules.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 122 of 15 June 2004- LHG I, No 14, 16.6.2004, Art. 48

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 3349 of 6 July 2010 - LHG I, No 35, 12.7.2010, Art. 213

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Article 22¹ - Electricity wholesale trade

1. Wholesale purchase and sale of electricity shall be carried out on the basis of a direct contract or through the market operator under standard terms of a direct contract. The Commission shall approve the standard terms of a direct electricity purchase contract on the basis of a proposal from the market operator.

2. Parties to a direct electricity purchase contract shall register the contract with a dispatch licensee in compliance with the time frames, terms, and procedures laid down by the Electricity (Capacity) Market Rules. The direct contract shall become valid only after its registration with the dispatch licensee. The dispatch licensee may refuse to register the direct contract only if it does not comply with the time frames, terms, and procedures laid down by the Electricity (Capacity) Market Rules.

3. Trading with balancing electricity shall take place through a market operator both on the basis of a direct contract and under standard terms of a direct contract. For this purpose, the market operator shall register the standard terms of the contract with a dispatch licensee both for the buyers and sellers of balancing electricity.

4. The market operator shall purchase the balancing electricity from an electricity generation licensee, small power plant, or importer. From the market operator balancing electricity shall be purchased by Distribution licensees, person (persons) defined in Article 49⁵ of this Law, electricity direct customers, exporters – electricity generators for the power plant's own consumption. If electricity is purchased to cover the losses during the transit of electricity (capacity), a dispatch licensee shall purchase balancing electricity from the market operator. A qualified enterprise that supplies or receives balancing electricity shall be considered a party to the relevant direct contract with standard terms.

5. A balancing electricity price shall be determined by the Electricity (Capacity) Market Rules.

6. If a seller of electricity so requires, electricity may be purchased only if the security provided for by the legislation of Georgia is presented to guarantee the payment.

Law of Georgia No 3349 of 6 July 2010 - LHG I, No 35, 12.7.2010, Art. 213

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Law of Georgia No 1187 of 30 June 2017 – website, 13.7.2017

Article 23 - Market operator

1. A market operator shall:

a) purchase and sell balancing electricity (capacity) by concluding direct contracts or direct contracts with standard terms, as well as short-, mid-, and long-term import and export contracts;

b) purchase or sell firm capacity according to this Law and the Electricity (Capacity) Market Rules;

c) set up and maintain a unified database, including a unified register for recording wholesale purchases and sales;

d) based on the information received under Article 35(3)(h) of this Law and sub-paragraph (c) of this article, determine the electricity sellers and buyers, the amounts of electricity sold and purchased by them, and submit the information for settlement according to the Electricity (Capacity) Market Rules;

e) perform other duties defined by this Law.

2. The market operator that independently performs the duties granted under this Law shall act in compliance with relevant legal acts and other normative administrative-legal acts.

3. Qualified enterprises and participants of transit relations shall submit to the market operator the information necessary for the market operator to perform its duties properly.

4. If an agreement is made between the Government of Georgia, the market operator and the person concerned on construction of a new power plant in Georgia, the market operator shall conclude a direct contract with the person concerned on the purchase of electricity and/or firm capacity generated by the newly constructed power plant under terms agreed upon by the Government of Georgia, the market operator and the person concerned. In such case, if the decision on deregulation has been made with respect to the newly constructed power plant according to this Law, the price of the electricity to be purchased shall be defined by an agreement concluded between the Government of Georgia, the market operator and the person concerned.

5. To encourage new investments in Georgia, the market operator shall enter into an electricity (capacity) sale (supply) contract on the terms and at the price agreed upon between the Government of Georgia and the person concerned.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 4911 of 8 June 2007 - LHG I, No 22, 19.6.2007, Art. 195

Law of Georgia No 92 of 5 July 2008 - LHG I, No 13, 16.7.2008, Art. 104

Law of Georgia No 3349 of 6 July 2010 - LHG I, No 35, 12.7.2010, Art. 213

Law of Georgia No 4065 of 15 December 2010 - LHG I, No 72, 22.12.2010, Art. 437

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Article 23¹ - Firm capacity

1. The firm capacity available within the electricity system shall be used to ensure stability, safety, and reliability of the electricity system and to balance the supply and consumption of electricity (capacity).

2. The firm capacity shall be at a dispatch licensee's disposal. The firm capacity source shall subordinate the capacity to a dispatch licensee. A dispatch

licensee shall independently decide on the use of the firm capacity source, as well as on the volume and appropriateness of loading the generation facilities under its possession. At the request of a dispatch licensee the firm capacity source shall supply electricity (capacity) to the unified power grid of Georgia under the terms and conditions determined by this Law and the Electricity (Capacity) Market Rules.

3. A dispatch licensee shall verify readiness of the firm capacity source according to the terms and conditions determined by the Electricity (Capacity) Market Rules. Generation facilities shall be tested at least once a year, as well as after restoration and/or repair works, in cases defined by the Electricity (Capacity) Market Rules. Upon request, the firm capacity source shall present to a dispatch licensee documents certifying technical capacities and specifications of the generation facilities held by the firm capacity source.

4. Firm capacity shall be traded only through the market operator. For this purpose, the market operator shall register with a dispatch licensee standard terms of a contract for the firm capacity sources and for the qualified enterprises buying firm capacity. On the basis of a proposal from the market operator the Commission shall approve the standard terms of a direct contract on the provision of firm capacity.

5. The market operator shall purchase firm capacity and, accordingly, pay its cost to the thermal power plant that, for the given period, is defined by the Government of Georgia as a firm capacity source, and the readiness of which is verified and confirmed by a dispatch licensee under the procedures and terms determined by this Law and the Electricity (Capacity) Market Rules. A dispatch licensee shall provide the market operator with information on firm capacity, indicating the respective firm capacity source, under the procedures and within the time frames determined by the Electricity (Capacity) Market Rules.

6. The Electricity (Capacity) Market Rules shall define the procedure for a firm capacity source to purchase and sell electricity on the basis of a direct contract or through the market operator.

7. The firm capacity source shall not receive compensation for the firm capacity:

- a) if the firm capacity source fails to provide the electricity system with the amount of firm capacity that is determined by the Government of Georgia;
- b) if the generation facilities held by the firm capacity source are under maintenance and/or repair;
- c) in other cases as provided by the Electricity (Capacity) Market Rules.

8. In the cases provided for in paragraph 7 of this Article, the firm capacity fee shall not be compensated until the firm capacity is not confirmed by the Government of Georgia:

- a) As a result of testing - In cases envisaged by Subparagraphs "b" and "c" of paragraph 7 of this article and / or if the full stop of the firm capacity source is provided in the case envisaged by subparagraph "a" of paragraph 7 of this article;
- b) Without testing – if in case provided for by subparagraph "a" of paragraph 7 of this Article, the full stop of the firm capacity source will not be completed and the firm capacity will be reached by the Government of Georgia.

9. Firm capacity shall be purchased from the market operator by the distribution licensees, electricity direct customers, and exporters, who are parties to the contracts with standard terms registered by the market operator with a dispatch licensee. Distribution licensees, electricity direct customers, and exporters shall, in proportion to the amount of electricity (in case of a distribution licensee – except for the electricity received according to Article 23⁵(1) of this Law) received by them at the points of delivery, pay the market operator the cost of the firm capacity payable to the firm capacity sources. The market operator shall charge and collect the payable amounts, and make payments to the firm capacity sources under the terms defined by this Law and by the Electricity (Capacity) Market Rules.

10. A firm capacity source shall be a party to the respective contract with standard terms registered by the market operator with a dispatch licensee, and it shall be obligated to have the generation facilities under its possession ready to provide firm capacity. The responsibility for providing the electricity system with firm capacity shall rest with the firm capacity source.

