Twinning Fiche

Project title: Development of Incentive Based Regulation for Service Quality and Regulatory Strategy to Support Roll-out of Smart Metering
Beneficiary administration: Georgian National Energy and Water Supply Regulatory Commission (GNERC)
Twinning Reference: GE 15 ENI EY 03 18 R
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EU funded project
TWINNING INSTRUMENT

List of abbreviations:

AA	**Association Agreement**
BA	**Beneficiary Administration**
BC	**Beneficiary Country**
Eap	**Eastern Partnership**
EBRD	**European Bank for Reconstruction and Development**
EC	**Energy Community**
ENP	**European Neighbourhood Policy**
ENS	**Energy Not Supply**
EU	**European Union**
EUD	**Delegation of the European Union**
GNERC	**Georgian National Energy and Water Supply Regulatory Commission**
LA	**Legal Approximation**
MOJ	**Ministry of Justice**
MS	**Member State**
OECD	**Organisation for Economic Co-operation and Development**
OSCE	**Organisation for Security and Cooperation in Europe**
PAO	**Programme Administration Office**
PL	**Project Leader**
PSC	**Project Steering Committee**
RTA	**Resident Twinning Advisor**
SAIDI	**System Average Interruption Duration Index**
SAIFI	**System Average Interruption Frequency Index**
SC	**Steering Committee**
STE	**Short Term Experts**
TAIEX	**Technical Assistance and Information Exchange**

1. Basic Information

1.1 **Programme:** Technical Cooperation Facility ENI/2015/037-862 / direct management

For applicants from the United Kingdom: Please be aware that eligibility criteria must be complied with for the entire duration of the grant. If the United Kingdom withdraws from the EU during the grant period without concluding an agreement with the EU ensuring in particular that applicants from the United Kingdom continue to be eligible, the beneficiaries from the United Kingdom will cease to receive EU funding (while continuing, where possible, to participate) or be required to leave the project on the basis of Article 12.2 of the General Conditions[1] to the grant agreement.

1.2 **Twinning Sector:** Energy

1.3 **EU funded budget:** 1,200,000€

2. Objectives

2.1 Overall Objective(s):

The overall objective is to assist Georgia to gradually harmonize its regulatory framework with the Union Energy *acquis* and promote efficient, safe, modern and secure operation of energy infrastructure in Georgia.

2.2 Specific objective:

The purpose of this Twinning Project is to develop the institutional framework for the implementation of regulation of Georgia's energy market in line with the Union *acquis* and to strengthen the capabilities of Georgian National Energy and Water Supply Regulatory Commission (hereinafter, GNERC) as the independent national regulatory authority through the development of tools and mechanisms based on the best-EU practice with regard to designing incentive-based regulation for service quality and developing regulatory strategy to support roll-out of smart metering.

2.3 The elements targeted in strategic documents i.e. National Development Plan/Cooperation agreement/Association Agreement/Sector reform strategy and related Action Plans

This Twinning project is fully in line with the provisions stated in the Association Agreement (AA). According to the AA and especially the Chapter 11 and annex XXV Georgia undertakes to integrate its market and gradually transpose the Union energy *acquis* into the national legislation as well as to become a Contracting Party to the Energy Community Treaty with the aim of ensuring access to secure, environmentally friendly and affordable energy. Regulation is a key element of this approximation process and therefore, the AA commits EU and Georgia to work towards strengthening the independence of the national energy regulatory authority and its capacity to develop the relevant regulatory framework to ensure the operation of competitive, transparent and efficient energy markets.

According to the AA Georgia has to increase market integration and gradually approximate regulatory key elements towards the Union *acquis,* and promote energy efficiency; the use of renewable energy sources, increase reliability of energy infrastructure and quality of service standards. Furthermore, the parties acknowledged the need for enhanced energy cooperation, and the commitment to implement the Energy Charter Treaty.

At the national level the State Policy Document shapes main directions in Energy Sector of Georgia (approved by the Parliament in 2015) which envisages gradual approximation of Georgian legislative and regulatory framework with the Union energy *acquis.*

The planned Twinning Project aims at supporting the implementation of the above-mentioned goals through the approximation of Georgia's regulatory framework in the electricity and natural gas markets.

3. Description

3.1 Background and justification:

Background

[1] Twinning manual Annex A2

Georgian National Energy and Water Supply Regulatory Commission (GNERC) is the legal entity established under the Law of Georgia on Electricity and Natural Gas. Its status is also defined under the Law of Georgia on National Regulatory Authorities. The President of Georgia submits the candidatures of the Commission members with the approval of Government of Georgia to the Parliament of Georgia, which elects them with the majority vote. A member of the Commission is elected for a six-year term, renewable only once. The President of Georgia submits the candidature of the Chairman of the Commission with the approval of Government of Georgia to the Parliament of Georgia.
The goals of the Commission are determined by current legislation of Georgia as well as by the Union *acquis.* The main goals of GNERC are to create and develop competitive markets, set fair tariffs, create transparent tariff setting system and approve tariff setting methodologies, ensure security and reliability of supply, monitor energy markets and promote competition, define quality of service and supply standards, settle disputes, etc.
Although an energy strategy of Georgia is not yet in place, the State Policy in Energy Sector of Georgia gives important directions in the sector.
On April 24, 2017 Georgia has become a contracting party of Energy Community and subsequently, transposition of the Union *acquis* in the energy sector in Georgia has become necessary.
According to the 3rd Package Directive 2009/72/EC (Article 37 (h)), the regulatory authority shall have the duty of setting or approving standards and requirements for quality of supply or contributing thereto together with other competent authorities. Directive 2009/73/EC further states that "quality of service should be a central responsibility of natural gas undertakings". Georgia, as a member of Energy Community should get aligned with the 3rd package requirements. The importance of service quality and protection of consumer interests are underlined in the document adopted by the Parliament of Georgia in 2015, and are among the main direction of the state energy policy of Georgia.
The enactment of the regulatory framework had a very positive impact on overall improvement of quality of electricity supply in Georgia; however, a number of challenges still remain. For example, an increasing number of customers suffer from voltage disturbances in Georgia, due to the growing number and sensitivity of end-user equipment. As for now, GNERC has adopted electricity quality minimum standards in the Georgian Grid Code. However, the distribution network is still not compatible with EU requirements in terms of voltage levels.It might be convincingly argued that gas quality standards must be defined at national level.
According to the Georgian legislation, the service to the final customers is provided by the natural gas distribution licensees and natural gas suppliers. Both o are required to serve customers and provide a reliable supply of natural gas.
GNERC monitors the quality of service provided by the natural gas undertakings but current practice is still far from the best European performance. In other words, there are service quality provisions and obligations in the current regulatory framework in Georgia but not as detailed as in European countries.

