



Georgia's Energy Sector Electricity Market Watch

Georgia | Energy
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GNERC updated Grid Code for Electricity on October 26, 2018 to include requirements of Energy Community's regulation No 543/2013 concerning submission and publication of data in electricity markets. This update is one step forward to implement Georgia's obligations under the Energy Community. The Grid Code sets general rules for gathering, submission and publication of information on the European Network of Transmission System Operators for Electricity's platform (ENTSO-E). The mentioned information includes: actual and forecasted loads, planned and emergency maintenance, grid congestions, NTCs, etc. The dispatch licensee - Georgian State Electrosystem (GSE) - is responsible for the data gathering and publication process and should prepare detailed instructions by April, 2019 and start publication by November, 2019.

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MoESD revised the annual balance of electricity in November 2018. The forecast for annual electricity consumption growth for 2018 was revised downwards from 9.9% to 8.2% in November 2018. The high expectation for annual growth was caused by 11.8%/y/y increase in consumption during May-July period. Since August 2018, the growth of consumption slowed down to average 2.6% y/y. As a result, consumption forecast was revised to follow the trend. Actual electricity consumption was up by 6.9% y/y and reached 7.4 TWh in 10M18.

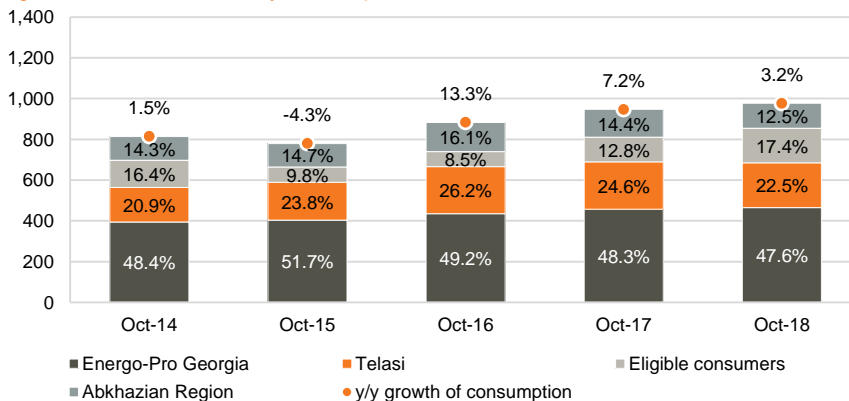
Updated annual balance of electricity also includes updated forecast of supply for November and December and actual figures for 10M18. According to updated balance, the import in 2018 is expected at last year's record level of 1.5TWh. The record high electricity import in 2017 was caused by Enguri's closure in winter reducing supply and 2018 import forecast is explained by increased electricity consumption.

Electricity Consumption, Exports, Generation and Imports - October 2018

Electricity consumption increased by 3.2% y/y in October 2018. The growth was driven by increased consumption of direct consumers (+40.5%/y/y), as new companies were added to the group of eligible consumers, in line with legal changes effective since May 2018.

Consumption by **distribution licensees** was down by 0.7% y/y in October 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 reallocation effect, 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, Oct-18

Consumer	Growth rate, y/y	Share in consumption
Domestic consumption	+3.2%	100.0%
Abkhazian region	-10.3%	12.5%
Eligible consumers	+40.5%	17.4%
Distribution	-0.7%	70.1%
Energo-Pro Georgia	+1.8%	47.6%
Telasi	-5.5%	22.5%

Source: ESCO



Growth in demand coupled with a drop in domestic supply created increased need for electricity imports in October 2018. Electricity imports were up by 46.1% y/y and accounted for 22.7% of total electricity supplied to the grid. An 87.8% of imports came from Azerbaijan, while rest was imported from Turkey (under terms of ESCO's barter agreement)

Domestic supply was down 5.5% y/y as hydro generation decreased by 0.8% y/y and thermal generation reduced by 17.2% y/y in October 2018. Increased generation of Enguri/Vardnili (+21.6%/y/y) was not sufficient to compensate the drop in deregulated (-18.1%/y/y) and other regulated (-8.3%/y/y) HPPs, mainly caused by unfavorable hydrological conditions.

