



Georgia's Energy Sector Electricity Market Watch

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Energy community secretariat's implementation report issued on 1 September 2018 measures Georgia's progress for the first time.

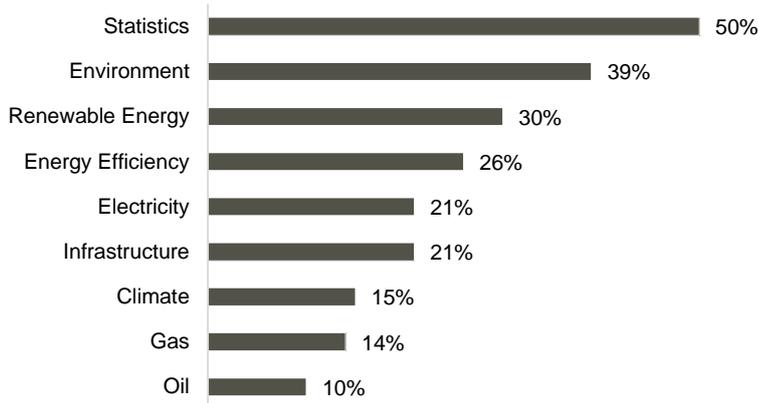
The report evaluates progress of 9 contracting parties, including Georgia, towards implementation of EU legislation (*acquis communautaire*) in sectors related to energy and environment. A report assesses a total of 37 sub-indicators across the nine sectors: electricity, gas, oil, renewable energy, energy efficiency, environment, climate, infrastructure and statistics.

Overall score of Georgia is circa 23% (out of maximum 100%), meaning that Georgia needs to make significant changes into legislation to become in line with EU rules and regulations. According to the report, out of 9 measured sectors, Georgia is moderately advanced in energy statistics, is on early implementation stage for electricity, renewable energy, energy efficiency, energy infrastructure and environment sectors, and ranks very poorly in oil, natural gas and climate sectors.

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Figure 1: Evaluation of Georgia's performance towards EnC requirements



Source: Energy Community

We expect major changes into legislation for electricity, renewable energy and energy efficiency sectors by the end-2018, as set in protocol regarding accession of Georgia to the Energy Community charter treaty. According to implementation report, at least a year is needed for testing and adjusting the relevant implementing provisions and market instruments. Thus, Georgia is targeting to have fully functional and competitive wholesale and retail markets of electricity by 2020.



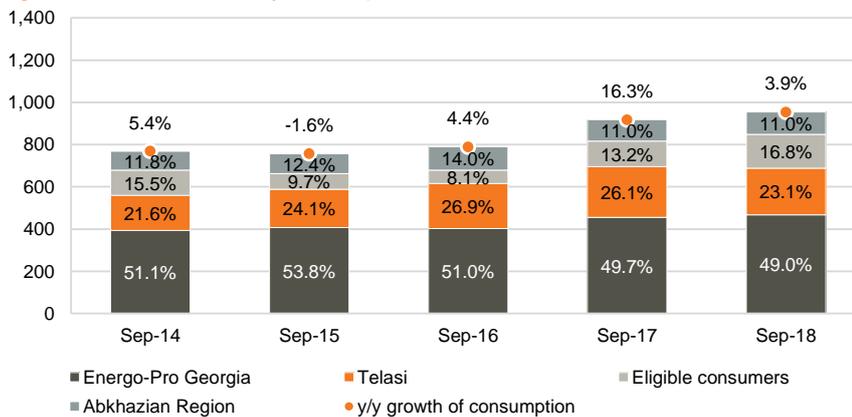
Electricity Consumption, Exports, Generation and Imports - September 2018

Electricity consumption increased by 3.9% y/y in September 2018, 4.9% below the planned level. Main contributors to the growth were eligible consumers (by 4.2ppts) and Energo-pro Georgia (by 1.3ppts), while Telasi had the negative effect on growth (-2.0ppts). Consumption was below the planned level for all consumer groups. In 9M18, electricity consumption is up by 7.3% y/y.

Eligible consumers' increased their consumption by 31.9% y/y in September 2018, explained by addition of new companies to the group of eligible consumers, in line with legal changes effective since May 2018.

Consumption by **distribution licensees** was down by 1.0% y/y in September 2018, caused by above-mentioned reallocation of eligible consumers. The addition of new commercial and household subscribers to the group was not sufficient to fully absorb the mentioned reasons for the decreased consumption, especially for Telasi.