Directive 2009/72/EC and Directive 2009/73/EC envisages obligation of ensuring implementation of intelligent metering systems. An economic assessment of all the long-term costs and benefits to the market and the individual consumer led to a positive opinion on smart metering systems. Therefore, given the above , GNERC is highly interested in introducing a regulatory framework in line with the EU experience regarding intelligent metering regulation and contribute to launch targeted endeavours for developing intelligent metering systems according to the long term cost-benefit justifications.

Specific attention will be paid to ensure that legal approximation process supported under this Twinning project will be according to the national framework on policy and legislative development and to the better regulation approach supported also at the EU level[2]. A better regulation approach requires that policies and legislation are prepared on the basis of the best available evidence (impact assessments) and according to an inclusive approach involving both internal and external stakeholders.

Furthermore, building on the lessons learnt and the Better Regulation agenda promoted at the EU level[3], this Twinning project will contribute to the overall public administration reform in Georgia by ensuring the introduction of an inclusive and evidence-based approach to policy-making and legal drafting in the respective sector. It will also pay specific attention to accountability and reporting lines between concerned institutions. GNERC will ensure participation of the representatives of stakeholders in the activities that will be undertaken within the project (ex. agencies, ministries, distribution and transmission licensees, etc.).

[2] http://ec.europa.eu/info/strategy/better-regulation-why-and-how_en
[3] http://ec.europa.eu/info/files/better-regulation-better-results-eu-agenda-0_en

3.2 **Ongoing reforms:**

The main areas of quality of electricity supply are continuity of supply, voltage quality and commercial quality. For the purposes of improving quality of electricity supply, GNERC adopted a number of relevant regulations in the past years. The main regulatory acts in this area are as follows:

The Resolution №9 requires electricity distribution licensees to submit to GNERC quarterly and annual reports on reliability of supply performance and uses the following indicators of reliability - SAIDI (System Average Interruption Duration Index), SAIFI (System Average Interruption Frequency Index) and ENS (Energy Not Supplied). In practice, all two electricity distribution companies in Georgia (JSC Telasi, JSC Energo-Pro Georgia) duly report to GNERC on reliability of supply performance. To date there has been a tendency of improvement of annual reliability indicators, however, a notable contrast in service quality among the regions and utility service areas persists.

Currently, reliability of supply performance is monitored only for electricity distribution companies. There is no regulation of reliability of supply for electricity transportation level and for natural gas sector both transportation and distribution level. However, annual reporting forms for natural gas distribution companies which have been updated and approved in 2016 incorporates information on the reliability of supply performance indicators (SAIDI, SAIFI).

Moreover, amendments were introduced to the Resolution №23 of the Commission "On Approving Rules of Licensing and Activity Control in the Electricity, Natural Gas and Water Supply Sector" in 2016, which oblige electricity licensees not to worsen annual reliability indicators of electricity supply and ensure further improvement of such indicators in order to guarantee continuous supply of electricity to customers. Such obligation is a mandatory licensing condition and its non-compliance will be considered as a breach of the licensing condition.

The Resolution №13 sets out the minimum requirements of service quality and comprises general and guaranteed commercial quality standards. General standards refer to the commercial quality standards that are not calculated as the performance of service provided to one particular consumer, while in case of guaranteed standards, they must be met in each individual customer case and where the licensee fails to do so, individual consumers are entitled to compensation. The Resolution sets out a number of commercial quality standards, which are essential for improvement of reliability of supply.

Moreover, for properly monitoring guaranteed and general commercial quality standards prescribed in the Resolution №13, GNERC has developed database and online platform in-house which enables on one hand energy companies to fill out necessary information for a specific standard and on the other hand GNERC to ensure that commercial quality standards are met properly. It should be also noted that such online platform is a first attempt of National Regulatory Authority of the Energy Sector to conduct commercial quality monitoring through sophisticated tools.

3.3 **Linked activities:**

In the recent years, a number of projects financed by different donors have been contributing for development and strengthening of the Georgian energy system and its efficiency. Below is a summary of the main interventions:

"Capacity-Building for Energy Regulators in Eastern Europe and central Asia" - EU funded project under INOGATE, January 2009 - July 2010 – 2016. The project promoted and advocated good and sound energy regulatory practices in the Partner Countries of the INOGATE Programme and promoted harmonisation of energy regulatory practices among them.

EU4ENERGY – 2016-2020 European Union (EU) initiative that works with the six Eastern Partnership (EaP) countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine) and five Central Asian countries (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan) to support the elaboration and implementation of energy policies that reduce their energy dependence and intensity, bolster their resilience and open up new opportunities for efficient low-carbon economies that further advance citizens' well-being.

"Strengthening capacities of the Georgian National Energy and Water Supply Regulatory Commission (GNERC) in updating incentive based electricity tariff methodology" (E10/ENP-PCA/EY/11) - EU funded Twinning Project, September 2012 – June 2014. The project supported to strengthen the capacities of GNERC and develop the new electricity tariff methodology. The main objectives of the project were to significantly increase the knowledge and skills of GNERC's management and its staff in the electricity sector

regulation with specific reference to incentive based electricity tariffs, benchmarking, data monitoring and management and quality of service regulation in line with the Union *acquis* and best practices.

