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Georgian Regulator ‘Pays it Forward’ by Sharing Best Practices Learned from USAID & NARUC Assistance with Regulators from Around the World



September 2022 – Since 1999, the National Association of Regulatory Utility Commissioners (NARUC) has provided assistance to the Georgian National Energy and Water Supply Regulatory Commission (GNERC) through the United States Agency for International Development (USAID) to support Georgia’s efforts to build a transparent, secure energy sector capable of powering the country’s economic development. Georgia’s energy’s sector has been a model for market reform and integral to the country’s economic ambitions. Celebrating its 25th anniversary this year, GNERC has been recognized within Georgia

and by neighboring countries for its strong technical capabilities as well as its creative and pragmatic approaches to transparent communication with customers.

Following its ascendance from observer to full membership in the European Union’s (EU) Energy Community in 2017, GNERC continues to advocate for regulatory reform as a means of further aligning Georgia’s energy sector with the EU’s requirements. USAID and NARUC continue to assist GNERC in its work to achieve greater regional market integration, a favorable climate for investment in generation capacity, and a more secure energy grid.

Paying it Forward

Even as GNERC representatives play a key role in USAID’s and NARUC’s work in the Europe & Eurasia region, in recent years, GNERC regulatory staff have, in turn, become expert volunteers for USAID and NARUC in Africa and Asia. By sharing their expertise with other regulators from around the world, they have been able to ‘pay forward’ the assistance they received from USAID and NARUC in the past, as well refine their understanding of regulatory concepts, hone their presentation skills, and expand their professional networks.

Below is an interview with three GNERC technical staff members – **Zviad Gachechiladze**ⁱ (Director of the Electricity Department, eight years at GNERC), **Lia Gvazava** (Deputy Director of the Tariff and Economic Department, 11 years at GNERC), and **Giorgi Kelbakiani** (Head of the Capital Expenditures Audit Unit within the Tariff Department, eight years at GNERC) – about their experiences participating in USAID and NARUC activities and what they have learned as a result.

Q&A

Can you tell us about yourself and your role at GNERC?

Kelbakiani – I am head of the Capital Expenditures Audit Unit within the Tariff Department, where I audit investment plans and capital expenditures and develop tariff methodologies. I have a physics and economic background with a focus on energy economics, and worked at the ISET Policy Institute before coming to work at the GNERC tariff department in 2014.

Gvazava – I started at GNERC in 2011 as the Deputy Director of the Finance and Budgetary Department, and am now the Deputy Director of GNERC’s Tariff and Economic Department. The department sets tariffs for electricity, gas, and water, and conducts regulatory cost audits and final

analysis of license holders and market operators. It also participates in internship projects and other international collaborations. I have also been a trainer in the GNERC media club for tariff calculation and cost audits principals since 2018.

Gachechiladze – I am the Director of the Electricity Department. I started working there in 2014. The GNERC electricity department works on all electricity market issues, except tariff setting and economic regulation. A big part of the department is participating in international events and facilitating international relations as well as communicating with energy organizations from around the world.

With USAID support, NARUC provided capacity building and shared regulatory best practices to equip GNERC with the tools needed to achieve a more EU-oriented, competitive, and transparent energy sector. What are some of the regulatory actions GNERC has taken as a result of this assistance?

Gvazava – We learned about regulatory cost audits and implementing regulatory reporting with regard to a Uniform System of Accounts (USoA) and have shared best practices from the U.S. on these subjects. Also, in 2015, Giorgi and I traveled to Michigan and learned best practices on reporting, account systems, tariff processes, and accounting principles, which helped us to address issues around tariff design and investment approvals. GNERC started the process of implementing a USoA in 2014 and approved the final system in 2016. Further, the companies GNERC regulates are delivering reports that are based on lessons learned from USAID and NARUC assistance. GNERC's tariff setting procedures are also based on lessons learned from the U.S. experience and have been added to GNERC's most recent tariff methodology.

Gachechiladze – GNERC received a lot of assistance from USAID and NARUC on transmission and distribution development planning as well as network planning. To support distribution reform, GNERC was able to participate in the Southeast Europe Regulatory Bridge Project, which assisted regulators in creating and approving new regulations for distribution system officers. USAID and NARUC also assisted GNERC in developing a new net metering regulation, which was approved, and on forming a cost-benefit analysis methodology for investment regulations.

Following the completion of the partnership, why did you choose to take part in USAID and NARUC activities designed to assist regulators from other countries?

Kelbakiani – Taking part in these activities allowed me to 'pay it forward' and make efforts to share the knowledge I have learned to expand the number of countries that benefit from modern energy regulation. When explaining a concept to someone else, I am also able to better understand it. Moreover, it is not a one-way highway - we also learn from the experiences of our hosts and the difficulties they face as well as how they have tackled regulatory obstacles, which is interesting and potentially beneficial for GNERC's knowledge.

Gvazava – I think that sharing the experiences and even the regulatory mistakes made over the years in the context of Georgia is very important for others. Developing countries sometimes have similar experiences to GNERC, so I think that sharing how we have made progress step by step is especially helpful.

