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Power Investment Promotion Project (HIPP)

EU Energy Directives and How do They Relate to Georgia



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Hydropower Investment Promotion Project (HIPP)

Towards the Single Energy Market

First Package
“Harmonization”

Second Package
“Harmonization and
Market Integration ”

Third Package
“EU-wide Institutional
& Regul. Framework”

Dir 96/92/EC

Dir 98/30/EC

Dir 2003/54/EC

Reg 1228/2003

Dir 2003/55/EC

Dir 2005/89/EC

Reg 1775/2005

Dir 2009/72/EC

Reg 714/2009

Dir 2009/73/EC

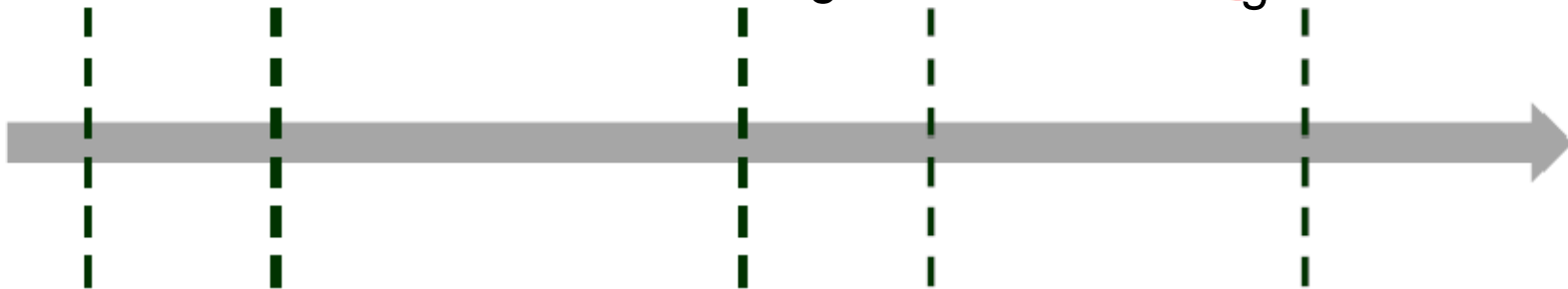
Reg 715/2009

Reg 713/2009

1996 1998

2003 2005

2009





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EU Directives – The First Package

- First electricity Directive 96/92/EC : December 1996;
- First gas Directive 98/30/EC : June 1998.
- Directive 96/92/EC establishes common rules for the generation, transmission and distribution of electricity. It lays down the rules relating to the organization and functioning of the electricity sector, notably :
 - access to the market (TPA)
 - the criteria and procedures applicable to calls for tender and the granting of authorizations
 - the operation of systems.
- Directive introduced concept of eligible customers.
- Gradually opening of the market in period of 6 years.



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EU Directives – The Second Package

- The second package Directives includes:
- **Electricity Directive 2003/54/EC (concerning common rules for the internal market in electricity and repealing Directive 96/92/EC);**
- **Electricity Directive 2005/89/EC concerning measures to safeguard security of electricity supply and infrastructure investment.**
- **Gas Directive 2003/55/EC.**
- **Reg EC/1228/2003 on conditions for access to the network for cross-border exchanges in electricity;**
- **Reg 1775/2005**
- The second package Directives are part of the Energy Community Treaty.
- Signing of the Treaty makes transposition of these Directives an obligation for all Contracting Parties.



European Energy Sector Inquiry 2005-2007

The final report, published in January 2007, identified serious shortcomings in the electricity and gas markets:

- too much market concentration in most national markets;
- a lack of liquidity, preventing successful new entry;
- too little integration between Member States' markets;
- an absence of transparently available market information, leading to distrust in the pricing mechanisms;
- an inadequate current level of unbundling between network and supply interests which has negative repercussions on market functioning and investment incentives;
- customers being tied to suppliers through long-term downstream contracts;
- current balancing markets and small balancing zones.



What Was the Process?

