

Results of the Twinning Project between Georgia and Austria on Tariffs



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საქართველოს ენერგეტიკისა და
წყალმომარაგების მარეგულირებელი
ეროვნული კომისია

Georgian National Energy And
Water Supply Regulatory
Commission

Goal of the Project

- “Strengthening capacities of the Georgian National Energy and Water Supply Regulatory Commission (GNERC) in updating incentive based electricity tariff methodology”;
- Increase institutional capacity of GNERC staff in the field of electricity regulation;
- Incentive regulation through the application of incentive mechanisms for the increase of companies’ energy efficiency by the cost optimization.



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საქსპო

Georgian National Energy And
Water Supply Regulatory
Commission

GNERC

Project Partners

- E-Control Austria – Energy Regulatory Commission of Austria;
- BNetzA – Federal Network Agency of Germany in Electricity, Tele Communication, Post and Railway Sectors;
- SPRK – Regulatory Commission of Utility Companies of Latvia;
- EXAA – Power Exchange, Austria

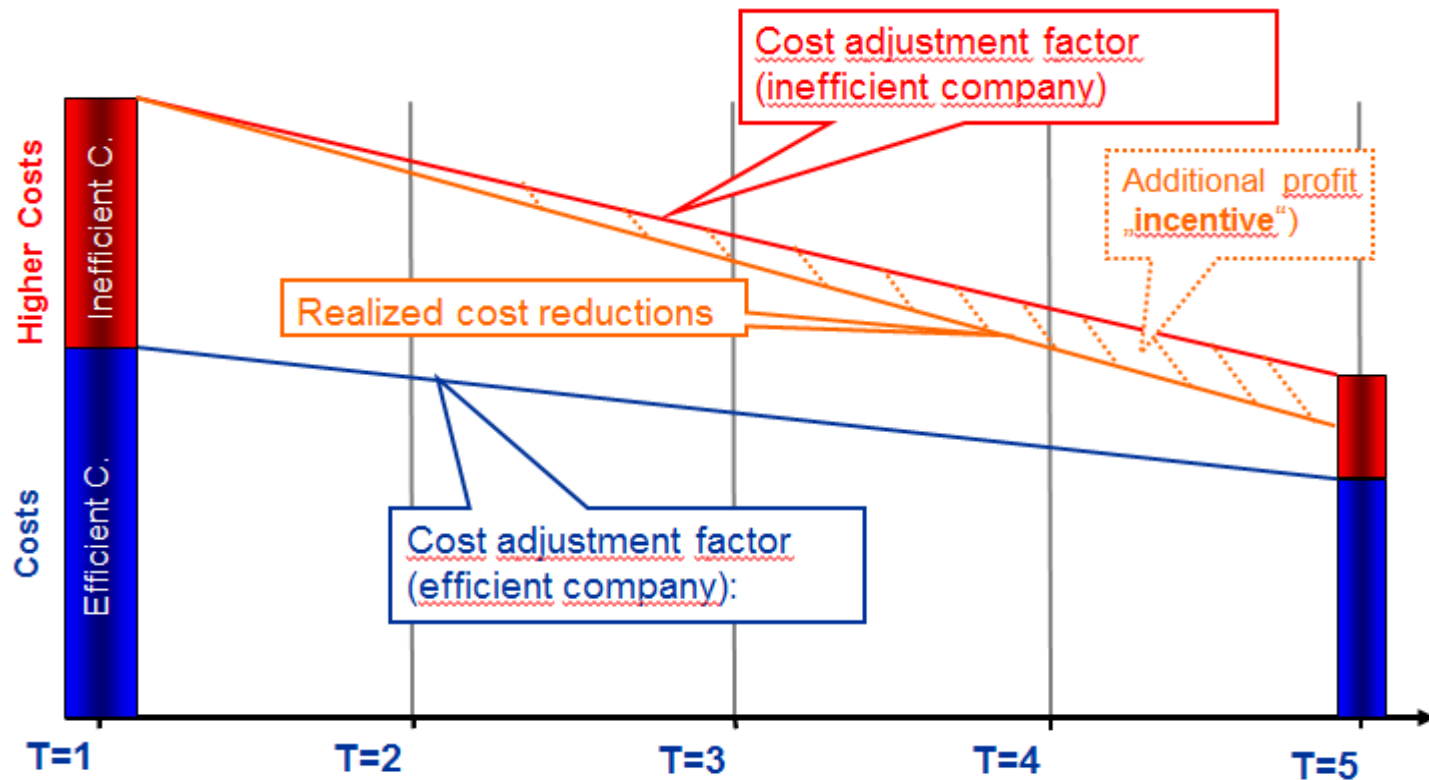
Project Results

Tariff Setting Methodology for Electricity Distribution, Pass Through and Consumption Tariffs