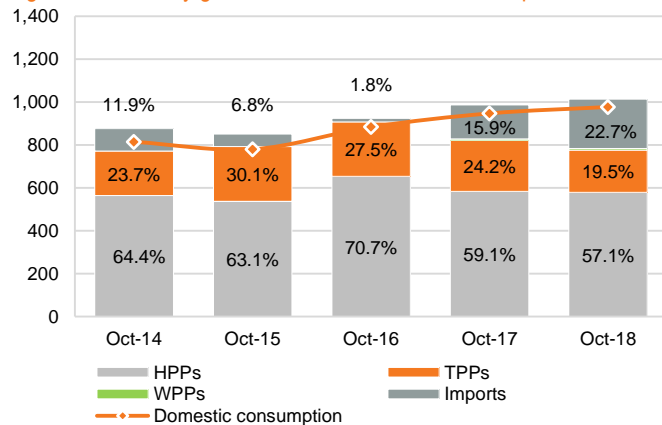
The guaranteed capacity fee was down by 3.8% y/y to USc 0.72/kWh in October 2018. All TPPs provided guaranteed capacity for entire month (except 1 day for Mtkvari Energy)

Table 2: Supply growth breakdown, Oct-18

Supply source	Growth rate, y/y	Share in supply
Total Supply	+2.7%	100.0%
Imports	+46.1%	22.7%
Domestic generation	-5.5%	77.3%
TPPs	-17.2%	19.5%
WPPs	+4.5%	0.7%
HPPs	-0.8%	57.1%
Enguri and Vardnili	+21.6%	24.3%
Other regulated HPPs	-8.3%	18.8%
Deregulated HPPs	-18.1%	13.9%

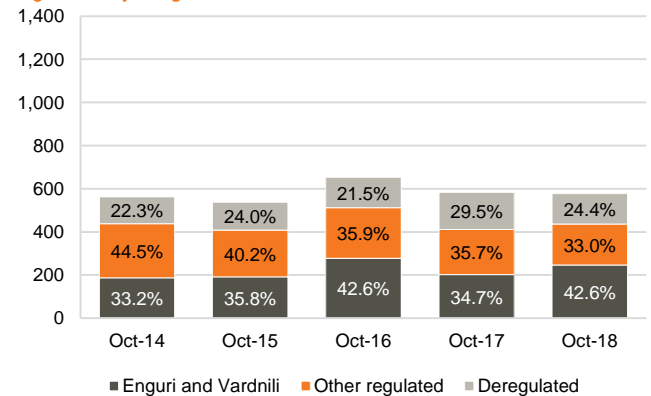
Source: ESCO

Figure 3: Electricity generation and domestic consumption, GWh



Source: ESCO

Figure 4: Hydro generation, GWh



Source: ESCO



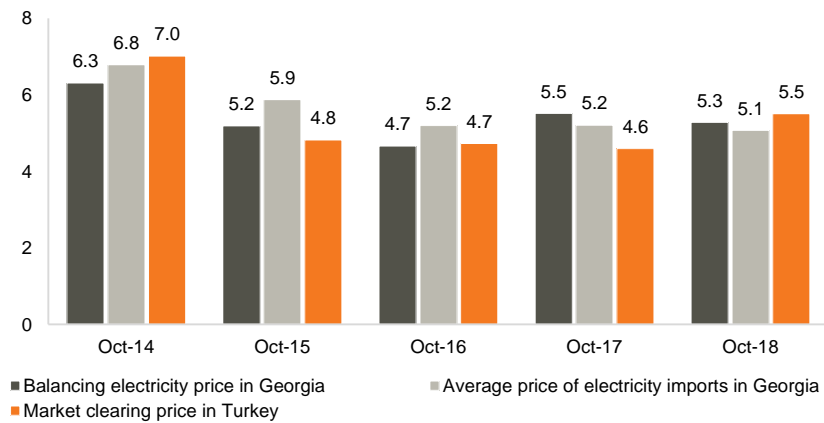
Electricity Prices in Georgia and Turkey - October 2018

Wholesale market prices in Georgia decreased 4.3% y/y to USc 5.3/kWh in October 2018. A 31.8% 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 slightly down (-2.7% y/y) to USc 5.1/kWh in October 2018.