How did the knowledge you gained from the USAID/NARUC Georgia Energy Regulatory Partnership prepare you to share your experiences with energy regulators from around the world and help them to address challenges in their energy sector(s)?

Kelbakiani – USAID and NARUC activities gave me the necessary knowledge and experience to prepare presentations, including what to focus on, how to share information, and how to get productive feedback from the audience. When the partnership started, I used to begin presentations by giving my audience a lot of background information, but now I ask for a summary of their current energy sector situation so that I know where to start my presentation.

Gvazava – USAID and NARUC helped me to prepare myself as an expert on tariff setting by providing many workshops and study tours. As a result, I was able to prepare myself to share my knowledge and felt more comfortable talking to commissioners from other countries.

What did you learn from your experience, and what did you find most rewarding?

Kelbakiani – I think I can speak for all of us in saying that one of the most rewarding parts of the experience has been getting to know other like-minded people who are working on the same or similar problems. Now I have international peers that I can contact for their advice on various regulatory topics. My own knowledge is also getting more refined. GNERC’s solutions cannot always work in the context of another country’s energy sector; because of this, I have gained more self-awareness and feel that I have improved professionally as a regulator. Additionally, expanding the pool of countries from which you learn from helps the Georgian energy sector in the sense that GNERC can learn from other countries’ strategies and use their success to justify a new type of regulation for GNERC to implement.

Have you achieved any personal or professional goals through participating in USAID and NARUC activities?

Kelbakiani – They have helped me to grow professionally as an international expert. After participating in USAID and NARUC events, I began leading project implementations, which helped me to develop my management skills. Thanks to the experiences I gained, I was able to attain a more senior position in my unit.

Gvazava – Highlighting GNERC’s regulatory developments and sharing my experiences with others from around the world has been fulfilling. When I started participating in USAID and NARUC activities in 2016, I was working on my PhD and conducting research. The topic of my doctoral thesis was “Regulatory Cost Audit of Electricity Sector Natural Monopolies.” USAID and NARUC helped me to complete my research by connecting me with sources of information on regulatory practices at other commissions. The research was then incorporated into GNERC’s updated regulatory cost audit methodologies.

Gachechiladze – I gained new experiences and have continued relations with the regulators and counterparts that I was in contact with from participating in USAID and NARUC activities. I am glad to say that I can call them friends.

Contributing to Regulatory Results Around the World

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National Association of Regulatory Utility Commissioners

Georg Kelbakiani

Распределение затрат и его связь с аудитом затрат, который проводит регулирующий орган

- 2 основных вопроса аудита для целей регулирования в отношении активов / затрат:
 - Они используются / полезны / необходимы для определенного вида деятельности?
 - Являются ли они целесообразными?
- Распределение затрат напрямую связано с первым вопросом аудита затрат для целей регулирования, следовательно, мы решили включить Правила распределения затрат в Правила аудита затрат для целей регулирования

3

The participation of GNERC staff in USAID and NARUC activities in other countries has led to success. For example, in 2021, GNERC staff participated in an activity on regulatory communications with the Zambia Energy Regulation Board (ERB), during which they shared best practices on topics such as stakeholder engagement and public outreach. That same year, the ERB’s *Communications and Visibility Strategy for 2021-2025* went into effect, and the knowledge shared during the activity will aid the ERB as it implements the *Strategy*. Additionally, in 2017, GNERC

volunteers presented on the tariff review process in Georgia during an activity designed for the Rwanda Utilities Regulatory Authority (RURA). After the law governing electricity in Rwanda was amended in 2018 to give RURA authority to set the methodology for tariffs, RURA incorporated best practices shared during the activity into its electricity tariff methodologies.

The GNERC experts interviewed as well as other GNERC staff are also active participants in activities under one of USAID and NARUC's newer regulatory partnerships, the Central Asia Energy Regulatory Partnership. Since 2021, GNERC experts have shared regulatory best practices on tariff methodologies with regulators in the Kyrgyz Republic, on transparency and public participation with regulators in Tajikistan, and on calculating technical losses with regulators in Kazakhstan. In doing so, they have helped to further USAID and NARUC goals of promoting Central Asian partners' abilities to develop and advance energy markets, strengthen the role of the regulator, and create a platform for increased transparency.

Zviad, Lia, and Giorgi all emphasized that they are ready and excited to continue helping their fellow regulators in developing countries around the world. By helping to build information sharing networks between regulators, GNERC staff have contributed to laying the groundwork for future regional and global energy market integration and are a leading example for more advanced regulatory commissions to follow in modeling greater transparency and regulatory independence to their developing counterparts.

This story is made possible by the generous support of the American people through the United States Agency for International Development (USAID). The contents are the responsibility of NARUC and do not necessarily reflect the views of USAID or the United States Government.

Photo captions: (1) Lia Gvazava of GNERC presenting during a 2017 USAID and NARUC activity in Rwanda (photo credit: NARUC); (2) Giorgi Kelbakiani of GNERC presenting during a 2021 USAID and NARUC activity on tariff setting practices tailored to Central Asian partners (photo credit: NARUC)

ⁱ Zviad Gachechiladze took another position in the Georgian energy sector outside of GNERC shortly after this interview.