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 4911 of 8 June 2007 - LHG I, No 22, 19.6.2007, Art. 195

Law of Georgia No 3349 of 6 July 2010 - LHG I, No 35, 12.7.2010, Art. 213

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Law of Georgia No 4797 of 2 March 2016 - website, 14.3.2016

Law of Georgia No 1187 of 30 June 2017 – website, 13.7.2017

Article 23² - Electricity import and export

1. Any person may import or export electricity. Electricity shall be imported or exported on the basis of a direct contract.

2. (Deleted)

3. (Deleted)

4. (Deleted)

5. When registering electricity import contracts, a dispatch licensee may, in view of the system stability requirements, leave a certain part (reserve capacity) of the line's transmission capacity unused.

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 4911 of 8 June 2007 - LHG I, No 22, 19.6.2007, Art. 195

Article 23³ - Electricity balances

1. A dispatch licensee shall develop and submit to the Ministry for approval a projected electricity balance that shall include electricity supply and consumption indices.
2. In order to ensure the stable functioning of the electricity system, a dispatch licensee shall perform daily and hourly planning (and verification, if necessary) of generation facilities and electricity (capacity) supply sources, based on the electricity balance of the country and anticipated regimes and resources within the electricity system.

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 4911 of 8 June 2007 - LHG I, No 22, 19.6.2007, Art. 195

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Article 23⁴ - Trading with electricity by small power plants

1. A small power plant may sell electricity to:
 - a) a qualified enterprise
 - b) a retail consumer.

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Chapter IV¹ – Micro Power Plant

Law of Georgia No 4797 of 2 March 2016 - website, 14.3.2016

Article 23⁵ – Delivery of electricity by a retail consumer to a distribution network

1. A retail consumer owning a micro power plant may, under the procedure established by a normative administrative-legal act of the Commission, connect the micro power plant to the distribution network, and deliver the excess electricity it has generated to a distribution licensee under the conditions provided for by the legislation of Georgia.
2. For the purposes of this Law, the Law of Georgia on Regulation Fee, and the Law of Georgia on Licences and Permits, delivery of electricity to an electricity distribution licensee by a retail consumer owning a micro power plant through a micro power plant connected to an electricity distribution network under paragraph 1 of this article shall not be considered as an electricity generation activity.
3. A retail consumer owning a micro power plant is not a qualified enterprise, and hence it shall not fall under the requirements established under the Electricity (Capacity) Market Rules for a qualified enterprise, including the requirement to pay a fee for a market operator's service.
4. The procedure for delivery of electricity to an electricity distribution licensee by a retail consumer owning a micro power plant, deduction of the electricity delivered, and/or payment of the fee for excess electricity shall be determined by the Electricity (Capacity) Supply and Consumption Rules.
5. Delivery of electricity to an electricity distribution licensee by a retail consumer owning a micro power plant shall not be subject to dispatching control, and hence the dispatching service fee for the electricity received in a distribution network from a micro power plant shall not be imposed to a distribution licensee.
6. For the purposes of delivery of the excess electricity generated by a micro power plant under paragraph 1 of this article, and payment to a distribution licensee (except in case of deduction), its fee must be established at not more than the purchase price of the electricity provided by the Commission for the distribution licensee for a respective accounting period.
7. To ensure sustainability and stable operation of the electric power system, total capacity of micro power plants owned by retail consumers, and connected to a distribution network must not exceed the amount determined by the Commission, which is calculated and determined by the Commission following the consultation with distribution, transmission and dispatch licensees.

Law of Georgia No 4797 of 2 March 2016 - website, 14.3.2016

Chapter V - Licences and Licensing Procedures

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Article 24 - Issuing licences, licencing activity, exceptions

1. The Commission shall issue lifetime licences for the following activities:

- a) generation of electricity;
- b) dispatch of electricity;
- c) transmission of electricity;
- d) distribution of electricity;
- e) transportation of natural gas;
- f) distribution of natural gas;
- g) water supply.

2. Generation, dispatch, transmission, and distribution of electricity, as well as transportation and distribution of natural gas without an appropriate licence issued by the Commission shall be prohibited, except as provided for under paragraph 3 of this article, and Article 24¹ of this Law.

3. A person, who generates electricity solely for his/her own consumption and is not connected to the transmission or distribution network, shall not need a licence.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 4865 of 21 June 2011 - website, 6.7.2011

Law of Georgia No 4587 of 10 December 2015 – website, 22.12.2015

Article 24¹ – A special procedure for the generation, receipt and delivery of electricity during the test run and/or comprehensive testing of a power plant for the purpose of its acceptance into service

1. Connection of a generation facility to any network, supply and/or sale of electricity during the test run and/or comprehensive testing of a power plant under an established procedure for their acceptance into service shall also be included in the electricity generation activities but shall not need a licence.

2. A person intending to perform a test run and/or a comprehensive testing of a power plant in its possession for accepting it into service shall, to become registered as a wholesale trade participant, preliminarily submit to a market operator an appropriate application and consent of a dispatch licensee to the test run and/or comprehensive testing of the power plant. If the market operator registers the power plant owner, this person shall be a qualified enterprise with respect to a test run and/or a comprehensive testing of a power plant from the date of registration till the date of registration of the person as a generation licensee with respect to the same power plant, or as a small capacity power plant – qualified enterprise but for no more than 90 calendar days.

3. Electricity generated during the test run and/or comprehensive testing of a power plant (delivery to the bus-bar) registered as a qualified enterprise shall be the balancing electricity.

4. Electricity received during the test run and/or comprehensive testing of a power plant for its acceptance into service under the procedure established by this article shall be the balancing electricity, and it shall be subject to payment of all charges under this Law and the Electricity (Capacity) Market Rules that are paid by a electricity direct customer.

Law of Georgia No 4587 of 10 December 2015 – website, 22.12.2015

Law of Georgia No 1187 of 30 June 2017 – website, 13.7.2017

Article 24². Special rule for short-term entry and / or removal of electricity for inspection and / or complex testing / testing and / or operation of the power transmission network or any of its elements intended for cross-border transit (for crossing)

1. Dispatch Licensee is authorized to bring in the short supply of electricity from a neighboring country and / or withdraw from a neighboring country for examination of parameters, relay protection and automation, metering equipment and / or other technological processes for the power transmission network or any of its elements (including the transmission line intended for interstate transit (for crossing) for inter-state transit (for crossing) and / or complex tests For testing / testing and / or exploitation, which require the network involvement, or the installation of its power line (including the transmission line intended for interstate transit), and / or power transmission through the power transmission line for intersystem transit (flow):

a) On basis of import and / or export agreement (agreements). Besides, in this case, the settlement on electricity (inflow and outflow) on the customs border of Georgia shall be carried out in compliance with the relevant import and / or export agreement (agreements);

b) In the absence of import and / or export agreement (agreements) - only with the authorized entity of the neighboring country (with the technical operator of the electric power system or the state governing body of the electricity sector). At the same time, in case of the customs border outflow (inflow and outflow) on the electricity payment (including monetary compensation, equivalent to electricity, offset) the dispatch licensee and the authorized body of the neighboring country (technical operator of the power system or the energy As state management of implementing agencies) is carried out according to the separate agreement concluded between them.

2. In the cases provided by Paragraph 1 of this Article, other issues related to the inflow and / or outflow of electricity in the customs border of Georgia (including payment issues between dispatch licensees and other persons acting in the electricity sector of Georgia) are regulated by the "Electricity

(Capacity) Market Rules".

