



Georgia's Energy Sector Electricity Market Watch

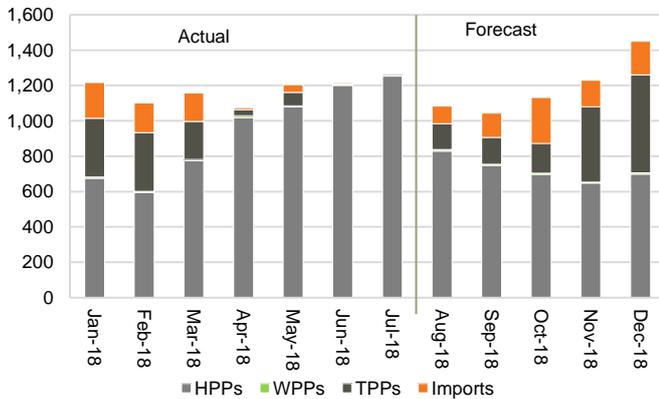
Georgia | Energy
Monthly Bulletin
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Electricity consumption growth rate was revised upwards by 3ppts for 2018. On August 27, 2018 Ministry of Economy and Sustainable Development updated the forecast of electricity (capacity) balance for 2018. Based on this document, forecast for electricity consumption in 2018 was revised upwards to 13.0 TWh, which is 9.9% y/y increase and the highest growth of electricity consumption since 2010. This growth in demand expected to be satisfied by increased thermal generation and imports. Notably, imports are planned at last year's record high level. The new balance also incorporates the changes into legislation made in May 2018 regarding the eligibility criteria for direct consumers and traditionally includes actual figures for 7M18.

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Figure 1: Electricity balance 2018, GWh



Source: Matsne.gov.ge

Electricity Consumption, Exports, Generation and Imports - August 2018

Electricity consumption growth slowed in August 2018, increasing by just 1.0% y/y after the 11.8% y/y growth during May-July period. The slowdown in growth can be explained by the high base of August 2017 (+14.4% y/y) and favorable weather conditions leading to decreased needs for air-conditioning. Consumption in 8M18 was up by 7.7% y/y.

Eligible consumers' increased their consumption by 24.4% y/y, 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 3.1% y/y in August 2018, caused by above-mentioned reallocation of eligible consumers and favorable weather conditions. The addition of new commercial and household subscribers to the group, was not sufficient to fully absorb the mentioned reasons for the decreased consumption.

There was no **export of electricity** in August 2018 because of the deficit in the system. Generally, August is considered as an export month, but high growth in electricity consumption led to significantly low exports of electricity during 2015-2017 (3-year average at 28GWh).

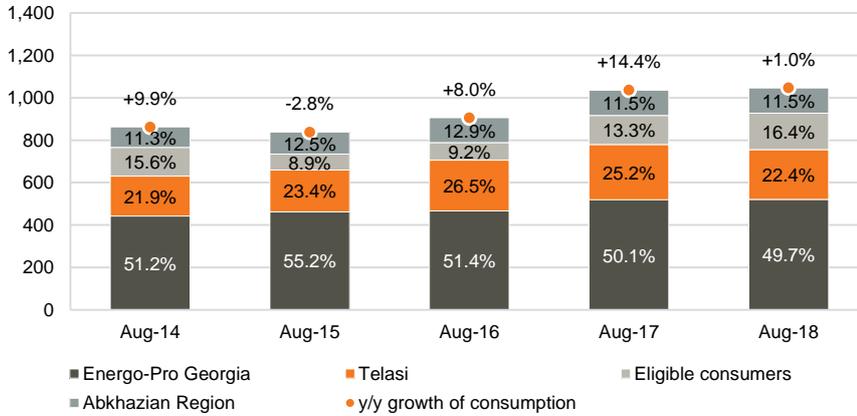
Table 1: Demand growth breakdown, Aug-18

Consumer	Growth rate, y/y	Share in consumption
Domestic consumption	+1.0%	100.0%
Abkhazian region	+1.0%	11.5%
Eligible consumers	+24.4%	16.4%
Distribution	-3.1%	72.2%
Energopro Georgia	+0.3%	49.7%
Telasi	-9.9%	22.4%

Source: ESCO



Figure 2: Domestic electricity consumption, GWh



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

Drop in hydro generation (-12.3% y/y) caused thermal generation (+81.2% y/y) and imports (+36.7% y/y) growth in August 2018

The low volume of **hydro Generation** is explained by bad hydrological conditions and maintenance works on some regulated HPPs. Notably, generation of new HPPs increased in August, contributing positively to the total supply of electricity.