Figure 2: Domestic electricity consumption, GWh



Source: ESCO
Note: Kakheti Energy Distribution was purchased by Energo-Pro Georgia in August, 2017

Table 1: Demand growth breakdown, Sep-18

Consumer	Growth rate, y/y	Share in consumption
Domestic consumption	+3.9%	100.0%
Abkhazian region	+4.0%	11.0%
Eligible consumers	+31.9%	16.8%
Distribution	-1.0%	72.2%
Energo-Pro Georgia	+2.6%	49.0%
Telasi	-7.8%	23.1%

Source: ESCO

Demand on electricity was mostly (85.9% of total demand) satisfied by domestic generation (+3.5% y/y) in September 2018.

Main contributors to the growth of domestic generation were thermal power plants (49.5% y/y) and HPPs, other than Enguri/Vardnili (+9.5% y/y). Since the demand on electricity grew below the planned level, the supply by Engur/Vardnili was reduced by 12.4% y/y.

A 14.1% of electricity demand was satisfied by **electricity imports** from Russia (96.6% of imports) and Azerbaijan (3.4%). ESCO was the sole importer of the energy in September 2018. ESCO's supplier (Inter-Rao ues) and import country (Russia) was selected via tender procedure announced and closed in August 2018.

The guaranteed capacity fee was up 6.6% y/y to USc 0.68/kWh in September 2018. The only TPP under maintenance was Mtkvari Energy (only for 12 days); Gardabani TPP operated at full capacity; other TPPs were providing reserve for the system.

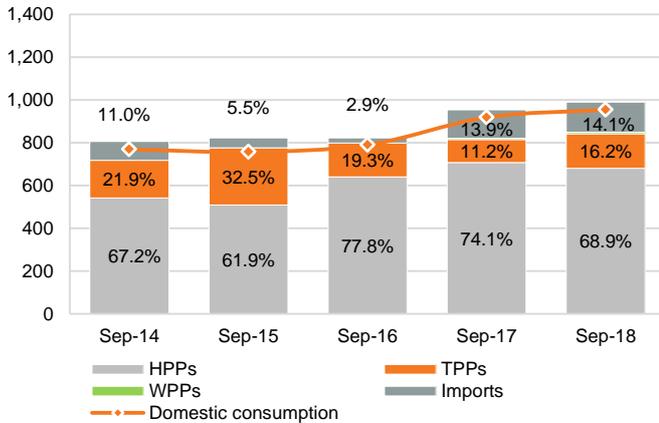
Table 2: Supply growth breakdown, Sep-18

Supply source	Growth rate, y/y	Share in supply
Total Supply	+3.7%	100.0%
Imports	+5.0%	14.1%
Domestic generation	+3.5%	85.9%
TPPs	+49.5%	16.2%
WPPs	+18.1%	0.8%
HPPs	-3.7%	68.9%
Enguri and Vardnili	-12.4%	37.6%
Other regulated HPPs	+9.9%	18.4%
Deregulated HPPs	+8.9%	12.8%

Source: ESCO

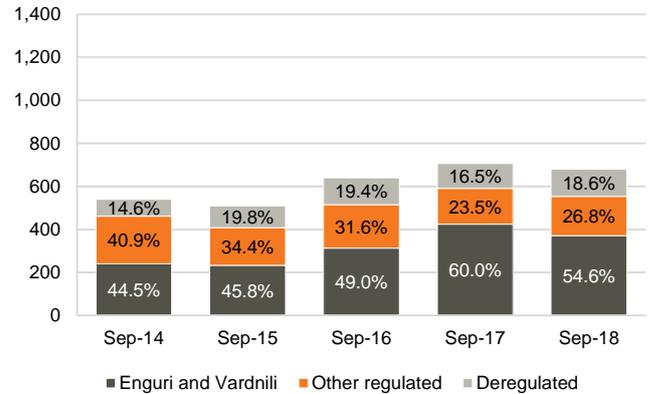


Figure 3: Electricity generation and domestic consumption, GWh



Source: ESCO

Figure 4: Hydro generation, GWh



Source: ESCO

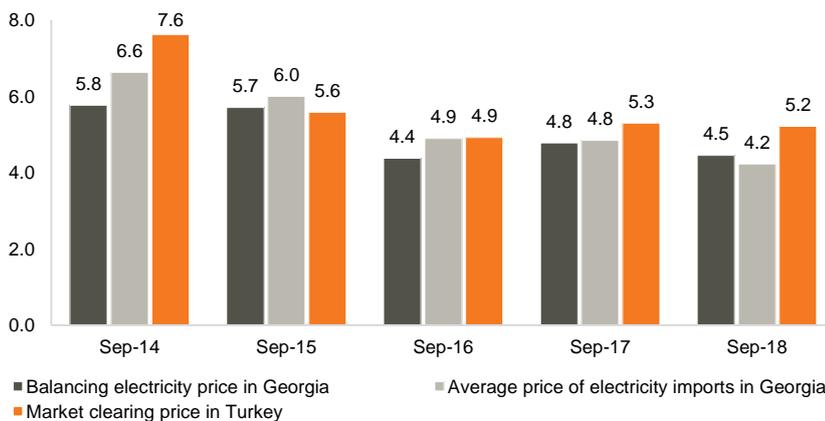
Electricity Prices in Georgia and Turkey - September 2018

Wholesale market prices in Georgia increased 6.8% y/y to USc 4.5/kWh in September 2018. A 24.1% of total electricity supplied to the grid was traded through the market operator (ESCO), with the rest traded through bilateral contracts.