Law of Georgia No 1187 of 30 June 2017 – website, 13.7.2017

Article 25 - Documents to be submitted by a licence applicant

1. To obtain a licence specified in this Law, in addition to complying with the Law of Georgia on Licences and Permits, a licence applicant shall submit to the Commission the following documents together with a licence application:

- a) a document certifying possession (or usage) of generation facilities;
- b) a document confirming the acceptance of generation facilities into service;
- c) a list of fixed assets and an enterprise evaluation (audit) report;
- d) an environmental decision envisaged by the Environmental Assessment Code (if necessary)
- e) a technical condition for connecting to the electricity or natural gas networks of Georgia (except for the electricity dispatch licence);
- f) a layout of the electricity or natural gas network corresponding to the requested licence (except for the electricity dispatch licence).

1¹. To obtain a water supply licence, in addition to complying with the Law of Georgia on Licences and Permits, a licence applicant shall submit to the Commission the following documents together with the licence application:

- a) a document certifying possession (or usage) of generation facilities;
- b) a list of fixed assets and an enterprise evaluation (audit) report.

2. (Deleted - 21.6.2011. No 4865).

3. Issuers of the documents referred to in the first paragraph of this article shall be defined in the licensing rules.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 4865 of 21 June 2011 - website, 6.7.2011

Law of Georgia No 6299 of 25 May 2012 - website, 12.6.2012

Law of Georgia No 904-III of 1 June 2011 - website, 21.06.2017

Article 26 - Requirements for obtaining licences, duration of licences, termination of services

1. The Commission shall issue licences only to those individual entrepreneurs and entrepreneurial legal entities who meet conditions provided for by the legislation.

1¹. Issuance of two or more distribution licences or water supply licenses for one administrative territory (town, Borough or village) is not allowed.

2. A license certificate shall specify the type of service indicated in the license application, location of service facilities, and the territory covered by the license, date of issue of a license, terms for amending and revoking a license.

3. A licensee may not terminate, reduce or increase services specified in the license without the Commission's prior consent, except where services are terminated or reduced because a customer failed to pay a service fee and/or for technical or safety reasons. In any other cases, a licensee shall submit an application to the Commission for termination or reduction of services. A licensee shall return the license certificate after receiving the Commission's consent for termination or reduction of services. In that case, the Commission may amend or revoke the license.

4. Licence and tariff terms may not obligate any licensee to continue licenced services if the other licensee, direct customer, or natural/legal person fail to fulfil its contractual obligations, or the approved terms of the service.

5. At the request of the Commission, electricity wholesale supplier and natural gas supplier shall submit to the Commission data and information about commercial terms, which include electricity or natural gas purchase price, but may not be limited to the price. The Commission shall keep confidential all such and other information about prices, if so required by the legislation and information submitter.

6. In cases of urgent public necessity, the Commission may issue a licence without the documents specified in Article 25(1) and (1) of this Law, provided that the licensee submits these documents later within the time frame defined by the Commission.

7. If a licensee, who was granted a licence under the sixth paragraph of this article, fails to submit documents within the time frame defined by the Commission, the Commission may, on its own initiative, revoke the licence and/or allow the licensee an additional period of time for submitting documents, and/or apply measures provided in the legislation of Georgia against the licensee.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 3349 of 6 July 2010 - LHG I, No 35, 12.7.2010, Art. 213

Law of Georgia No 4865 of 21 June 2011 - website, 6.7.2011

Law of Georgia No 2326 of 04 May 2018 – website, 11.05.2018

Law of Georgia No 4025 of 22 December 2018 - website, 25.12.2018

Article 27 - Rights and obligations of the market operator, licensees, importers, exporters, and suppliers. Preparation of information

1. A licensee shall comply with the licence requirements. The market operator, licensees, importers, exporters, electricity wholesale suppliers, natural gas suppliers and consumers shall be obligated to comply with legal acts issued by the Commission and the Ministry. The legal acts issued by the Commission shall also be binding on suppliers and consumers in the water supply sector.

1¹. Failure to comply with the Commission's resolutions shall be regarded as violation of the licence terms and shall result in penalties under the legislation of Georgia, including taking measures provided in the Law of Georgia on Licences and Permits.

2. The market operator, licensees, importers, exporters, electricity wholesale suppliers and natural gas suppliers shall, to the extent possible, act under a least-cost principle, taking into account economic efficiency.

3. The market operator, importers, exporters, electricity wholesale suppliers, natural gas suppliers and licensees shall submit to the Commission and the Ministry and make available to the public, and water suppliers shall submit to the Commission and make available to the public the following information:

- a) the previous year's activity report;
- b) a plan of activities for the following year;
- c) any information that the Commission or the Ministry may consider necessary, except as provided in the legislation of Georgia.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 92 of 5 July 2008 - LHG I, No 13, 16.7.2008, Art. 104

Law of Georgia No 3650 of 1 October 2010 - LHG I, No 53, 11.10.2010, Art. 336

Law of Georgia No 4865 of 21 June 2011 - website, 6.7.2011

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Law of Georgia No 4025 of 22 December 2018 - website, 25.12.2018

Article 28 - Metering and selling electricity; electricity meters

1. Licensees, direct customers and small power plants shall record, according to established standards, procedures and other requirements, the full amount of electricity that passes through their facilities and shall ensure access to this information. A market operator and a dispatch licensee shall be obligated, and the Commission shall be authorised, to inspect meters as prescribed by the relevant normative act.

2. Electricity sale-purchase and transmission-dispatch relations shall be based on an appropriate contract, according to this Law and relevant normative acts.

3. An electricity metering system shall accurately determine the consumption of electricity within an electricity transmission network. Electricity consumption within a transmission network shall be the consumption of electricity that includes the consumption of electricity for its own use by the substation owned by a transmission licensee, the consumption of electricity in the period of operating the transmission line in a protection mode and the amount of electricity recorded during synchronisation; also, the loss of electricity in transmission lines, in power, boosting, and metering transformers, compensating coils, shunt reactors, banks of synchronous capacitors and rotary condensers, as well as other technical losses during no-load and operating modes of a transmission line.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 4911 of 8 June 2007 - LHG I, No 22, 19.6.2007, Art. 195

Law of Georgia No 1187 of 30 June 2017 – website, 13.7.2017

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Article 29 - Disputes

The market operator, licensees, small power plants, importers, exporters, electricity wholesale suppliers, natural gas suppliers and consumers may apply to the Commission to consider disputes that arise in the electricity, natural gas and water supply sectors, if resolution of such disputes falls within the Commission's authority.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 92 of 5 July 2008 - LHG I, No 13, 16.7.2008, Art. 104

Law of Georgia No 4865 of 21 June 2011 - website, 6.7.2011

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Law of Georgia No 4025 of 22 December 2018 - website, 25.12.2018

Article 30 - (Deleted)

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Article 31 - Amending licences. Revocation of licences

A licence shall be amended according to its terms. A licence shall be revoked due to violation of its terms, this Law and the Law of Georgia on Licences and Permits. In other cases, the Commission may amend or revoke a licence only with the prior consent of a licensee. Also, when making changes to a licence, the Commission may require a licensee to comply with requirements other than those of the original licence, including stricter requirements.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Article 32 - (Deleted)

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Chapter VI - Licences: Requirements and Terms

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Article 33 - Generation licence

1. A generation licence issued by the Commission shall entitle an individual entrepreneur or a legal person to generate electricity and to connect respective generation facilities to the transmission or distribution network at certain points of receipt with the purpose of supplying electricity and/or capacity.

2. (Deleted)

3. Under the licence terms, for the duration of the licence, a generation licensee shall:

a) (deleted)

b) make generation facilities available to the dispatch licensee at the point of receipt for safe, reliable, non-discriminatory and economical dispatching of the transmission network and connected facilities, under the terms of an electricity sale contract or according to approved service rates, time frames, and terms;

c) meet the requirements of the dispatch licensee regarding operation of the generation, transmission, and distribution facilities provided in the relevant

normative act;

d) pay on time the regulation fee set by the Commission and comply with the licence terms.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Article 34 - Transmission licence

1. A transmission licence issued by the Commission shall entitle a legal person to carry out transmission services through a transmission network.