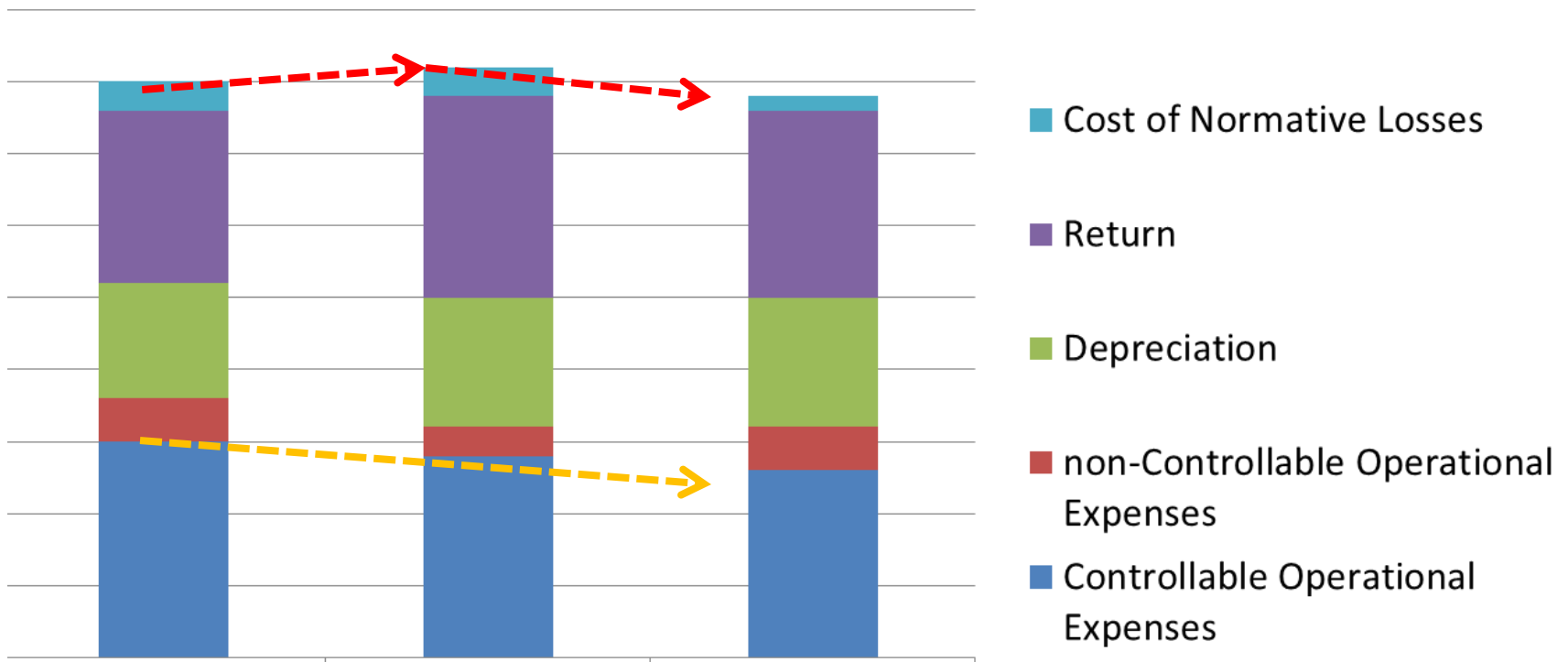
- Application of incentive-based principles for the first time in regulation;
- RCB structure based on the „Building Block“ approach;
- Determination of capital structure and WACC components;
- Preliminary reflection of investments in the tariff;
- Application of correction components for the first time .