"Strengthening capacities of the Georgian National Energy and Water Supply Regulatory Commission (GNERC) in regulatory Cost Audit and Market Monitoring" - EU funded Twinning project, January 2016 – September 2017. The project aimed to strengthen the capabilities of GNERC through the development of tools and mechanisms based on the best-EU practice regarding regulatory cost audit and market monitoring within the electricity sector.

TAIEX - Expert mission on the development and implementation of the new electricity market model implemented in December 2017(ref. 65051); **Expert mission** on sharing knowledge regarding EU legislation in the area of supplier switching and retail market development in natural gas sector implemented in September 2015 (ref. 60219).

"Advisory Support to the Georgian National Energy & Water Supply Regulatory Commission (GNERC) – funded by the European Bank for Reconstruction and Development (EBRD), April 2016 – April 2017. The terms of reference includes the following issues: calculation of losses in electricity and natural gas networks, quality of service regulation in electricity and natural gas sectors, licensing in gas sector, investment appraisal, unbundling of activities in gas sector and implementation of uniform system of accounting in electricity sector.

Related Programmes and Projects

The reform of Public Administration (PAR) is of utmost importance for the country and the process is supported through donor community. The EU total contribution to the "Support to the Public Administration Reform in Georgia" 2016-2019, is 30 000 000 euro. Out of which 20 000 000 EUR is budget support share and 10 000 000 EUR for complementary support. The objective of the programme is to improve the efficiency, accountability and transparency of the public administration of Georgia, in line with the key Principles of Public Administration that have been developed by OECD/SIGMA in close cooperation with the European Commission. It will have a particular focus on the improvement of the policy planning and coordination capacities and processes in the central public administration. The professionalization of the civil service (including the reform of the civil service training system) will also be supported through the programme.

Project Title: Facility for the implementation of the Association Agreement in Georgia; EU funded; Duration: 2015-2018; Description: the project provides policy advice and capacity building support to the Georgian Government in coordinating the implementation of the Association, strengthening the institutional capacities of the line ministries and other public institutions to carry out the required reforms, including on policy development and legal approximation processes.

Project Title: Legislative Impact Assessment, Drafting and Representation; EU funded; Duration: 2015-2018; Description: the project aims to improve the legal drafting process at the central level of government (through promoting better coordination among relevant entities, and introduction of the regulatory impact assessment of draft legislation) as well as the Government's international representation and reporting functions with special emphasis on the Ministry of Justice.

These two projects: AA Facility and Legal drafting supported the elaboration of unified methodologies, and provided capacity building to key institutions (government and parliament) in the legal approximation and RIA processes. These methodologies are to be formally approved by Government.

Two other projects, EU funded – implemented by GIZ, and USAID-funded ("G4G") also support LA and Regulatory Impact Assessment (RIA) but with focus on economic sphere.

EU programmes supporting energy efficiency measures could be considered for pilots of smart meters in the country, including the E5P Fund, Covenant of Mayors, as well as the upcoming bilateral Programme for energy efficiency in public sector (AAP 2018).

Policy and legislative process

The National Policy Planning System Reform Strategy, adopted by the Government of Georgia in August 2015 recognises the current weak link between the policy planning process and legislation drafting, the absence of practice of legislative impact assessment and the weak institutional capacity of ministries in legal drafting. In the same line, the OSCE has published an assessment of the legislative process in Georgia in 2015, highlighting a number of weaknesses in the current (policy-making) and legislative process. The assessment specifically notes the reoccurring problem with implementation of laws, which can be attributed to the low quality of laws due to weaknesses in the law-making process. There is a pressure to complete numerous legal reforms in the shortest possible time: "This situation inevitably places enormous pressure on the combined law-making resources of the Government and the Parliament and leaves little time for essential elements of a well-ordered law-making process, such as regulatory impact assessments or proper consultation with civil society." Improvement of the legislative drafting process and quality of legislation is now a priority area of action for the Administration of Government under the Prime Minister (steering the policy-making process) and all line ministries. This primarily involves the Administration of Government, Ministry of Justice, and Ministry of Economy and Sustainable Development. The Government, with international support, is currently developing a uniform methodology for regulatory impact assessments, to be used by all legal drafters. Similar effort is being made with regards to developing a uniform approach to legal approximation.
To sustain the legal approximation process the Ministry of Justice (MoJ) with the support of the EU assistance (under above mentioned projects Association Agreement Facility and Legal Drafting projects) elaborated Legal Approximation Guidelines and Manual. These documents provide key principles and techniques of approximation that will guide and orient legal drafters throughout the approximation process.
These documents should be used consistently, not only by MoJ, but also by all line ministries, and institutions tasked with the approximation exercise. Such proceedings will help to ensure the achievement of a steady and sustainable approximation path.

3.4 **List of applicable *Union acquis*/standards/norms:**

The Georgian legislation has to be aligned with the requirements of the following EU Directives:

- Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC;
- Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC

According to the 3rd Package Directive 2009/72/EC (Article 37 (h)), the regulatory authority shall have the duty of setting or approving standards and requirements for quality of supply or contributing thereto together with other competent authorities. Directive 2009/73/EC further states that "quality of service should be a central responsibility of natural gas undertakings".
As for regulatory strategy to support roll-out of smart metering, Energy Community Contracting Parties are obliged to implement the European Union's acquis on electricity, gas, environment, competition, energy efficiency and renewable. Provisions on the roll-out of intelligent metering systems are in particular set out by Annex I of Directives 2009/72/EC and 2009/73/EC requiring to install by 2020 intelligent metering systems 'for electricity consumption for at least 80% of customers where such a roll-out is assessed positively, and to prepare a timetable to implement intelligent metering systems within 10 years. For gas consumers no fixed targets are stipulated. In many cases the roll-out of smart metering is driven by the aim to achieve energy savings and to reduce carbon dioxide emissions. In the European Union this political aim is expressed in the 20-20 target, finally approved by the European Parliament and Council. According to the definitions by using smart metering, effective consumption feedback (including costs of used energy) can be provided to the consumer. Additionally, new tariff schemes can easily be adopted. Thus, changes in the consumer's behaviour can be triggered. With the Energy Community's decision from October 6, 2011, the Third Package (Directives 2009/72/EC, 2009/73/EC and associated regulations) is to be implemented in the Energy Community's legal framework[4]. For Georgia, as for full member of Energy Community, it has high importance to get aligned with the 3rd package requirements.