A 9.2% of electricity demand was satisfied by **electricity imports** from Azerbaijan (65.7% of imports) and Russia (34.3%).

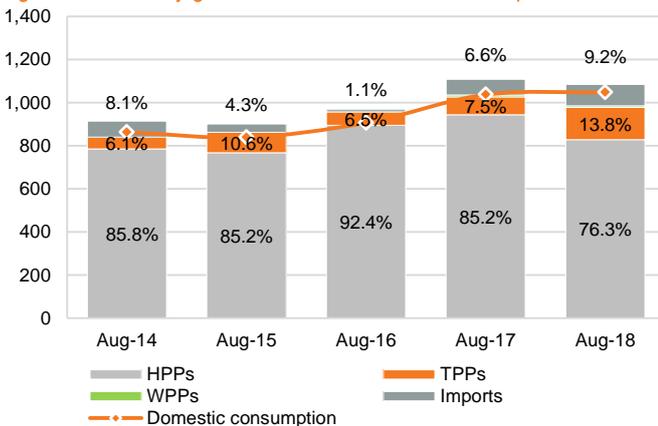
The guaranteed capacity fee was down 3.8% y/y to USc 0.54/kWh in August 2018. The TPPs under maintenance were Mtkvari Energy and Block 4 of Tbilisres; others provided guaranteed capacity for almost entire month.

Table 2: Supply growth breakdown, Aug-18

Supply source	Growth rate, y/y	Share in supply
Total Supply	-2.1%	100.0%
Imports	+36.7%	9.2%
Domestic generation	-4.8%	90.8%
TPPs	+81.2%	13.8%
WPPs	-10.1%	0.7%
HPPs	-12.3%	76.3%
Enguri and Vardnili	-12.5%	47.5%
Other regulated HPPs	-31.0%	14.6%
Deregulated HPPs	+22.7%	14.3%

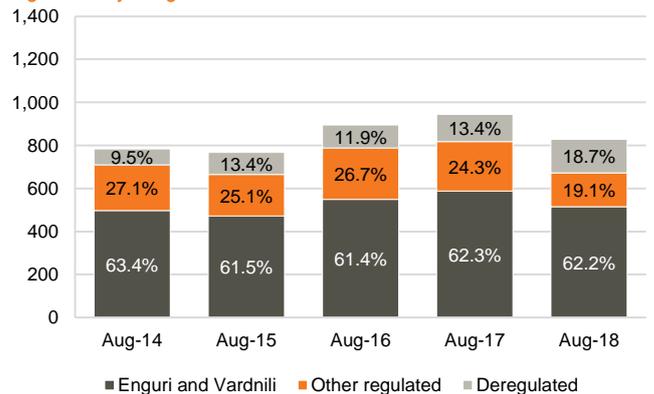
Source: ESCO

Figure 3: Electricity generation and domestic consumption, GWh



Source: ESCO

Figure 4: Hydro generation, GWh



Source: ESCO



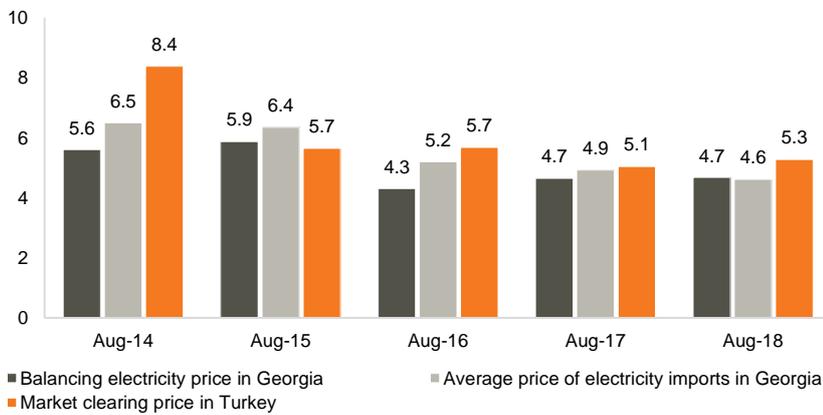
Electricity Prices in Georgia and Turkey - August 2018

Wholesale market prices in Georgia increased 0.6% y/y to USc 4.7/kWh in August 2018. A 16.4% 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 6.4% y/y to USc 4.6/kWh in August 2018.