2. A transmission licence shall specify the transmission system that will be connected to the transmission network and will be operated by the licensee, which includes the facilities between a point of receipt and a point of delivery. If it is necessary to connect the facilities of a generation licensee directly to a distribution licensee's or electricity direct customer's facilities, the Commission, in order to determine parameters for transmission services, may demand to separate the interconnection between a point of receipt and a point of delivery by a minimum section of the transmission network.

2¹. A transmission network, all parts of a transmission network shall, based on an appropriate contract, without any reimbursement or another compensation requirement, be handed to the transmission system operator with the right to operate, except for the cases, when the electricity transmission licensee and the power dispatch licensee is one and the same person. A contract on handing the authority on operation and development planning of a transmission network to a power dispatch licensee, according to the legislation of Georgia, shall regulate the authority of a transmission system operator while operating a transmission network and during the perspective development planning, as well as other issues, related to ensuring management and development of the transmission network, arising in the relationship between the transmission system operator and a electricity transmission licensee.

3. (Deleted)

4. (Deleted)

5. (Deleted)

6. Under the licence terms and for the duration of the licence, a transmission licensee shall:

a) ensure operation of a transmission network under a relevant normative act;

b) develop and present an investment programme to the Commission and the public;

c) develop appropriate instructions for safe, reliable and non-discriminatory interconnection and operation of a transmission network and connected facilities;

d) provide services according to this Law and subordinate normative acts issued under this Law;

e) pay on time the regulation fee set by the Commission and comply with the licence terms.

7. (Deleted)

8. Transmission services shall be provided on the basis of a direct contract or under standard terms of a direct contract. The standard terms of a direct contract shall not apply to transmission services related to export and/or transit of electricity. Standard terms of a direct contract shall apply unless a direct contract is concluded with a particular qualified enterprise, except where there is no contract due to the violation of the contract terms and of the legislation by a qualified enterprise. The Commission shall approve the standard terms of a direct contract for transmission services on the basis of a proposal from a transmission licensee.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 3349 of 6 July 2010 - LHG I, No 35, 12.7.2010, Art. 213

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Law of Georgia No 2933 of 12 December 2014 – website, 23.12.2014

Law of Georgia No 1187 of 30 June 2017 – website, 13.7.2017

Article 35 - Dispatch licence

1. A dispatch licence issued by the Commission shall entitle a legal person to manage the electricity system of the country through the central and regional dispatch offices.

2. (Deleted)

3. Under the licence terms and for the duration of the licence, a dispatch licensee shall:

a) ensure reliable operation of the electricity system, satisfy demands of all relevant licensees, importers, exporters, electricity wholesale suppliers and electricity direct customers under safety and least-cost principles of electricity system, according to approved balances and the requirements of relevant normative acts;

b) install and operate all facilities necessary for ensuring operational management and electric stability of the energy system; develop modes and use appropriate dispatch protocols, which will facilitate efficient operation of the electricity sector and full satisfaction of the demands of licensees, importers, exporters, electricity wholesale suppliers and electricity consumers under a relevant normative act;

c) follow approved balances; fulfil direct contracts under this Law and relevant normative acts; satisfy the demand of qualified enterprises by means of balancing electricity and reserve capacity available within the system; limit or discontinue the supply of electricity to buyers;

d) develop and present an investment programme to the Commission and the public;

e) provide services according to this Law and subordinate normative acts issued under this Law;

f) pay on time the regulation fee set by the Commission and comply with the licence terms;

g) keep a unified register of direct contracts;

h) according to the Electricity (Capacity) Market Rules, provide the market operator with information regarding the amount of electricity to be sold under direct contracts;

i) ensure, through an appropriate contract, obtaining the transmission network with the right to operate, implementation of the functions towards electricity transmission licensee, provided for by the legislation of Georgia and such contract;

j) ensure organizing additional/system service and provision of this service, according to the procedure, provided for by the Electricity (Capacity) Market Rules.

4. Dispatch services shall be provided on the basis of a direct contract or under standard terms of a direct contract. The standard terms of a direct contract shall not apply to dispatch services related to export and/or transit of electricity. Standard terms of a direct contract shall apply unless a direct contract is concluded with a particular qualified enterprise, except where there is no contract due to the violation of the agreement terms and of the legislation by a qualified enterprise. The Commission shall approve the standard terms of a direct contract for dispatch services on the basis of a proposal from a dispatch licensee.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 4911 of 8 June 2007 - LHG I, No 22, 19.6.2007, Art. 195

Law of Georgia No 3349 of 6 July 2010 - LHG I, No 35, 12.7.2010, Art. 213

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Law of Georgia No 2933 of 12 December 2014 – website, 23.12.2014

Law of Georgia No 1187 of 30 June 2017 – website, 13.7.2017

Law of Georgia No 4025 of 22 December 2018 - website, 25.12.2018

Article 36 - Distribution licence

1. A distribution licence issued by the Commission shall entitle an individual entrepreneur or a legal person to buy, wheel, distribute and sell electricity.

2. (Deleted)

3. Under licence terms and for the duration of a licence, a distribution licensee shall:

a) during emergency situations ensure adherence to allotted electricity limits and established modes, the prioritized supply of electricity to critical facilities, provided that these facilities pay the electricity fee;

b) ensure timely, full and guaranteed payment for received electricity and services under the Electricity (Capacity) Market Rules. A distribution licensee who violates this provision shall be liable under the law;

c) (deleted)

- d) provide electricity consumers with distribution services under procedures established by the Commission and a licensee's investment programme;
- e) ensure, within the scope of its licence, uninterrupted supply of electricity (capacity) to electricity consumers, provided that the electricity fee is duly paid;
- f) develop and submit for approval to the Commission procedures for metering services, preparing and sending out bills, and collecting electricity fees;
- g) develop and present an investment programme to the Commission and the public;
- h) provide services according to this Law and subordinate normative acts issued under this Law;
- i) make the following documentation and information accessible to the public at its place of business:
 - i.a) the licence and approved tariffs;
 - i.b) the approved terms of services that include the procedures for metering services, preparing and sending out bills, and collecting electricity fees;
 - i.c) description of operating standards of the licensee, including the terms for connecting new customers;
- j) pay on time the regulation fee set by the Commission and comply with the licence terms.

4. (Deleted)

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 1187 of 30 June 2017 – website, 13.7.2017

Article 37 - Importer

1. Throughout the importation period, an importer shall act according to the legislation of Georgia, including the Electricity (Capacity) Market Rules, the electricity (capacity) balances and the tariffs set by the Commission.
2. An importer shall pay on time the regulation fee set by the Commission.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Article 38 - Exporter

Throughout the exportation period, an exporter shall act according to the legislation of Georgia, including the Electricity (Capacity) Market Rules and the electricity (capacity) balances.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Article 38¹ – Electricity Wholesale Supplier

1. The electricity wholesale supplier is entitled to purchase electricity from the generation licensee, small power plant and/or importer and/or to provide import and supply the electricity directly to the customer and/or exporter in accordance with this Law and the “Electricity (Capacity) Market Rules”.
2. Electricity wholesale supplier is obliged to pay the regulatory fee fixed by the Commission on time.