3.5 **Results per component**

[4] Decision of the Ministerial Council of the Energy Community, D/2011/02/MC-EnC: Decision on the implementation of Directive 2009/72/EC, Directive 2009/73/EC, Regulation (EC) No 714/2009, Regulation (EC) No 715/2009 and amending Articles 11 and 59 of the Energy Community Treaty.

The Twinning project will provide advisory support to the Georgian National Energy and Water Supply Regulatory Commission (GNERC) in three main directions:

Mandatory result 1 (Component 1): Capacity Building of the GNERC in regards to fulfilling requirements of incentive based regulation and roll-out of smart metering according to the EU standards

This Component aims at creating enabling basis for starting work on service quality incentives and technical standards as well as on smart-metering. Although the GNERC staff has sufficient knowledge and experience of working in a regulatory body still there is a need to identify gaps focusing on specific directions like: designing incentive based regulation for service quality, development of regulatory strategy to support roll-out of smart metering; also assess the status, availability and quality of data carried out.

Sub-result 1.1: Capacity of the GNERC's staff strengthened with the aim to design incentive based regulation for service quality and developing the regulatory strategy to support roll-out of smart metering according to the EU best standards

Indicators of achievement:

- Skills and awareness of GNERC Staff strengthened, for performing their duties related to incentive-based regulation in service quality and reliability of supply in electricity and natural gas sector;
- A baseline report on the status of Georgia's energy (electricity and natural gas) markets developed and enabling environment for the Component 2 and 3 created;
- Assessment of the status, availability and quality of data related to component 2 and 3 carried out and assessment report presented within 9 month from the start of the project implementation;

Mandatory result 2 (Component 2): Alignment of draft rules for incentive-based regulation in service quality and reliability of supply in line with the EU regulations

Aim of the component is to prepare draft on incentive-based regulation for service quality and reliability of supply rules, draft on commercial and technical standards of service quality. The component also envisages analysing existing rules and regulatory framework in electricity and natural gas sectors.

Sub-result 2.1 Contribution to the adoption of an incentive-based regulation for service quality and reliability of supply in electricity sector

Indicators of achievement:

- Report on the best European practices of incentive-based regulation for service quality and reliability of supply in electricity sector prepared within 12 months from the start of the project implementation;
- Country-Specific reliability of supply and voltage quality standards for Georgia drafted and amendments to the respective legislation prepared in an inclusive process, using unified LA methodology, by the end of the project;
- Benchmarking models for service quality in electricity sector established by the end of the project implementation;
- Simulation of the expected effects of the incorporation of the quality of service parameters in tariff regulation with several scenarios conducted within 16 months from the start of the project implementation;

Sub-result 2.2 Contribution to the adoption of an incentive-based regulation for service quality in natural gas sector[5]

Indicators of achievement:

[5] The project aims to review existing service quality and reliability of supply regulations for the distribution licensees that are already in place, whereas for transportation licensees such regulations needs to be developed and implemented.

- Drafts of country-specific reliability of supply and service quality standards for Georgia elaborated and amendments to the respective legislation prepared in in an inclusive and evidence-based process and using unified LA methodology by the end of the project;
- Benchmarking models for service quality in natural gas sector established by the end of the project implementation;
- Simulation of the expected effects of the incorporation of the quality of service parameters in tariff regulation with several scenarios conducted within 16 months from the start of the project implementation;

Mandatory result 3 (Component 3): Development of Regulatory Strategy to Support Roll-Out of Smart Metering

The component aims to familiarize GNERC relevant staff with development of smart-metering and best practices of its regulation. The main result of the components will be to have smart-metering strategy in place to support roll-out of smart metering.

Sub-result 3.1- Knowledge and skills of GNERC management and staff in relation to smart metering strengthened

Indicators of achievement:

- Report on optimal models and best practices of regulations on smart metering, optimal time-of-use pricing schemes, metering/billing systems and tariff setting for smart metering prepared within 9 months from the start of the project implementation;
- Simulations on optimal Time-of-Use Pricing schemes, metering/billing system and tariff settings for smart metering undertaken within 16 months from the start of the project implementation;

Sub-result 3.2 - The Draft regulatory strategy to support roll-out of smart metering in electricity and natural gas sector prepared

Indicators of achievement:

- Cost-benefit analysis conducted and available for the use of GNERC staff within 19 months from the start of the project implementation;
- Regulatory strategy to support roll-out of smart metering drafted in an inclusive and evidence-based process by the end of the project implementation;

All relevant/important documentation prepared within the project should be translated into Georgian language.

3.6 **Means/input from the EU Member State Partner Administration(s)***:

Member State(s) is/are kindly requested to develop activities in the submitted proposal which are needed in order to achieve the results stipulated in the fiche.

The MS PL will be expected to devote a minimum of 3 days per month to the project in his/her home administration. In addition, he will coordinate from the Member state side the work of the Project steering Committee (PSC). MS Project Leader may participate in the project also as short-term expert (STE). In this case the MS Project Leader should satisfy requirements stipulated in the fiche for both the Project Leader and the relevant STE profile.

The RTA will be located in the premises of the GNERC in the beneficiary country on a full time basis and will be responsible for the direct implementation of the project under the overall supervision of the MS Project Leader.

The RTA will maintain day-to-day cooperation with the beneficiary administration and coordinate the work performed by the STEs. The RTA will have a key role in the coordination of the inputs required for the successful implementation of all the project activities.

Minimum two visibility events will be organized in the course of the implementation of the project; Kick-off meeting at the start of the implementation and the Final meeting at the end of the implementation of the project activities.

The required MS experts must either be civil/public servants of the relevant MS administration or be permanent staff of authorised mandated bodies. All experts must comply with the requirements set in the Twinning Manual 2017.