Turkish electricity prices increased by dramatic 70.6% y/y in TRY terms, but in US\$ terms annual growth was mere 4.6%. This was market reaction to TRY's radical depreciation in August 2018 as energy sector is highly sensitive to FX movements and is anchored to US\$, based on analysts' assessments. In August 2018, average electricity prices in Turkey reached US\$ 5.3/kWh

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



Source: ESCO, GeoStat, EPIAS
Note: There was no export in Aug-18



Table 3: Electricity Balance, GWh

	Sep-17	Oct-17	Nov-17	Dec-17	2017	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	8M18
Domestic consumption, total	918	947	1,032	1,163	11,856	1,168	1,059	1,114	979	961	980	1,091	1,047	8,399
% change y/y	16%	7%	7%	0%	7.7%	8%	5%	9%	5%	12%	13%	11%	1%	7.7%
<i>Of which:</i>														
- Abkhazian Region	101	136	194	241	2,002	247	216	207	149	100	101	116	120	1,258
% change y/y	-8%	-4%	-1%	-5%	3.9%	-2%	-7%	1%	-13%	-24%	0%	3%	1%	-5.3%
- Eligible consumers	122	121	107	102	1,427	108	104	115	109	180	176	182	171	1,146
% change y/y	91%	62%	32%	-17%	18.1%	1%	-8%	-11%	-14%	90%	35%	34%	24%	17.3%
- Distribution Companies	695	690	732	819	8,427	812	738	792	721	680	702	793	756	5,995
% change y/y	13%	4%	6%	4%	7.1%	12%	11%	16%	14%	8%	10%	8%	-3%	9.2%
<i>Of which:</i>														
- Energo-Pro Georgia	456	457	481	528	5,493	521	476	521	485	466	476	523	521	3,989
% change y/y	13%	5%	10%	8%	8.1%	17%	16%	19%	16%	11%	12%	5%	0%	11.7%
-Telasi	239	233	251	292	2,935	291	262	271	237	215	226	270	235	2,006
% change y/y	12%	1%	-1%	-2%	5.2%	4%	2%	10%	9%	3%	7%	13%	-10%	4.5%
Domestic Generation, total	821	828	968	1,080	11,531	1,014	934	997	1,064	1,161	1,208	1,268	985	8,630
% change y/y	3%	-9%	-3%	-9%	-0.4%	6%	15%	35%	30%	6%	6%	2%	-5%	10.2%
<i>Of which:</i>														
- HPPs	706	583	658	682	9,211	676	594	775	1,019	1,079	1,200	1,253	827	7,423
% change y/y	10%	-11%	2%	0%	-1.3%	20%	64%	42%	41%	0%	6%	2%	-12%	12.8%
- TPPs	107	239	304	393	2,233	331	334	215	35	76	3	7	150	1,151
% change y/y	-32%	-6%	-14%	-21%	-0.1%	-14%	-24%	14%	-59%	NM	171%	31%	81%	-3.2%
- WPPs	7	7	5	6	88	7	6	7	9	5	5	8	8	56
% change y/y	N/A	N/A	178%	-19%	NM	10%	7%	-21%	0%	-34%	-41%	10%	-10%	-11.6%
Imports	133	157	110	135	1,497	202	168	161	11	44	6	1	100	693
% change y/y	449%	832%	766%	302%	212.6%	13%	-33%	-48%	-92%	NM	NM	2%	37%	-28.0%
Exports	0	0	1	0	686	-	-	-	62	200	195	132	0	588
% change y/y	N/A	N/A	N/A	N/A	22.7%	N/A	N/A	N/A	N/A	0%	-15%	-40%	N/A	-14%
Net Export/Import	(133)	(157)	(109)	(135)	(811)	(202)	(168)	(161)	51	156	188	131	(100)	(105)
Transit	32	15	23	53	254	-	13	-	-	-	-	-	0	13
% change y/y	-69%	-89%	-83%	-61%	-70.1%	N/A	-18%	N/A	N/A	N/A	N/A	N/A	N/A	-89.8%

Source: ESCO



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