Law of Georgia No 4025 of 22 December 2018 - website, 25.12.2018

Article 39 - Natural gas supplier

A natural gas supplier shall:

- a) provide services according to this Law and subordinate normative acts issued under this Law;
- b) develop emergency action plans to apply during emergency situations, or negotiate and enter into agreements with third parties regarding the supply of natural gas in such cases;
- c) (deleted)

- d) pay on time the regulation fee set by the Commission
- e) shall notify the Commission 5 days in advance in case of commencement or termination of the activity.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 92 of 5 July 2008 - LHG I, No 13, 16.7.2008, Art. 104

Law of Georgia No 2326 of 04 May 2018 – website, 11.05.2018

Article 39¹ - Water supply licensees

A water supply licensee shall:

- a) provide services according to this Law and subordinate normative acts issued under this Law;
- b) operate the drinking water supply system, provide drinking water, and/or sewage;
- c) by means of the drinking water supply system, supply to consumers drinking water, the quality of which complies with the standards in effect in Georgia;
- d) ensure constant control of drinking water quality;
- e) ensure proper protection of water bodies and prevent any impact on the drinking water supply system or pollution of drinking water by third parties;
- f) develop emergency action plans to apply during emergency situations; also negotiate and enter into agreements with third parties regarding the supply of drinking water in such cases;
- g) during emergencies, ensure the adherence to allotted drinking water limits and established modes, the prioritised supply of water to critical facilities, provided the facilities pay the water supply fee;
- g¹) in case of scheduled water supply, the Emergency Management Agency shall be provided with the information about the schedule of water supply;
- h) make the following documentation and information accessible to the public at its place of business:
 - h.a) the approved tariffs;
 - h.b) the approved terms of services;
- i) develop and present an investment programme to the Commission and the public;
- j) pay on time the regulation fee set by the Commission.

Law of Georgia No 92 of 5 July 2008 - LHG I, No 13, 16.7.2008, Art. 104

Law of Georgia No 4865 of 21 June 2011 - website, 6.7.2011

Law of Georgia No 2624-III of 27 June 2018 - website, 06.07.2018

Article 40 - Natural gas transportation licence (transportation licence)

- 1. A natural gas transportation licence issued by the Commission shall entitle a legal person to transport natural gas through the transportation system.
- 2. A natural gas transportation licensee shall determine the route to be used for the offered services, the pipelines and other installations, including the points of receipt and delivery to be used by a licensee.
- 3. (Deleted)
- 4. (Deleted)
- 5. Procedures about new connectivity with the natural gas transportation system are determined by the "Natural Gas Network Rules". Additionally, new connectivity with the natural gas transportation system does not require modification of a natural gas transportation license.
- 6. Under licence terms and for the duration of a licence, a transportation licensee shall:
 - a) develop and maintain a natural gas transportation system in such a way as to meet the requirements of a natural gas supply licensee;
 - b) develop and present an investment programme to the Commission and the public;
 - c) develop and implement all relevant instructions for safe, reliable, and unhindered use of the transportation system and connected installations;
 - d) provide services according to this Law and subordinate normative acts issued under this Law;

e) pay on time the regulation fee set by the Commission and comply with the licence terms.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 3349 of 6 July 2010 - LHG I, No 35, 12.7.2010, Art. 213

Law of Georgia No 1187 of 30 June 2017 – website, 13.7.2017

Article 41 - Natural gas distribution licence (distribution licence)

1. A natural gas distribution licence issued by the Commission shall entitle a legal person to operate a natural gas distribution network, distribute and wheel natural gas within a specific distribution network.

2. (Deleted)

3. Under licence terms, and for the duration of a licence, a distribution licensee shall:

a) provide services according to this Law and subordinate normative acts issued under this Law, and on the bases of a licensee's investment programme;

b) develop and submit for approval to the Commission procedures for metering services, preparing and sending out bills, as well as for the payment of natural gas fees by natural gas consumers;

c) develop and present an investment programme to the Commission and the public;

d) (deleted)

e) make the following documentation and information accessible to the public at its place of business:

e.a) the licence and approved tariffs;

e.b) approved terms for services, including procedures for obtaining and revoking the right to provide services, for metering services, preparing and sending out bills, and for payment of natural gas fees by natural gas consumers;

e.c) description of operating standards of the licensee, including the terms for connecting new customers;

f) pay on time the regulation fee set by the Commission and comply with the licence terms.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 1558 of 31 July 2009 - LHG I, No 24, 13.8.2009, Art. 1

Law of Georgia No 1187 of 30 June 2017 – website, 13.7.2017

Chapter VI¹ - Parallel Operation of Electricity Systems

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Article 41¹ - Management and implementation of parallel operation

1. An electricity dispatch licensee may, according to established procedures and on the basis of a preliminary agreement with the market operator, conclude agreements on parallel operation with relevant enterprises of neighbouring electricity systems.

2. (Deleted)

3. Relations connected with the parallel operation of electricity systems shall be managed and regulated under the parallel operation agreements concluded by a dispatch licensee and under a relevant normative act.

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 4065 of 15 December 2010 - LHG I, No 72, 22.12.2010, Art. 437

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Article 41² - Parallel operation agreement and net flow of electricity

1. During the parallel operation of electricity systems, the supply and receipt by a dispatch licensee of electricity (capacity) between the electricity systems of Georgia and the corresponding neighbouring country shall be allowed if there are in place (implemented) electricity export/import (exchange), emergency supply, transit and/or other commercial agreements in effect (implemented), concluded in the manner determined by the market operator or other authorised business entities, unless another exception has not been explicitly determined by the Electricity (Capacity) Market Rules.
2. The market operator shall be obligated to conclude import and export agreements with an authorised business entity of the neighbouring electricity system on the actual flows of electricity that are caused by deviations from the planned schedule during parallel operation of the electricity systems.

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 4065 of 15 December 2010 - LHG I, No 72, 22.12.2010, Art. 437

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Law of Georgia No 2933 of 12 December 2014 - website, 23.12.2014

Article 41³ - Legal status of parallel operations

1. The relationship based on an agreement for parallel operation of electricity systems shall not be regarded as export or import of electricity and shall not require a separate licence or permit.
2. (Deleted)

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 4065 of 15 December 2010 - LHG I, No 72, 22.12.2010, Art. 437

Article 41⁴ - Electricity transit

1. In order to transit electricity through the territory of Georgia, a person interested in transiting electricity shall conclude an agreement with a dispatch licensee on the provision of technical support for transiting electricity.
2. A regulation fee shall not be paid when (for) transiting electricity. When transiting electricity, the respective tariffs set by the Commission shall not apply to electricity transmission and dispatch services. The amount of tariffs shall be determined according to the fourth paragraph of this article.
3. An electricity transit fee shall cover all costs related to transiting electricity. Also, electricity losses incurred during the provision of technical support for transiting electricity within the transmission network of the country shall be compensated by supplying the corresponding amount of electricity (compensation electricity).

3¹. The amount of electricity transit on the territory of Georgia shall be calculated, taking into consideration the coinciding total amount of electricity imported into and exported from the territory of Georgia, based on the agreement On the Technical Provision of Electricity Transit during the accounting period (accounting period), provided for by the Electricity (Capacity) Market Rules. At the same time, the amount of electricity imported into and exported from Georgia to the final destination country of transit during individual days and/or hours, during the accounting period, in the framework of the Technical Provision of Electricity Transit, may not coincide. After the accounting period ends, the equal parts of the total amount of electricity transit imported into and exported from Georgia to the final destination country of transit shall be considered electricity transit.

3². While calculating electricity transit, electricity supplied additionally by the transit operating party, in accordance with the Electricity (Capacity) Market Rules, to compensate for the losses in the transmission network of Georgia (compensation electricity), if any, shall not be taken into consideration.

3³. Based on the agreement On the Technical Provision of Electricity Transit, bids on supply and receipt of electricity transit may contain amounts of electricity imported into and exported from Georgia to the final destination country of transit, during individual days and/or hours, that do not coincide, on the condition that at the end of the accounting period, the equal parts of the total amount of electricity transit imported into and exported from Georgia to the final destination country of transit, shall be considered electricity transit, and, at the same time, the requirements of interconnection agreements of Georgia and the respective neighbouring electricity system, and other indispensable requirements of electricity dispatch licensee, will be met.