Average price of electricity imports to Georgia was down 12.7% y/y to USc 4.2/kWh in September 2018. The decrease in price might be the result of ESCO's tender for supplier.

Turkish electricity prices increased by dramatic 80.7% y/y in TRY terms, but in US\$ terms price was down by 1.6%, the result of TRY's depreciation since August 2018. Generally, Turkey's energy sector is highly sensitive to FX movements and is anchored to US\$. In September 2018, average electricity prices in Turkey reached US\$ 5.2/kWh.

Figure 5: Electricity prices in Georgia and Turkey, USc/kWh



Source: ESCO, GeoStat, EPIAS
Note: Exports in September are insignificant



Table 3: Electricity Balance, GWh

	Oct-17	Nov-17	Dec-17	2017	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	9M18
Domestic consumption, total	947	1,032	1,163	11,856	1,168	1,059	1,114	979	961	980	1,091	1,047	954	9,353
% change y/y	7%	7%	0%	7.7%	8%	5%	9%	5%	12%	13%	11%	1%	4%	7.3%
<i>Of which:</i>														
- Abkhazian Region	136	194	241	2,002	247	216	207	149	100	101	116	120	105	1,364
% change y/y	-4%	-1%	-5%	3.9%	-2%	-7%	1%	-13%	-24%	0%	3%	1%	4%	-4.7%
- Eligible consumers	121	107	102	1,427	108	104	115	109	180	176	182	171	160	1,306
% change y/y	62%	32%	-17%	18.1%	1%	-8%	-11%	-14%	90%	35%	34%	24%	32%	18.9%
- Distribution Companies	690	732	819	8,427	812	738	792	721	680	702	793	756	688	6,683
% change y/y	4%	6%	4%	7.1%	12%	11%	16%	14%	8%	10%	8%	-3%	-1%	8.0%
<i>Of which:</i>														
- Energo-Pro Georgia	457	481	528	5,493	521	476	521	485	466	476	523	521	468	4,457
% change y/y	5%	10%	8%	8.1%	17%	16%	19%	16%	11%	12%	5%	0%	3%	10.7%
- Telasi	233	251	292	2,935	291	262	271	237	215	226	270	235	221	2,226
% change y/y	1%	-1%	-2%	5.2%	4%	2%	10%	9%	3%	7%	13%	-10%	-8%	3.1%
Domestic Generation, total	828	968	1,080	11,531	1,014	934	997	1,064	1,161	1,208	1,268	985	849	9,479
% change y/y	-9%	-3%	-9%	-0.4%	6%	15%	35%	30%	6%	6%	2%	-5%	3%	9.5%
<i>Of which:</i>														
- HPPs	583	658	682	9,211	676	594	775	1,019	1,079	1,200	1,253	827	681	8,104
% change y/y	-11%	2%	0%	-1.3%	20%	64%	42%	41%	0%	6%	2%	-12%	-4%	11.2%
- TPPs	239	304	393	2,233	331	334	215	35	76	3	7	150	160	1,312
% change y/y	-6%	-14%	-21%	-0.1%	-14%	-24%	14%	-59%	NM	171%	31%	81%	50%	1.1%
- WPPs	7	5	6	88	7	6	7	9	5	5	8	8	8	64
% change y/y	N/A	178%	-19%	NM	10%	7%	-21%	0%	-34%	-41%	10%	-10%	18%	-8.7%
Imports	157	110	135	1,497	202	168	161	11	44	6	1	100	139	832
% change y/y	832%	766%	302%	212.6%	13%	-33%	-48%	-92%	NM	NM	2%	37%	5%	-24.0%
Exports	-	1	-	686	-	-	-	62	200	195	132	-	-	588
% change y/y	N/A	N/A	N/A	22.7%	N/A	N/A	N/A	N/A	0%	-15%	-40%	N/A	N/A	-14%
Net Export/Import	(157)	(109)	(135)	(811)	(202)	(168)	(161)	51	156	188	131	(100)	(139)	(244)
Transit	15	23	53	254	-	13	-	13						
% change y/y	-89%	-83%	-61%	-70.1%	N/A	-18%	N/A	-91.8%						

Source: ESCO



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