The RTA should be supported by a permanent RTA Assistant. The RTA assistant should be in close collaboration with the BA. The RTA assistant will perform general project duties and providing translation and interpretation services as necessary, practical arrangements for the project, such as organizational issues of expert missions, conferences, training, seminars, maintaining project records and etc. Until the RTA can select and hire an assistant, the Beneficiary administration makes a member of its staff available to support the RTA in his/her daily tasks.

A full-time language assistant should also be recruited. She/he should perform most of the required interpretation/translation services. She/he will provide day-to-day interpretation/translation to the RTA and project experts during missions.

Whenever required and needed for simultaneous interpretation during seminars and workshops, translation of large volume of documents additional interpretation may be procured and funded by the project.

Proposals shall include only the CVs of the proposed PL, of the RTA and of the Component Leaders

3.6.1 Profile and tasks of the Project Leader

Profile:

- A high ranking Member State official or assimilated agent from a mandated body with a sufficient rank to ensure an operational dialogue at political level;
- Broad experience at least 10 years in public administration;
- At least 3 years of experience in the field of Energy Regulation;
- A good knowledge of energy systems and legislation;
- Overall understanding of the relevant issues in the sector and area related to energy (gas, electricity);
- Good leadership skills;
- Experience with working in the countries of the Neighbourhood will be considered an advantage.
- Excellent working level of English language;

Tasks:

- Overall direction, supervision, guidance and monitoring of the project; ability to mobilise the necessary expertise in support of the efficient implementation of the project;
- Signature of project progress reports and the final report prepared with the support of RTA;
- Timely achievement of the project results;
- Co-Chairing of project steering committees; Provision of legal and technical advice and analysis whenever needed.

3.6.2 Profile and tasks of the Resident Twinning Adviser (RTA)

Profile:

- University degree in Economics, Business, Energy or related studies or equivalent experience of 8 years in a related area;
- Minimum 3 years of experience in the field of energy regulation;
- Sound comparative knowledge of relevant EU requirements related to the various components of this project;
- Good inter-personal skills and good training, public speaking, diplomatic and written communication skills;
- Excellent computer literacy (Word, Excel, Power Point);
- Excellent English communication skills, both spoken and written.
- Experience in working on similar projects in the countries of the Neighbourhood East region would be an asset;

Tasks:

- Overall coordination project implementation and of all activities;
- Coordination of the activities of the team members in line with the agreed work plan to enable timely completion of project outputs;
- Provide technical input to the project whenever needed and provision of advice in his field of expertise;
- Liaise with MS and BC PLs and daily contacts with BC RTA counterpart;
- Preparation of the initial and subsequent work plan(s) and project progress reports, together with PL, to be submitted to the Steering Committees;
- Liaison with EUD Project Manager and Programme Administration Office (PAO);
- Liaison with other relevant projects and relevant Georgian institutions;

He/she will be introduced to the BC stakeholders of the project, counterparts and staff. He/she will also hire a Project Assistant as well as a Language Assistant through an appropriate selection procedure.

3.6.3 Profile and tasks of Component Leaders

3.6.3.1. Profile and tasks of Component Leader for the Component 1

Profile:

- University degree or equivalent professional experience of 8 years in a related field;
- At least 3 years' experience in a related area;
- An excellent command of written and spoken English;
- Good writing and presentation skills;
- Good training and facilitation skills;
- Strong analytical and managerial capability, coaching and mentoring skills;
- PC computer literacy;
- Experience of working in the countries of the Neighbourhood East region would be an asset;
- Experience in other international projects related to energy sector / electricity sub sector /management would be an advantage.

Tasks:

- Component coordination, guidance and monitoring;
- Conducting analysis of the area relevant to the component;
- Preparing and conducting training programs;
- Timely proposals for any corrective measures;
- Liaise with MS and BC PLs and daily contacts with RTA and BC counterpart;

3.6.3.2. Profile and tasks of Component Leader for the Component 2

Profile:

- University degree or equivalent professional experience of 8 years in a related field;
- At least 3 years' experience in service quality and reliability of supply;
- Sufficient knowledge of legal approximation process and relevant EU legislation;
- An excellent command of written and spoken English;
- Good writing and presentation skills, good training and facilitation skills;
- Strong analytical and managerial capability, coaching and mentoring skills;
- Experience of working in the countries of the Neighbourhood East region would be an asset;
- PC computer literacy;

Tasks:

- Component coordination, guidance and monitoring;
- Conducting analysis of the area relevant to the component;
- Preparing and conducting training programs;
- Timely proposals for any corrective measures;
- Liaise with MS and BC PLs and daily contacts with RTA and BC counterpart;

Experience in Phare/ENP-East countries or in other international projects relating to energy sector / electricity sub sector /management would be an advantage.

3.6.3.3. Profile and tasks of Component Leader for the Component 3

Profile:

- University degree or equivalent professional experience of 8 years in a related field;
- At least 3 years' experience in smart-metering;
- An excellent command of written and spoken English;
- Good writing and presentation skills, good training and facilitation skills;
- Strong analytical and managerial capability, coaching and mentoring skills;
- PC computer literacy;
- Experience in other international projects relating to energy sector / electricity sub sector /management would be an advantage.

Tasks:

- Component coordination, guidance and monitoring;
- Conducting analysis of the area relevant to the component;
- Preparing and conducting training programs;
- Timely proposals for any corrective measures;
- Liaise with MS and BC PLs and daily contacts with RTA and BC counterpart;

3.6.4 Profile and tasks of other short-term experts*:*

Specialist civil servants/staff of approved mandated bodies will be made available by the Twinning Partner (MS) to support the implementation of the activities and agreed with the beneficiary administration. Specific and technical matters relevant to this Twinning project will be taken over by a pool of STEs. The detailed expert input shall be established when drawing up the Twinning work plan.
Below some indicative qualifications and tasks: (STEs CV should not be included in the MS proposal)

Profile:

- University degree or equivalent professional experience of 8 years in a related field;
- Minimum of 3 years of experience in the field of energy;
- Good command of written and spoken English;
- Excellent knowledge of energy, energy regulation systems, gas and electricity;
- Demonstrated good report writing and communication skills and be familiar with various approaches in implementation of the EU legislation;
- Drafting legislation, including regulatory impact assessment, taking into account the role of energy regulator;
- Good training and facilitation skills;
- Excellent coaching and mentoring skills;
- Experience in preparing regulatory and fiscal impact assessments would be an asset;

Tasks:

- Contributing to the sustainability of the project by ensuring that aspects of the project related to their field of expertise are implemented timely;
- Supervision and on-site coordination of all activities related to their field of expertise and performed under this project;
- Timely proposals for any corrective measures
- Assistance with drafting of strategic documents and legislation as well as preparation of trainings, study tours, workshops, seminars, etc.
- Liaise with RTA and BC counterparts.

