ROLE OF THE REGULATOR IN COMPETITIVE ELECTRICITY MARKETS

November 20, 2012, Tbilisi, Georgia
Regulator Role on Competitive Electricity Markets

- Develop the Proper Environment for Electricity Trading
- Monitor the Competitive Electricity Market
- Correct for Market Imperfections
Develop the Proper Environment for Electricity Trading

• Establish the Legal Basis for Competitive Electricity Trading

• Ensure Infrastructure Development
Establish the Legal Basis for Competitive Electricity Trading

International Treaties – Agreements - EU Directives

Primary Legislation - Electricity Law

Ordinances – Rules – Guidelines

Licenses - Directions
Legal Basis- International Treaties, Agreements & EU Directives and Regulations

- International Treaties
- Technical Rules / ENTSO-E Agreements
- Regulation – EC713/2009
- Bilateral / Multilateral Trading Agreements

The Regulatory Authority MUST take an active role in development of International Treaties, European Agreements and Rules
Legal Basis – Electricity Legislation

The Electricity Legislation provides the basis for competitive electricity trading
• Assigns authority to Regulator to open market through ordinances and rules
• Specifies the type of licenses
• Requires unbundling of production, transmission, distribution and sales
• Allows for a gradual transition for foreign trade
Legal Basis – Ordinances, Rules & Instructions

- Trading Rules (incl. market power restrictions)
- Rules for Access to the Networks
- Metering Rules
- Grid Code (Technical Rules)
- Cross Border Trading, Capacity Auctioning Rules
- Public Service Obligations Instructions
- Electricity Tariff Ordinances and Regulations
- Certificate of Origin and Trading of Green Certificates
Legal Basis – Licenses & Directions

• Transmission System Operator License
• Market Operator License
• Trader License
• Transmission Tariff Methodologies
• Distribution Tariff Methodologies
• Ancillary Services Tariff Methodologies
Ensure Infrastructure Development

Information systems (transmission and distribution companies)

- Customer information databases
- Customer type load profiles
- On-line System Status Report
- Metering and data collections systems
- Reporting systems between TSO- MO-Exchanges-Traders
Ensure Infrastructure Development

Unbundling the TSO

Complete accounting and legal separation between each of company’s activities:

• Trading division
• Captive supply division, and
• Network distribution

Power Exchange

• Domestic
• Regional
• Including clearing houses
• Trading rules, clearing rules
Monitoring the Competitive Electricity Market

Review of market Operations

• Ensure Market Power Rules are not violated by market participants:
  – Analyze market for non-discriminatory access
  – Analyze for predatory actions by distribution companies
  – Analyze for market power problems

• Develop monthly/annual reports summarizing market operations

• Develop recommendations for changes in legal basis and market infrastructure

Consult with the Competition Authority on market power issues
Correct for Market Imperfections

- Modify Legislation (Rules, Guidelines, Directions)
- Modify Infrastructure
- Solicit for new resources when market falls short of providing required resources
Mergers, Acquisitions, Sales

When are the licensees required to ask permission from the Regulatory Authority

• Review of proposed mergers, acquisitions and sales
  – Impact of competition
  – Impact of retail consumers
  – Reduction of transparency
  – Possible discriminatory access action
  – Possible predatory actions
Regulator’s responsibilities in competitive market

- Approval of the Grid Code and Market Rules;
- Approval of the network tariffs;
- Approval of the connection conditions and tariffs for connection to the grid;
- Approval of the costs for ancillary services and reserve capacity;
- Approval of the general contractual agreements;
- Monitoring of the implementation of the market rules and grid code;
- Monitoring of the market;
- Regulatory reporting;
- Coordination with the neighboring regulators where the TSO has a connection with neighboring TSOs;
- Dispute resolution;
- Initiate the amendments of the market rules and grid code by the request of market participants;
- Issuing recommendations and resolutions for improving the grid code and MR.
Contact:
Sukru Bogut, COTR, Energy Advisor, USAID
sbogut@usaid.gov

Michael Jake Delphia, Chief of Party, HIPP
jdelphia@deloitte.com

Giorgi Chikovani, Deputy Chief of Party, HIPP
gchikovani@dcop-hipp.ge

Valeriy Vlatchkov, Power Market Advisor, HIPP
vvlatchkov@deloitte.com