3⁴. The cases of import of electricity transit, by a transit operating party, during one accounting period, from two or more countries, when the final destination country of transit is the same, shall be considered as single transit. In such a case, the amount of transit shall be defined considering the total amount of electricity imported in Georgia as transit (irrespective of whether the electricity was imported from one, two or more countries), according to the conditions provided for in paragraphs (3¹)-(3³) and (3⁵) of this Article.

3⁵. The amount/share of electricity transit in the total amount of electricity imported to Georgia from and/or exported from Georgia to a neighbouring country via an electricity transmission line dedicated for a concrete inter-system transit (flow) shall be determined in accordance with the conditions of the agreement On the Technical Provision of Electricity Transit. (The effect of paragraphs (3¹)-(3⁵) of this Article shall apply to relations originating and decisions taken after 1 November 2014)

4. To provide technical support for transiting electricity, a dispatch licensee shall use a transmission licensee's network and services. For this purpose, a dispatch licensee shall conclude a separate agreement with the transmission licensee, where the amount of a compensation fee for using the transmission licensee's network and services shall be indicated. If no such agreement is concluded between a dispatch licensee and a transmission licensee, the compensation fee shall be determined and paid according to the Market Rules.

5. If a transmission licensee refuses to conclude the agreement provided for in the fourth paragraph of this article, it shall tolerate the use of its network and shall provide transmission services required for transiting electricity.

6. Other issues related to transiting electricity that are not defined by this Law, shall be regulated under the Electricity (Capacity) Market Rules and the agreement on provision of technical support for transiting electricity provided for in the first paragraph of this article.

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Law of Georgia No 2933 of 12 December 2014 – website, 23.12.2014

Chapter VII - Tariffs

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Article 42 - Powers of the Commission to determine tariffs

1. Except as provided in this Law, the Commission shall be authorised to review, make decisions on and approve, modify or deny applications submitted by licensees, importers, the market operator and suppliers regarding setting tariffs, prices, time frames and terms for products and services.

2. The Commission shall, under existing procedures and according to the basic directions of the national policy in the energy and water supply sectors, and normative acts adopted on the basis of these directions, set tariffs and/or make changes to current tariffs taking into account the principles of setting tariffs defined in Article 43 of this Law. The Commission may also take account of the transactions entered into by the State in the energy and water supply sectors, and other relevant legal acts.

3. The Commission may revise tariffs, as well as set marginal consumer tariffs on its own initiative. The Commission may request the necessary information and documents from respective licensees, small power plants, suppliers, importers, exporters and/or the market operator.

4. Licensees, small power plants, suppliers, importers, exporters and/or the market operator shall be obligated to submit the information and documents requested by the Commission within the time frame and in the form determined by the Commission.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 3349 of 6 July 2010 - LHG I, No 35, 12.7.2010, Art. 213

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Article 43 - Principles of setting tariffs

1. The methodology approved by the Commission and tariffs set under this methodology shall:

- a) protect consumers from monopoly prices;
- b) allow licensees, importers, the market operator and suppliers to receive return on their investments within reasonable periods of time, cover their operating costs, which include the cost of fuel purchased at an economically justified price, maintenance costs, repair and overhaul costs, labour remuneration, interest on working capital loans or investment loans, regulation fees and fees for the market operator's services, etc. Tariffs shall allow for reasonable and fair rate of return from capital investments, and reasonable and fair depreciation rate, which shall be sufficient to attract investments for the rehabilitation and development;
- c) facilitate the growth of financial returns of licensees, importers, the market operator, or suppliers by reducing service expenses and increasing operation and management efficiency, provided that the licensees, importers, market operator or suppliers meet the requirements of the legislation and/or the quality requirements of the licence;
- d) facilitate the growth of economic efficiency within the electricity and natural gas sectors by setting short- and long-term marginal prices, and by forecasting behaviour of prices, taking into account the possible excess or shortage in electricity generation;

e) (deleted)

f) take into account the basic directions of the national policy with regard to the priorities of the categories of electricity and natural gas consumers; also, shall not restrict the rights of licensees, importers, the market operator or suppliers to demand from consumers to pay for services rendered, and to discontinue the services in cases of non-payment;

g) take into account the national policy with regard to tariff privileges, considering the fact that it shall be prohibited to subsidise tariff privileges for any category of consumer at the expense of a licensee, importer, supplier, the market operator or other categories of consumers;

h) reflect different fees for providing services to different categories of consumers.

2. The service costs incurred by licensees, importers, the market operator and suppliers shall be covered by amounts received from each consumer category, in proportion to the costs incurred for providing services to that category of consumer.

3. Different types of tariffs may be determined for each consumer category in order to reflect peak values, average weighted and marginal values, seasonality of overall consumption, day-to-day variations in consumption, types of services, or similar parameters. Innovative methodologies for setting tariffs may be used, including profit indexing, price indexing, and other factors, provided that the use of such methodologies meets the interests of licensees, importers, the market operator, suppliers, and consumers.

4. (Deleted)

5. The Commission may set long-term tariffs taking into account the basic directions of the national policy in the energy sector of the country.

6. Tariffs for wheeling electricity through the distribution network shall be determined under the procedure laid down by the methodology of setting tariffs.

7. Tariffs for wheeling electricity shall be determined for wheeling through the distribution network the electricity that has not been purchased by an electricity consumer from an electricity distribution licensee that owns that distribution network; also, in cases, when an electricity distribution licensee is wheeling through its own distribution network the electricity owned by another electricity distribution licensee. Tariffs for wheeling electricity shall be calculated based on the costs incurred by a distribution licensee for providing wheeling services and the amount of the electricity wheeled, on which, the distribution licensee shall submit to the Commission a corresponding application and documentation on its own initiative or at the request of the Commission.

8. The corresponding distribution licensee shall be paid the tariff for wheeling electricity.

9. No generation tariff shall be applied to the amount of electricity that is generated by a generation licensee for his/her own use or needs.

10. (Deleted)

11. Unless otherwise prescribed by the methodology or other normative administrative-legal acts issued under this Law, an upper limit of electricity sale tariff shall be set for an electricity generation licensee and an importer. A fixed tariff provided in this Law shall be set for the electricity generation licensee that is appointed as a regulating station of the country's unified electricity system under the Electricity (Capacity) Balance normative administrative-legal act.

12. Tariffs for wheeling natural gas through the distribution network shall be determined under the procedures laid down by the methodology for setting tariffs. The corresponding natural gas licensee shall be paid the tariff for wheeling natural gas.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 4911 of 8 June 2007 - LHG I, No 22, 19.6.2007, Art. 195

Law of Georgia No 1558 of 31 July 2009 - LHG I, No 24, 13.8.2009, Art. 138

Law of Georgia No 3349 of 6 July 2010 - LHG I, No 35, 12.7.2010, Art. 213

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Article 43¹ - Firm capacity fee and a tariff for the electricity generated by a firm capacity source

1. The Commission shall set a firm capacity fee for a firm capacity source (a generation licensee) and a tariff for the electricity generated by the firm capacity source according to this Law and the methodology of setting tariffs.

2. A firm capacity fee shall be set according to Article 43 of this Law. This fee shall cover the fixed costs of a firm capacity source, which include costs for ensuring the readiness of the station, repair and overhaul costs, labour remuneration, interest on working capital loans or investment loans, regulation fees and fees for the market operator's services, and other fixed costs, that are not directly connected with generation of electricity, as well as a reasonable and fair rate of return on capital investments and reasonable and fair rate of depreciation.

2¹) In case of a power plant built after 2010, the Government of Georgia may define the percentage of constant (fixed) expenses that are determined by the Commission, which must be paid for by the firm capacity fee.