4. Budget

Maximum Budget available for the Twinning Grant 1, 200,000 €

5. Implementation Arrangements

5.1 The European Union Delegation in Tbilisi, Georgia, will be responsible for the tendering, contracting, payments and financial reporting, and will work in close co-operation with the Beneficiary. The person in charge of this project at the Delegation of the European Union to Georgia is:

Mr. Andrej BARTOSIEWICZ
Programme Officer, Attaché,
Delegation of the European Union to Georgia
38 Nino Chkheidze str., 0102 Tbilisi, Georgia
Tel: + 995 32 943 763
E-mail: Andrej.BARTOSIEWICZ@eeas.europa.eu

5.2 Institutional framework

The main beneficiary Institution of the Twinning project is the Georgian National Energy and Water Supply Regulatory Commission. As already mentioned above the Commission is an independent entity and acts in accordance with defined authorities under the Law of Georgia on "Independent National Regulatory Authorities" and Law of Georgia on "Electricity and Natural Gas". The Commission consists of five members.

Currently GNERC has 13 Departments in its structure (see annex 1).GNERC's Organizational Structure is specified in its Charter (GNERC Resolution No. 6). *Practically all the 13 Departments of GNERC will gain experience from the Twinning Project.*

The Departments which will mostly benefit from the project are described below:

The main functions of Methodology Support and Quality of Service Control Department are to:
Develop methodologies for the calculation of electric energy, natural gas, and water tariffs, monitor Quality of Service of Distribution licensees, monitor and analyse Reliability of Supply of the Distribution licensees. The Departments consist of five persons, including lawyers, engineers and one economist.

The main functions of Electricity Department are to:
Develop standard-technical documentation for electric sector; establish control over the licensing conditions, Develop Network Rules. Monitor and analyse the electricity market. Develop database for electricity trade, inspect meters used in wholesale accounting. Examine new investment projects in electricity sector and prepare appropriate conclusions. The Department consists of 7 persons, including electric engineers and economist.

The main functions of the Natural Gas Department are to:
Conduct technical expertise of license seeker documentation in natural gas sector, create database about licensees and participants of natural gas sector in the form determined by the Chair of the Commission, prepare relevant conclusions on the basis of analysing technical reports submitted by natural gas sector licensees, estimate investment projects presented by natural gas licensees and prepare relevant conclusions within its competence; monitor and analyse natural gas market within the competence of the Commission;. The Department consists of 4 persons, including engineers and economists.

The main functions of Tariffs and Economic Analysis Department are to:
Analyse tariff applications presented to it, examine and monitor the economic status of licensees, importers, suppliers, and commercial operators in electricity, natural gas and water supply sectors, develop and modify tariff setting methodologies, calculates and sets tariffs . The Department consists of twelve persons, all of them are economists.

Considering the staffing situation in these departments it is important that the two Working Groups to be set up within the Twinning Project involve qualified specialists not only from these three departments but also from the other ones to ensure an overall significant capacity building. The composition of the Working Groups should be clarified and agreed on during the first month of the project implementation.

All stakeholder representatives, including agencies, ministries, distribution and transmission licensees, etc. will be involved in the project implementation according to their mandate and responsibilities.

5.3 Counterparts in the Beneficiary administration:

The PL and RTA counterparts will be staff of the Beneficiary administration and will be actively involved in the management and coordination of the project.

5.3.1 Contact person:

Ms. Nino Bukhnikashvili
Chief Specialist, International Relations' Department
Georgian National Energy and Water Supply Regulatory Commission
A.Mitskevichi Str.19, 0194

5.3.2 PL counterpart

Mr. Giorgi Pangani
Commissioner
Georgian National Energy and Water Supply Regulatory Commission - GNERC

5.3.3 RTA counterpart

RTA Counterpart:
Mr. Zviad Gachechiladze
Deputy Director, Electricity Department
Georgian National Energy and Water Supply Regulatory Commission - GNERC

6. Duration of the project

Duration of the execution period: 24 months. [The execution period will end 3 months after the implementation period of the Action (work plan) which will take 21 months].

7. Sustainability

The Project purposes are based on the real development needs of GNERC. They are not additional to the tasks ahead of GNERC, but integral parts of their own plans. The sustainability of the Project will be achieved through a suitable implementation of the project activities and availability of trained personnel in the electricity regulation subjects. It will be promoted by introduction of the project results into GNERC resolutions and decisions. Furthermore, needs of the local and international investors in clear and long term electricity regulations as well as needs of Government of Georgia and its population in a well-regulated and stable and reasonably priced electricity sector supply are expected to contribute to maintaining high level services on a constant basis in GNERC.

In order to contribute to develop implementable legislation, the twinning project will support preparation of analytical prerequisites i.e. preparation of concept notes, estimation of implementation costs and will support GNERC on conducting inter-institutional and public consultations. In this regard, the project (in particular with reference to components 2 and 3) will ensure consistency of the legal framework and alignment of the regulatory strategy to support roll-out of smart metering in electricity and natural gas sector with the government programme and with previous policy commitments in the energy sector.

The sustainability of the project will be achieved also through a smooth and timely implementation of the project activities and availability of trained personnel at the GNERC.

