



# Georgia's Energy Sector Electricity Market Watch

Georgia | Energy  
Monthly Bulletin  
July 26, 2016

The Ministry of Energy has suspended the moratorium on PPAs for power generation. The ministry announced in May 2016 that it would reevaluate the existing PPA policy per IMF's recommendation. The evaluation process has been completed and the ministry has announced one major change to the policy – investors in the energy sector will no longer be granted 12-month take-or-pay PPAs; the guarantee period will be limited to 8 months. Since 12-month PPAs were only granted in exceptional cases, such as Khudoni HPP, Nenskra HPP and Tkibuli TPP, this change will not affect the majority of potential investors. The purchase price is expected to remain at USc 6/kWh on average, according to the ministry. Notably, the change in the PPA policy will not affect existing MoUs.

## Electricity market highlights

Balancing price of electricity in Georgia, June*	USc 4.9 / kWh
Market clearing price of electricity in Turkey, June*	USc 5.2 / kWh
Average export price for Georgian electricity, June	USc 3.9 / kWh
Average import price for electricity, June**	USc 6.2 / kWh
Y/Y increase in domestic consumption in kWh, 1H16	2.6%
Y/Y increase in exports in kWh, 1H16	0.4%
Y/Y increase in exports to Turkey in kWh, 1H16	-31.6%

\*Average exchange rates in June GEL/US\$ = 2.1877; TRY/US\$= 2.9170

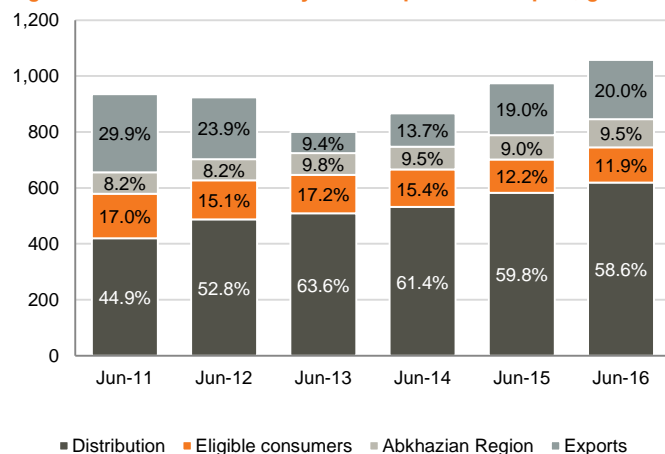
\*\* Imports were negligible in June (<1 gWh)

PowerChina Resources LTD (CHN), Clean Energy Group Georgia LLC (NOR), and General Development LLC (GEO, AUT) are the three companies who have submitted bids for the 433MW Namakhvani HPP cascade project. The Expression of Interest stage lasted for six months, with 26 companies present at the initial site visit and basic design presentation. Ministry of Energy will select the winner within six months; the key criterion in the selection process is the average per kWh price proposed by the investor.

## Electricity Generation, Consumption, and Exports

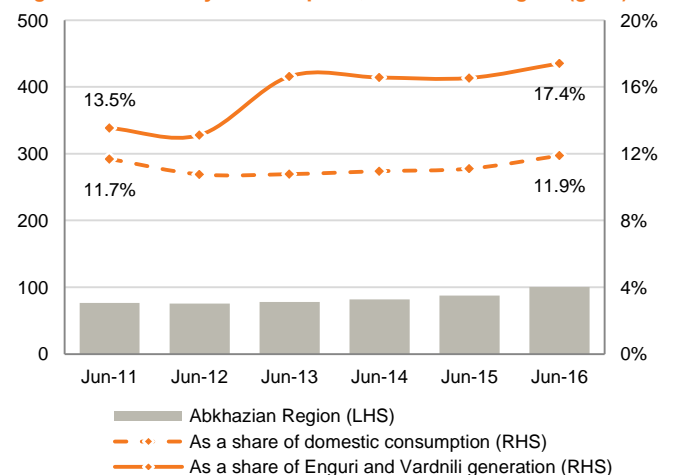
Direct consumption was up 6.4% y/y in June 2016, after Georgian Manganese (GM) resumed mining operations in May. The full effect was seen in the June figures, with GM's consumption up 14.3% y/y. Total domestic usage was up 7.3% y/y, with DNO consumption (+6.3% y/y) a major driver. Growth was concentrated on the greater Tbilisi area (+13.4% y/y). Usage of Energo-Pro subscribers was up 3.4% y/y. Exports were up 14.6% y/y in June with Turkey being the major demand driver. 50.2% of exports were directed to Turkey (+23.1% y/y), 29.2% to Russia (-5.6% y/y) and the rest to Armenia (+32.4% y/y). Consumption of the Abkhazian region was up 14.8% y/y, after three consecutive months of flat or negative growth figures.