2²) Constant (fixed) expenses of a firm capacity source shall be evaluated and determined according to this Law. Further, if, under paragraph 2¹ of this

article, the Government of Georgia has made the decision to partially reflect the constant (fixed) expenses determined by the Commission in the firm capacity fee, the constant (fixed) expenses evaluated and determined by the Commission shall be reflected in the firm capacity fee in the proportion defined by the Government of Georgia, and the remaining part shall be reflected in the tariff of the electricity generated by a firm capacity source.

3. Costs directly connected with generation of electricity shall be reflected in the tariff of the electricity generated by a firm capacity source under the procedure provided for by this Law and the methodology for setting tariffs, and in the case under paragraph 2¹ of this article – also the part of constant (fixed) expenses that was not reflected in the firm capacity fee.

4. The Commission shall determine a firm capacity fee for each firm capacity source on a daily rate (basis).

Law of Georgia No 4911 of 8 June 2007 - LHG I, No 22, 19.6.2007, Art. 195

Law of Georgia No 3162 of 28 June 2010 - LHG I, No 35, 12.7.2010, Art. 208

Law of Georgia No 3349 of 6 July 2010 - LHG I, No 35, 12.7.2010, Art. 213

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Law of Georgia No 5499 of 22 June 2016 - website, 29.6.2016

Law of Georgia No 4025 of 22 December 2018 - website, 25.12.2018

Article 43² - Principles of setting water supply tariffs

1. The Commission shall set a water supply tariff under the principles for setting tariffs defined in Article 43 of this Law.

2. While setting a water supply tariff, the Commission may set tariffs individually for water supply and for sewage.

3. On the basis of a tariff application, the Commission may set water supply tariffs for the water supply system owned by a water supply licensee according to territorial units.

Law of Georgia No 5466 of 20 November 2007 - LHG I, No 40, 3.12.2007, Art. 378

Law of Georgia No 4865 of 21 June 2011 - website, 6.7.2011

Article 44 - Procedures for setting tariffs

1. Under Article 12 of this Law, the Commission shall hold open sessions when discussing issues on setting tariffs. When reviewing a tariff application and when setting tariffs, the Commission shall base its decision on:

- a) a substantiated tariff application, which includes audit and financial information;
- b) procedures for reviewing tariff applications and issuing relevant resolutions;
- c) procedures for consumers and other interested parties to comment on tariff setting;
- d) procedures for searching and obtaining additional information necessary for the assessment of tariff applications;
- e) procedures for determining the financial reimbursement for a regulation fee.

2. Licensees, importers, the market operator, suppliers, and direct customers may submit to the Commission an application for setting and/or revising tariffs.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Article 45 - Entry of a tariff into effect; fee for setting the tariff

The Commission shall approve the tariff within 180 days from the date of submission the tariff application if it meets the requirements set by the Commission on tariff application.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 2326 of 04 May 2018 – website, 11.05.2018

Article 46 – The Unified Accounting System

1. The Unified Accounting System is an accounting and reporting system that includes:

- a) a chart of accounts;
- b) instructions on using a chart of accounts and keeping records;
- c) a form and content of periodic reports to be submitted for regulation purposes;
- d) periodicity of reporting;
- e) procedures for keeping separate accounting records for revenues, expenses, assets, liabilities, financial outcomes and equity capital in cases where a person carries out more than one licensed activity and/or other entrepreneurial activities along with the licensed activity.

1¹. Providing The Unified Accounting System is obligatory for electricity dispatch licensee, transmission licensee and distribution licensee, also natural gas transportation licensee and distribution licensee, which have more than 50 000 customer.

2. If a person holds more than one license and/or carries out other entrepreneurial activities along with the licensed activity, he/she shall be obligated to keep separate accounting records for revenues, expenses, assets, liabilities, financial outcomes and equity capital according to the Unified Accounting System.

3. The Commission shall approve the Unified Accounting System.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 2537 of 27 December 2005 - LHG I, No 59, 31.12.2005, Art. 448

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Law of Georgia No 4025 of 22 December 2018 - website, 25.12.2018

Chapter VII¹ - Access to Electricity Transmission and Distribution Networks, to Natural Gas Transportation and Distribution or Water Supply Networks; Connecting New Customers

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 3162 of 28 June 2010 - LHG I, No 35, 12.7.2010, Art. 208

Law of Georgia No 4865 of 21 June 2011 - website, 6.7.2011

Article 46¹ - Access to electricity transmission and distribution networks and to natural gas transportation and distribution or water supply networks

1. An electricity transmission and/or distribution licensee shall, at the tariff set by the Commission, wheel through its network the electricity of those persons that have the right under this Law to sell electricity directly to electricity consumers.

2. A natural gas transportation and/or distribution licensee shall, at the tariff set by the Commission, wheel natural gas through its network for consumers.

3. A water supply licensee shall, at the tariff set by the Commission, wheel drinking water of another water supply licensee through its network.

4. If the requested wheeling (including electricity, natural gas or drinking water wheeling) service relates to the network that is not owned by a distribution and/or a water supply licensee, the network owner, under the Civil Code of Georgia, shall be obligated to tolerate the use of its network for the purpose of providing a proper connection. Also, the network owner may claim payment of a wheeling fee or toleration payments.

5. The Commission, by its resolution, shall establish procedures for calculating the wheeling fee referred to in the fourth paragraph of this article in the electricity, natural gas and water supply sectors.

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 4865 of 21 June 2011 - website, 6.7.2011

Article 46² - Fee for connecting a new customer to the network and water supply system

The Commission shall determine a fee for connecting a new customer to the electricity transmission and distribution network, natural gas distribution network, and water supply system. The fee shall be paid to the respective licensee and/or supplier.

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 3162 of 28 June 2010 - LHG I, No 35, 12.7.2010, Art. 208

Article 46³ - Alteration of an external supply network or building of a new network by a retail consumer

A retail consumer may alter an external supply network or build a new network only based on technical conditions issued by the small power plant, licensee, or supplier to the network or water supply system of which the retail consumer is connected. The technical conditions shall also be issued by the small power plant, licensee, or supplier to the network of which a retail consumer intends to connect.

Law of Georgia No 3292 of 9 June 2006 - LHG I, No 21, 15.6.2006, Art. 179

Law of Georgia No 3162 of 28 June 2010 - LHG I, No 35, 12.7.2010, Art. 208

Chapter VIII - Transitional and Final Provisions

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Article 47 - Term of office of the first composition of the Commission

The first composition of the Commission shall be appointed under the following procedure: The first member shall be appointed for six years, the second member for four years, and the third member for two years.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Article 48 - (Deleted)

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 4911 of 8 June 2007 - LHG I, No 22, 19.6.2007, Art. 195

Article 49 - (Deleted)

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 4911 of 8 June 2007 - LHG I, No 22, 19.6.2007, Art. 195

Article 49¹ - Transitional provisions

1. By 1 August 2007, the Georgian Energy Regulatory Commission shall set electricity wheeling tariffs for qualified enterprises according to voltages at the rate of at least 20% of the current distribution tariff, and for the rest of consumers, at the rate of not higher than the current distribution tariff. Tariffs set under this article shall be reviewed according to the methodology for setting tariffs on the basis of a respective licensee's tariff application.

2. Article 22(9) and (10) shall enter into force from 1 August 2004.

Law of Georgia No 122 of 15 June 2004 - LHG I, No 14, 16.6.2004, Art. 48

Law of Georgia No 4911 of 8 June 2007 - LHG I, No 22, 19.6.2007, Art. 195

Article 49² - Temporary procedure for providing a system capacity reserve

1. To provide the electricity system with a system capacity reserve, the market operator shall buy a full quantity of the system capacity reserve, based on the contractual relationship with a firm capacity source.

