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Georgian National Energy and Water Supply Regulatory Commission

Commission Structure and Authority M

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Establishment of GNERC

- Similar to all post-Soviet countries, the Georgian President initiated economic reforms in his Decree 437 of July 4, 1996, according to which a new energy regulatory commission was to be established.
- In 1997, the Georgian Parliament adopted a Law on Electricity, according to which Georgian National Energy and Water Supply Regulatory Commission (GNERC) was established and the commission governed by the Ministry of Economics ceased its operations.
- GNERC was a legal entity by Public Law and a standing independent body, which was not a subject to any government supervision.



- In 1999, an amendment was made to the Georgian Law on Electricity, by which GNERC was authorized to regulate the natural gas sector as well.
- In 2002, the Georgian Parliament adopted the Law on Independent National Regulatory Authorities. According to this law, the legal status of GNERC was changed; the Commission became an independent regulatory body created in order for the government to regulate electricity and natural gas sectors. GNERC was not supervised by any other government supervisory body and was independent from other agencies.
- In 2007, amendments were made to the Georgian Law on Electricity and Natural Gas, according to which Georgian National Energy and Water Supply Regulatory Commission was given the authority to regulate tariffs on drinking water and sewage water treatment.



GNER's Authority

- GNERC's authority is defined by the following two laws:
 - The Law on Electricity and Natural Gas, and
 - The Law on Independent National Regulatory Authorities
- The Law on Independent National Regulatory Authorities is a general regulatory law, while the Law on Electricity and Natural Gas is a specific regulatory law.
- GNERC's authority applies to the companies in the power, natural gas, and water supply sectors and includes:
 - Issuance of licenses for power generation, transmission, dispatching, and distribution, as well as legal and tariff regulation;



- Regulation of those power generators, which, according to law, operate according to their licenses, but outside of established tariffs;
- Regulation of those power generators, which, according to law, operate without a license and outside of established tariffs;
- Issuance of licenses for transportation and distribution of natural gas;
- Regulation of natural gas supply;
- Legal and tariffs regulation for drinking water;
- Solving disputes between licensed companies, small-scale power plants, importers, exporters, suppliers, consumers, and the commercial system operator (CSO);
- Monitoring compliance with license terms in electricity and natural gas sectors and sanctioning for non-compliance.



GNERC's Institutional Structure

- According to the Law on Electricity and Natural Gas, GNERC consists of five commissioners
- A member of GNERC must be a Georgian citizen who has college education, as well as qualifications and experience for performing functions required by the Georgian Law on Electricity and Natural Gas
- GNERC commissioners are appointed and dismissed by the President of Georgia
- A commissioner is appointed for 6 years as recommended by the Head of GNERC
- GNERC rules on issues within its authority by voting at a public meeting. Each commissioner has one vote.
- GNERC meetings are public. The Commission makes rulings and decisions in accordance with the rules of public administrative procedure. The rulings and decisions made by the Commission can be appealed in Georgian Constitutional Court or in a court of general jurisdiction.



GNERC's Financial Management

- The Law on the Independent National Regulatory Authorities and regulation fees make GNERC independent.
- GNERC expenses are paid from regulatory fees.
- Receiving fees by a regulatory authority in support of its operations is not considered a commercial activity. GNERC is a legal entity established by the Georgian Law on Independent National Regulatory Authorities and is not based on government property.
- GNERC is funded by regulation fees. Each entity, which operates or plans to operate under the authority of GNERC, must pay the regulation fees.



- Regulation fees are paid to a GNERC's account. The monies in this account are solely disposed by GNERC.
- Each year on October 1, GNERC develops and approves a budget for the following year.
- According to the adopted budget, Head of the Commission manages its finances.
- Supervision of GNERC's financial activities is governed by the rules established by authorized agencies, including independent auditors invited by GNERC.



Legal Structure of the Regulated Sector

The Law on Regulatory Documents and the Law on Electricity and Natural Gas establish the following legislative hierarchy in the regulation of water supply:

- Laws
- Parliamentary decrees
- Regulations

The Law on Independent National Regulatory Authorities is a general regulatory law, which protects regulatory bodies from improper influence by government agencies or other persons as well as illegal interference or any action, which can jeopardise their independence. The law also regulates the financial independence of GNERC and its licensing and tariff authority, and protects the interests of the consumers.



- The Georgian Law on Regulatory Documents defines general issues such as drafting, adoption, publication, circulation, accounting for, and classification of regulations by GNERC.
- The Georgian Law on Regulatory Fees regulates the financial independence of GNERC and ensures the performance of the public function of regulation.
- The Law on Electricity and Natural Gas is a regulatory law which grants special authority to GNERC in the power and drinking water supply sectors.
- The Georgian Law on Licenses and Permits regulates legal issues related to issuance, cancellation, and amendment of licenses in the power and natural gas sectors, and establishes sanctions for the violation of license terms.



- GNERC makes rulings and decisions based on the law, which regulates the following:
 - GNERC policies
 - GNERC rules of procedure
 - Procedures for dispute resolution
 - Regulation fees and their calculation
 - Licensing procedure
 - Supply and consumption rules
 - Rate making (tariff) methodology
 - Tariffs
 - Acceptable losses and their calculation



- The Georgian Ministry of Energy issues regulatory documents based on the general law according to which the following is approved:
 - annual balance of electric energy (power);
 - natural gas balance;
 - market rules for electric energy (power)
 - market rules for natural gas;
 - rules governing the installation, application, and use of power machinery and technical facilities.
- Based on the government policy in the energy sector, the Ministry is authorized to make a decision on full or partial regulation.



Admitting a Third Party

- The Law on Free Trade and Competition states that, for the purposes of buying and/or purchasing services, the owner of a “special” property, must allow other parties into its network or infrastructure under non-discriminatory terms.
- The Law on Electricity and Natural Gas states that a licensed electricity distribution and/or transmission company must, at the tariff established by GNERC, make its network available for the transmission of electricity of those companies, which are legally entitled to sell electricity directly to consumers.
- The Power Market Rules establish rules and procedures for allowing a third party to the network (allowing the transmission of electricity).
- Passage rights may be denied based on non-payment of fees or the power grid capacity limitations, which must be documented.



- Organizational structure of GNERC is established by the Commission's decision
- GNERC includes the following departments:
 - Electric Power
 - Natural Gas
 - Water Supply
 - Finance and Budget
 - Tariffs and Rates
 - Legal Department
 - Methodology and Information
 - International Relations
 - Administrative and Human Resources
 - Certification
- An executive director is coordinating the operations of GNERC staff.
- Public Defender's Service for the Protection of Consumer Rights has been established independently from GNERC staff.



- (Chris, there will be structure of GNERC. I will send you it soon on english).



Transparency of GNERC's Operations

- Georgian General Administrative Code establishes strong guarantees for the transparency of GNERC operations.
- Anybody has the right to request and receive any information available to GNERC, except for the information that is rated as government or commercial secret, or private.
- GNERC meetings are open to the public. Anyone has the right to attend its meetings.
- The information about a meeting is published one week prior to the scheduled date of the meeting on GNERC's website. The parties who are involved in issues that are going to be discussed at the meeting are invited in writing.
- The Public Defender of Consumer Rights (or his assistant), who is entitled by law to represent the consumer, participates in the meetings.
- Every year by August 31, GNERC prepares an annual performance report and submits it to the Georgian President, the Georgian Parliament, and the Ministry. The report is available for the public (it is published on GNERC's website).



Thank you for your attention!