January 2007: Commission published Strategic Energy Review

Competition objectives

- Ownership unbundling
- Increase in regulatory powers
- Increase in transparency

Sustainability objectives to 2020

- 20% reduction in GHG
- 20% of energy from RES
- 20% increase in EE

The Third Package including:

- New gas / Electricity Directives
- New Electricity/Gas Regulation
- Agency for the Cooperation of the Electricity Regulators (“ACER”) Regulation

- New Renewables Directive



EU Directives – The Third Package

- New Electricity and Gas Directives and Regulations: Directive Electricity 2009/72/EC
- Directive Gas 2009/73/EC
- Regulation 714/2009 (Access conditions Electricity)
- Regulation 715/2009 (Assess conditions Gas)

- **NEW**: Regulation establishing Agency for the Cooperation of the Energy Regulators (ACER).
- **NEW**: European Networks of Transmission System Operators for electricity (ENTSO-E) and gas (ENTSO –G)



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Energizing Europe: Third Package

- Separation of production and supply from transmission networks;
- The Commission recognizes the strategic importance of Energy Policy;
- Facilitating cross-border energy trade;
- More effective national regulators, (ACER);
- Promoting cross border collaboration and investment;
- Greater transparency;
- Increased solidarity.



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Duties and Powers of National Regulations Enforced

- Monitoring duties (Investment plan of TSOs, level of transparency, level of market opening, the implementation of the rules related to the roles and responsibilities of TSOs, ISO regime)
- Compliance and implementation of Agency (ACER) decisions;
- Fix or approve network access tariffs and their methodologies, or alternatively approve or monitor the methodologies used to set the tariffs;
- Fix or approve terms and conditions for network access; balancing services terms and conditions for access to cross border infrastructure;
- Impose effective sanctions (penalties for TSOs up to 10% of their turnover) with appropriate rights of investigation and sufficient powers for dispute settlement.



Comparison

	2 nd Package	3 rd Package
TSO's	Cooperation left at TSOs' initiative. No obligation.	Cooperation imposed : <ul style="list-style-type: none">• <i>at European level, TSOs must create ENTSO-E / G.</i>• <i>4 main tasks (1. draft network codes, 2. non-binding Community-wide 10-year network development plan, 3. annual work program, 4. common network operation tools);</i>• <i>Publication of a regional investment plan + promotion of energy exchanges.</i>
National Regulators	Act individually to ensure compliance with Directive and Regulation. Cooperation between NRAs only if they estimate it necessary.	Continue to act individually, but clear mandate now to act collectively : <ul style="list-style-type: none">• <i>at European level through the Agency for the Cooperation of Energy Regulators (ACER), which notably monitors the execution of ENTSO-s tasks and has a (limited) decision-making role;</i>• <i>at regional level with regulators of other MS, notably to promote allocation of cross-border capacity.</i>• <i>Their independence, duties and powers are reinforced.</i>



Georgian Electricity Market - Legal Framework

- The Law on Electricity and Natural Gas (E&G Law)
- Law on the National Regulatory Authorities
- Electricity (Capacity) Market Rules (Market Rules);
- Basic Directions on the State Policy in Energy Sector of Georgia (State Policy).

There are still some gaps between the Georgian legislation and EU Directive requirements:

- ✓ The E&G law does not empower the GNEWRC to control the cross-border capacities and to develop (approve) any mechanism for the use of those capacities as also to deal with the congestions;
- ✓ There are missing only some responsibilities for the management of congestions in the network, access to interconnections and control of capacity allocations on the borders.
- ✓ Georgia needs grid code



ETM and European Directives

Unbundling:

- **GSE** => TSO & Transmission Companies;
- **ESCO** => MO & Consolidator.

Licensing

- MO
- TSO
- DSO
- Traders

Independent energy regulator (GNEWRC)

- matrix of regulations;
- regulatory instruments;
- contracts required;
- Grid code and market rules;
- Reliability standards.

Renewables

Guarantee of Origin



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Thank You

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