2. The system capacity reserve shall be at a dispatch licensee's disposal and shall be used for balancing the supply and consumption of electricity (capacity). In addition, a reserve source (the electricity generator concerned) shall sell electricity only with the agreement of the market operator.

3. A distribution licensee, direct customer and exporter shall pay to the market operator a system capacity reserve fee as determined by this Law and the Electricity (Capacity) Market Rules.

4. An electricity dispatch licensee shall check and confirm the readiness of a system capacity reserve under the procedures and with periodicity defined by the Electricity (Capacity) Market Rules.

5. If the inspection of a system capacity reserve does not confirm the availability of an appropriate level of a pre-determined capacity of any given reserve source and/or appropriate level of readiness of the system reserve, the commercial system operator shall immediately act in the interests of the electricity system and notify the parties to the agreement accordingly. These circumstances shall represent grounds for revoking the agreement.

6. The commercial system operator shall collect system capacity reserve fees from distribution licensees, direct customers and exporters, and shall pay to the qualified enterprise concerned.

7. Expiration of the validity of this article shall not release the parties from the fulfilment of financial obligations.

8. This article shall remain in force until 1 September 2007.

Law of Georgia No 4911 of 8 June 2007 - LHG I, No 22, 19.6.2007, Art. 195

Article 49³ - Deleted

Law of Georgia No 92 of 5 July 2008 - LHG I, No 13, 16.7.2008, Art. 104

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Law of Georgia No 1187 of 30 June 2017 – website, 13.7.2017

Article 49⁴ - Temporary (transitional) procedure for setting a firm capacity fee and a tariff for electricity generated by a firm capacity source

1. By 15 August 2010, the Georgian National Energy and Water Supply Regulatory Commission shall set the following fees and tariffs for the firm capacity sources determined by the Government of Georgia:

a) a guaranteed capacity fee on a daily rate (basis) according to Article 43 of this Law. This tariff shall cover the fixed costs of a firm capacity source, which includes costs for ensuring the readiness of the station, repair and overhaul costs, labour remuneration, interest on working capital loans or investment loans, regulation fees and fees for the market operator's services, and other fixed costs, that are not directly connected with generation of electricity, as well as a reasonable and fair rate of return from capital investments and reasonable and fair rate of depreciation;

b) a tariff for electricity generated by a firm capacity source that includes the costs directly connected with generation of electricity, except for the costs reflected in a firm capacity fee.

2. A firm capacity tariff and a tariff for electricity generated by a firm capacity source determined by this article shall be reviewed according to the methodology of setting tariffs, under this Law.

Law of Georgia No 3349 of 6 July 2010 - LHG I, No 35, 12.7.2010, Art. 213

Article 49⁵ - Supply of electricity to the occupied territories

The occupied territory of the Autonomous Republic of Abkhazia shall be supplied with electricity from the Enguri Hydro Power Plant and the cascade of Vardnili Hydro Power Plants, under the procedures and terms determined by the Electricity (Capacity) Market Rules.

Law of Georgia No 3349 of 6 July 2010 - LHG I, No 35, 12.7.2010, Art. 213

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Article 49⁶ - Unified integrated and coordinated administration of electricity, natural gas, water supply and cleaning services

1. The electricity, natural gas, water supply and cleaning services ('the Services') and collection of respective fees/dues shall be based on the unified integrated and coordinated administration system ('the Unified Administration System') under the terms laid down by resolution of the Commission.

2. The Commission, by resolution, shall determine the coverage area (territorial boundaries) of the Unified Administration System and the persons providing Services through this system. One of the Service providers ('the Administrator') defined by the Commission's resolution shall administer the Service fees/dues by means of the Unified Administration System.

3. The Services shall be administered by means of the Unified Administration System based on an agreement concluded between the Administrator and other Service providers. When concluding an agreement, the parties shall be guided by a least cost principle and shall conclude an agreement on a non-discriminatory and equitable basis. If the parties fail to reach an agreement, the Commission shall make the decision.

4. When providing Services by means of the Unified Administration System, the Administrator shall be obligated to discontinue Services to a consumer if one of the fees and/or dues reflected in the receipt has not been paid or has been paid partially; and this shall not be considered as violation of contractual obligations by the Administrator with respect to the consumer. Also, the responsibility for correctness of the information provided to the Administrator by the Service provider shall lie with the latter.

5. Service providers shall ensure constant harmonisation of available databases with the database of the Legal Entity under Public Law (LEPL) - the Public Service Development Agency of the Ministry for Justice of Georgia.

Law of Georgia No 3650 of 1 October 2010 - LHG I, No 53, 11.10.2010, Art. 336

Law of Georgia No 6317 of 25 May 2012 - website, 19.6.2012

Article 49⁷ - Temporary procedure for setting a water supply tariff

Until 1 January 2021:

- a) Articles 43(1)(g) and (2) of this Law shall not be applied to setting of water supply and sewage tariffs;
- b) the Commission shall be authorized to set water supply and/or sewage tariffs individually for each water supply licensee.

Law of Georgia No 3659 of 12 October 2010 - LHG I, No 56, 20.10.2010, Art. 358

Law of Georgia No 4865 of 21 June 2011 - website, 6.7.2011

Article 49⁸ - Temporary procedure for charging a water supply fee taking seasonality into account

Until the water supply system is completely organized, the Commission may determine different procedures for charging a water supply fee to household and/or non-household consumers that have water meters.

Law of Georgia No 4065 of 15 December 2010 - LHG I, No 72, 22.12.2010, Art. 437

Article 49⁹ – (Deleted)

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Law of Georgia No 4025 of 22 December 2018 - website, 25.12.2018

Article 49¹⁰ - Procedure for determining the consumption of electricity within the transmission network in exceptional cases

Within the time frames, under the procedures and in cases determined by the Electricity (Capacity) Market Rules the electricity consumption (actual loss) within the transmission network, specified in Article 28(3) of this Law may also include the difference between the volumes of the electricity flowing in and out of the customs border of Georgia in the given accounting period when testing a new transmission line intended for inter-system transit (flow) of electricity.

Law of Georgia No 1902 of 27 December 2013 - website, 31.12.2013

Article 49¹¹. The temporary (transitional) rule for registration as direct customer of electricity

1. A customer, who receives the electricity (capacity) for his own needs from the network belonging to the generation licensee, transmission licensee, small power plant or other customer and who has received totally approximately (at least) 15 million kWh of electricity per month from the delivery points located on mentioned network(s), based on the results of first three months of the Year 2018 shall become the direct customer of electricity from May 1, 2018.
2. A distribution licensee shall immediately submit to the Market Operator, Transmission System Operator and relevant users the information about the person determined by paragraph 1 of this Article.

Law of Georgia No 2326 of 04 May 2018 – website, 11.05.2018

Article 50 - Entry of the Law into force

1. This Law shall enter into force upon promulgation.
2. Article 23¹ of this Law shall enter into force from 1 September 2007.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

Law of Georgia No 4911 of 8 June 2007 - LHG I, No 22, 19.6.2007, Art. 195

Article 51 - The list of invalid normative acts

1. The following shall be deemed invalid after this Law comes into force:
 - a) Articles 4(1) and 5(2) of the Law of the Republic of Georgia of 22 September 1994 on Energy (The Gazette of the Parliament of Georgia, 1994, No 19-20, Art. 436);
 - b) the Law of the Republic of Georgia of 11 October 1994 on The Seventh Paragraph of the Fourth Article of the Law of the Republic of Georgia on Energy (The Gazette of the Parliament of Georgia, 1994, No 21-22, Art. 446).

2. The government agencies shall bring subordinate normative acts in line with this Law.

Law of Georgia No 1934 of 30 April 1999 - LHG I, No 15(22), 14.5.1999, Art. 63

President of Georgia

Eduard Shevardnadze

Tbilisi

27 June 1997

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