Figure 1: Domestic electricity consumption and export, gWh



Source: ESCO

Figure 2: Electricity consumption, Abkhazian Region (gWh)



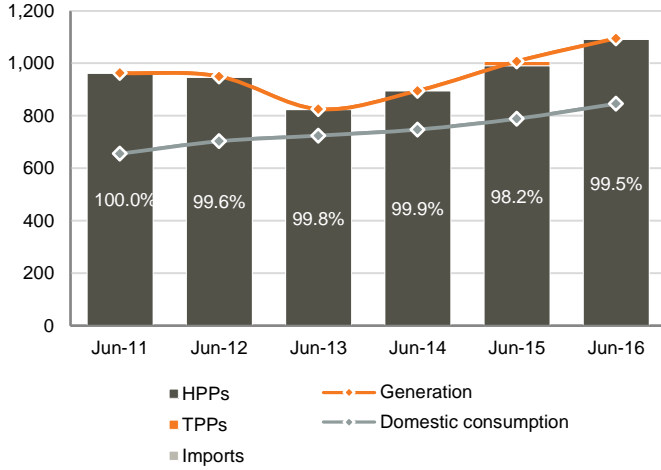
Source: ESCO

Domestic consumption needs were fully met by domestic hydrogeneration in June 2016. Total generation was up 8.7% y/y. The main contributor to the growth was Enguri and Vardnili generation, which reached a six-year high. TPP generation in June 2016 was negligible, but the TPPs remained on stand-by to support system capacity. Notably, Gardabani CCPP was on stand-by for only eight days, leading to a 57.4% m/m decline in the guaranteed capacity fee. Electricity imports in June 2016 were negligible.

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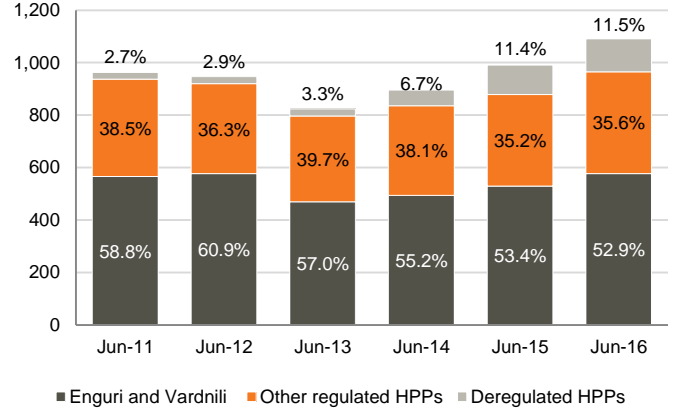


**Figure 3: Electricity generation, import, and domestic consumption, gWh**



Source: ESCO

**Figure 4: Hydro generation, gWh**

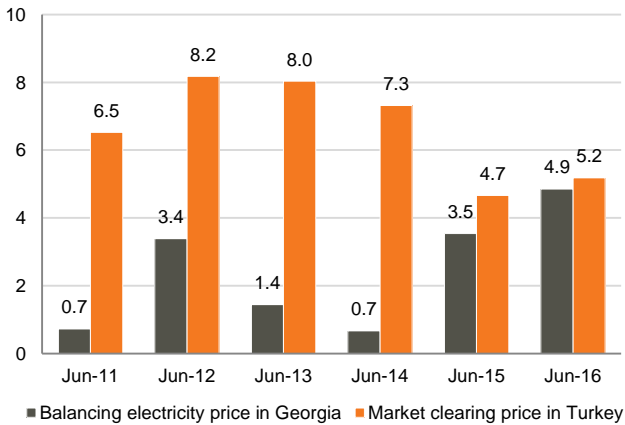


Source: ESCO

### Electricity Prices in Georgia and Turkey

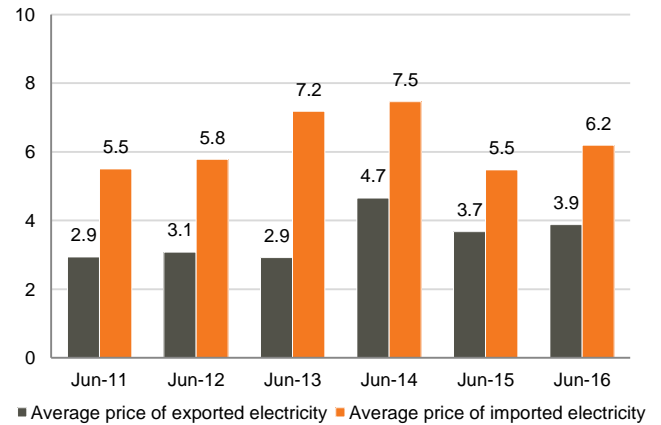
The market clearing price in Turkey was up 11.0% y/y in US\$ terms in June 2016. Turkish electricity prices have posted increases on an annual basis for three consecutive months, albeit from very low bases. Wholesale prices are on the rise in Georgia as well - the June 2016 price for balancing electricity was USc 4.9/kWh, up 37.0% y/y. A mere 2.3% of total electricity supplied to the grid was traded through the market operator. The rest of the trade occurred through bilateral contracts. The average export price of Georgian electricity was USc 3.9/kWh, with over half of the exports going to Turkey.

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



Source: ESCO, EPIAS

**Figure 6: Average prices for imports and exports, USc/kWh**



Source: ESCO, GeoStat



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