Turkish electricity prices increased by dramatic 91.8% y/y in TRY terms, but in US\$ terms price was up by 19.8%, 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 October 2018, average electricity prices in Turkey reached US\$ 5.5/kWh.

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



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



Table 3: Electricity Balance, GWh

	Nov-17	Dec-17	2017	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	10M18
Domestic consumption, total	1,032	1,163	11,856	1,168	1,059	1,114	979	961	980	1,091	1,047	954	977	10,330
% change y/y	7%	0%	7.7%	8%	5%	9%	5%	12.3%	12.6%	10.8%	1%	4%	3%	6.9%
<i>Of which:</i>														
- Abkhazian Region	194	241	2,002	247	216	207	149	100	101	116	120	105	122	1,486
% change y/y	-1%	-5%	3.9%	-2%	-7%	1%	-13%	-24%	0%	3%	1%	4%	-10%	-5.2%
- Eligible consumers	107	102	1,427	108	104	115	109	180	176	182	171	160	170	1,476
% change y/y	32%	-17%	18.1%	1%	-8%	-11%	-14%	90%	35%	34%	24%	32%	40%	21.1%
- Distribution Companies	732	819	8,427	812	738	792	721	680	702	793	756	688	685	7,368
% change y/y	6%	4%	7.1%	12%	11%	16%	14%	8%	10%	8%	-3%	-1%	-1%	7.2%
<i>Of which:</i>														
- Energo-Pro Georgia	481	528	5,493	521	476	521	485	466	476	523	521	468	465	4,922
% change y/y	10%	8%	8.1%	17%	16%	19%	16%	11%	12%	5%	0%	3%	2%	9.8%
- Telasi	251	292	2,935	291	262	271	237	215	226	270	235	221	220	2,446
% change y/y	-1%	-2%	5.2%	4%	2%	10%	9%	3%	7%	13%	-10%	-8%	-6%	2.3%
Domestic Generation, total	968	1,080	11,531	1,014	934	997	1,064	1,161	1,208	1,268	985	849	783	10,262
% change y/y	-3%	-9%	-0.4%	6%	15%	35%	30%	6%	6%	2%	-5%	3%	-5%	8.2%
<i>Of which:</i>														
- HPPs	658	682	9,211	676	594	775	1,019	1,079	1,200	1,253	827	681	578	8,682
% change y/y	2%	0%	-1.3%	20%	64%	42%	41%	0%	6%	2%	-12%	-4%	-1%	10.3%
- TPPs	304	393	2,233	331	334	215	35	76	3	7	150	160	198	1,509
% change y/y	-14%	-21%	-0.1%	-14%	-24%	14%	-59%	NM	NM	NM	81%	50%	-17%	-1.7%
- WPPs	5	6	88	7	6	7	9	5	5	8	8	8	7	71
% change y/y	178%	-19%	NM	10%	7%	-21%	0%	-34%	-41%	10%	-10%	18%	4%	-7.5%
Imports	110	135	1,497	202	168	161	11	44	6	1	100	139	230	1,062
% change y/y	766%	302%	212.6%	13%	-33%	-48%	-92%	NM	NM	NM	37%	5%	46%	-15.2%
Exports	1	0	686	-	-	-	62	200	195	132	0	0	0	589
% change y/y	N/A	N/A	22.7%	N/A	N/A	N/A	N/A	0%	-15%	-40%	N/A	N/A	N/A	-14.0%
Net Export/Import	(109)	(135)	(811)	(202)	(168)	(161)	51	156	188	131	(100)	(139)	(229)	(473)
Transit	23	53	254	-	13	-	-	-	-	-	-	-	-	13
% change y/y	-83%	-61%	-70.1%	N/A	-18%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-92.5%

Source: ESCO



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