The workshops, seminars, on-the-job coaching and mentoring should take into account an opportunity for train-the-trainer approach, since it may entail a multiplier effect and ensure the sustainability of methodologies developed. It is necessary to apply a training approach characterized by focusing on cases in the local context. Direct peer-to-peer and expert-to-expert working relations should be established as well. Constant monitoring of developments shall be ensured through provision of short evaluation sheets (or questionnaires) surveying how Georgian participants appreciate of the content, method, applicability and transferability of the delivered topics.

Any internal procedure developed with the support of the project will be consistent with the formal decrees on the organisational structure and job requirements for the organisation and any by-laws that exist for all government bodies regarding job descriptions and written procedures. In addition, any written procedural manual or guidelines developed with the support of the project will be simple enough to be regularly updated and changed by the staff of the respective organisations without external support.

8. Crosscutting issues *(equal opportunity, environment, climate etc…)*

The principle of equal opportunity will be integrated into all stages of the project implementation. The Project does not have direct environmental consequences, although environmental awareness raising and environment friendly decision making in all branches of the energy sector is a task of continuously growing importance. Development of smart-metering will optimize energy consumption and energy efficiency. It is a part of demand side management and will contribute to the optimization of energy consumption and subsequently will have positive impact on the environment.

9. Conditionality and sequencing

There is no precondition set for this Twinning project. The project has been initiated and drafted by the beneficiary institution, which, by endorsing the Twinning Fiche, commits itself to provide the contributions stated in the fiche.

They, among others, include: Strong commitment and support of GNERC management to the Project implementation, Strong involvement/ commitment of GNERC staff at all levels, assigning indispensable personnel to activities connected with the Project, ensuring co-ordination between departments and institutions connected with the Project, ensuring access to indispensable information and documents, ensuring sufficient development of computerization within GNERC, adequate conditions for the STEs to perform their work while on mission to the BC, providing suitable venues and equipment for training sessions and meetings that will be held under the Project, designating a GNERC counterpart for each MS expert.

Significant changes in the GNERC staff could be of a significant risk for successful implementation of the Project and the sustainability of the results to be achieved. This primarily refers to professional staff having participated in the project design and those having knowledge of the English language.

In order to successfully implement the Twinning project it is regarded as important that the GoG and GNERC management take measures to ensure appropriate staffing – both in volume and quality - and their motivation for participation in the Twinning project, achieving the mandatory results jointly with the EU Partners and staying on in GNERC so that it can effectively carry out its regulatory function.

To achieve the expected results it is important that GNERC staff further enhances technical English language skills. It would also be highly recommended to insure translation of all essential documents developed within the project into Georgian language.

10. Indicators for performance measurement

- Dedicated staff from GNERC for the implementation of the procedural and legal aspects; from Staff Office responsible for the capacity building of the human resources; from legal division for legal aspects, from Department for International Relations responsible for the overall coordination and project management, from Public Relations department for PR related issues, from Informational Technologies Department on technical issues.
- Providing the information/documents in regards with the national regulatory basis and arranging the relevant informative meetings
- Appropriate area and facilities prepared and provided in project implementation process
- Training facilities provided
- Coordination and meetings with other donor organizations implementing similar projects in the sector
- Relevant reports provided and updated

11. Facilities available

The BC commits itself to deliver the following facilities:

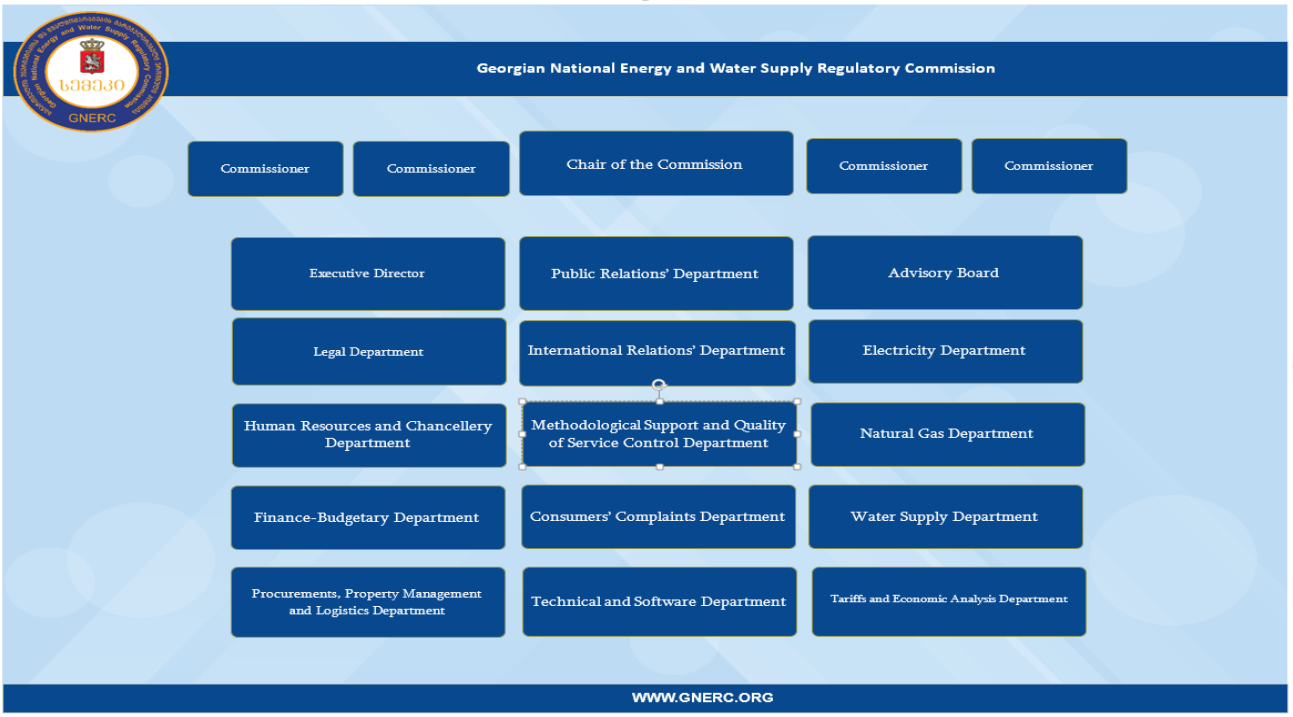
- Adequately equipped office space for the RTA and the RTA assistant(s) for the entire duration of their secondment.
- Supply of office room including access to computer, telephone, internet, printer, photocopier.