General Principles of New Regulation

Incentive Regulation



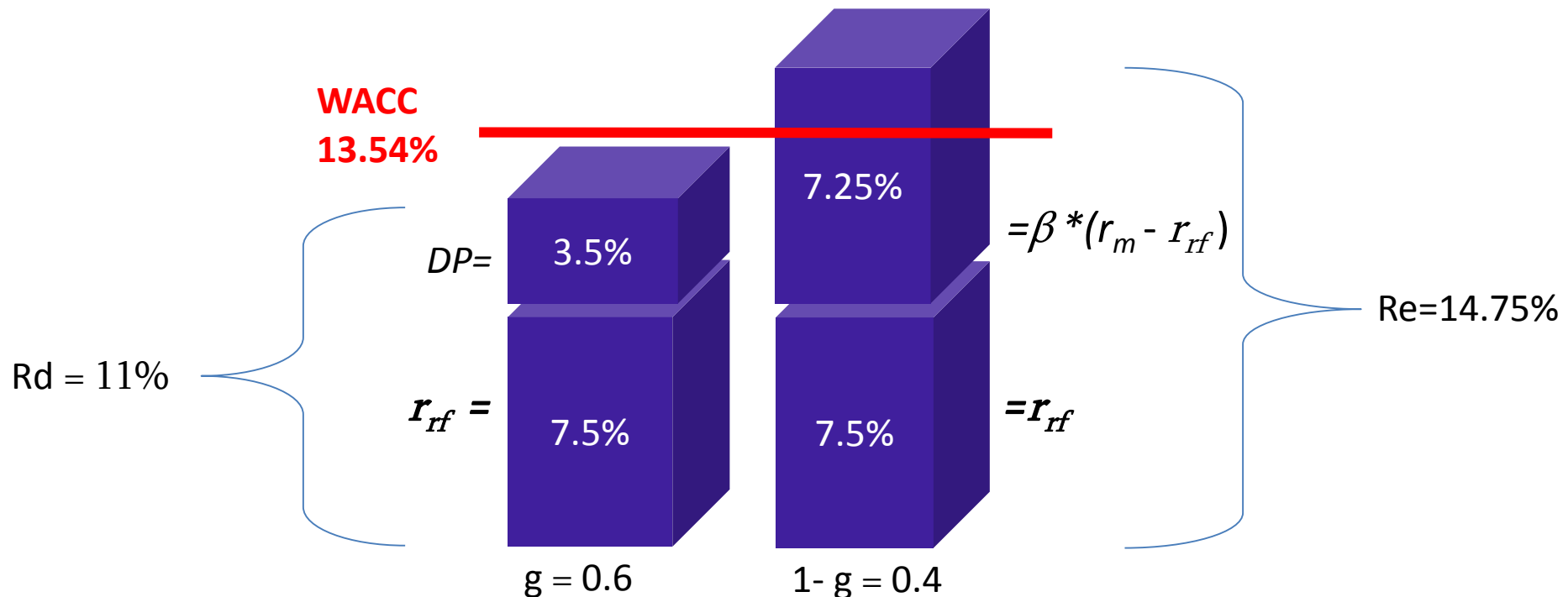
General Principles of new Regulation „Building Block“ Approach



Capital Expenditures

Weighted Average Cost of Capital

$$WACC_{beforetax} = 0.6 \times 11\% + 0.4 \times 14.75\% \times \frac{1}{(1 - 15\%)} = 13.54\%$$



Project Results

Tariff Setting Methodology for Electricity Distribution, Pass Through and Consumption Tariffs

- Additional incentives for the investment in the distribution network by preliminary reflection of investment returns for tariff calculation year and tariff year.
- Providing high level of fairness with correction of forecasted components by actual indicators for both the consumer and the investor.



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გეგმვა და მართვა

COMMISSION

Project Results

- GNERC approved/adopted Tariff Setting Methodology for Electricity Distribution, Pass Through and Consumption Tariffs according to the best international practice
- Based on this methodology GNERC approved tariffs for the largest distribution company who owns more than 75% of distribution network on August 22, 2014.

Thank you!



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