- Adequate conditions for the STEs to perform their work while on mission to the BC.
- Provide suitable venues for the training sessions and meetings that will be held under the Project.
- Security related issues will be assured according to the standards and practices applicable for all Georgian public institutions.

ANNEXES TO PROJECT FICHE

1. Annex 1 – Organizational Structure
2. Annex 2 – Logical Framework Matrix

Annex 1. Organisational Structure



Annex 2. Logical framework matrix

Development of Incentive Based Regulation for Service Quality and Regulatory Strategy to Support Roll-out of Smart Metering		Programme name and number	Technical Cooperation Facility ENI/2015/037-862
Georgian National Energy and Water Supply Regulatory Commission (GNERC)		Total budget: 1.200,000.00 EUR	Financing: 100% 1,200,000.00 EUR
Overall objective **(impact)**	**Objectively Verifiable Indicators**	**Source of Verification**	**Assumptions**
The overall objective is to assist Georgia to gradually harmonize its regulatory framework with the Union Energy *acquis* and promote efficient, safe, modern and secure operation of energy infrastructure in Georgia.	• The relevant legislation amended in accordance with the EU provisions; • Service quality provided to the customers will be increased; • Georgian electricity system operated in a modern and secure manner.	• GNERC Reports; • Monitoring/assessment reports by international organizations; • Statistic reports; • AA implementation report;	
Specific Objective(s) (outcome)	**Objectively Verifiable Indicators**	**Source of Verification**	**Assumptions**
The purpose of this Twinning Project is to develop the institutional framework for the implementation of regulation of Georgia's energy market in line with *t*he Union *acquis* and to strengthen the capabilities of Georgian National Energy and Water Supply Regulatory Commission (hereinafter, GNERC) as the independent national regulatory authority through the development of tools and mechanisms based on the best-EU practice with regard to designing incentive-based regulation for service quality and developing regulatory strategy to support roll-out of smart metering.	• Legal amendments prepared in the field of service quality, smart metering in accordance with an inclusive and evidence-based approach • Natural gas quality technical standards in place; • Benchmarking models for service quality and natural gas sector established; • Human capacity of the GNERC enhanced in line to the requirements …	• Guidelines; • Lists of participants from various meetings (workshops, trainings, discussions) • Project documentation (analysis reports, training programmes, materials, recommendations and etc). • Project interim and final reports;	• Strong support and commitment from the senior management of GNERC • Strong support and commitment from relevant authorities regarding amendment of the relevant legislation • Strong support and commitment from twinning partner(s) • Relevant staff of GNERC available and involved in the process

Mandatory Results (outcomes)	Objectively Verifiable Indicators	Source of Verification	Assumption
Mandatory Result 1 (Component 1): Capacity Building of the GNERC in regards to fulfilling requirements of incentive based regulation and roll-out of smart metering according to the EU standards **Sub-result 1. 1:** Capacity of the GNERC's staff strengthened with the aim to design incentive based regulation for service quality and developing the regulatory strategy to support roll-out of smart metering according to the EU best standards	• Skills and awareness of GNERC Staff strengthened, for performing their duties related to incentive-based regulation in service quality and reliability of supply in electricity and natural gas sector; • A baseline report on the status of Georgia's energy (electricity and natural gas) markets developed and enabling environment for the Component 2 and 3 created; • Assessment of the status, availability and quality of data related to component 2 and 3 carried out and assessment report presented within 9 month from the start of the project implementation;	• Project documentation, interim and final reports; • Project activity reports (consultations, discussion); • STE mission reports; • Assessment, baseline reports; • Action plan; • Legislative amendments;	• Government commitment on Fulfilment of AA/DCFTA requirements continued; • Strong support and commitment from the senior management of GNERC; • Twinning MS partner commitment; • Availability of local staff; • All relevant documentation available;

Mandatory Result 2 (Component 2): Alignment of draft rules for incentive-based regulation in service quality and reliability of supply in line with the EU regulations **Sub-result 2.1** Contribution to the adoption of an incentive-based regulation for service quality and reliability of supply in electricity sector	• Report on best international practices of incentive-based regulation for service quality and reliability of supply in electricity sector prepared within 12 months from the start of the project implementation; • Country-Specific reliability of supply and voltage quality standards for Georgia drafted and amendments to the respective legislation prepared in an inclusive process, using unified LA methodology, by the end of the project; • Benchmarking models for service quality in electricity sector established by the end of the project implementation; • Simulation of the expected effects of the incorporation of the quality of service parameters in tariff regulation with several scenarios conducted within 16 months from the start of the project implementation;	• Report on gap/needs analysis; • Service quality assessment report; • Project documentation (working procedures, methodologies, activity reports and etc.); • Comparative analysis report on best international practices; • Simulation outcome reports;	• GNERC commitment on fulfillment of international obligation continued; • Strong support and commitment from the senior management of GNERC; • Availability of local staff; • Good communication between the Beneficiary and other stakeholders; • All relevant documentation available.
Sub-result 2.2 Contribution to the adoption of an incentive-based regulation for service quality in natural gas sector	• Drafts of country-specific reliability of supply and service quality standards for Georgia elaborated and amendments to the respective legislation prepared in an inclusive and evidence-based process and using unified LA methodology by the end of the project; • Benchmarking models for service quality in natural gas sector established by the end of the project implementation; • Simulation of the expected effects of the incorporation of the quality of service parameters in tariff regulation with several scenarios conducted within 16 months from the start of the project implementation;		

Mandatory Result 3 (Component 3): Development of Regulatory Strategy to Support Roll-Out of Smart Metering **Sub-result 3.1**- Knowledge and skills of GNERC management and staff in relation to smart metering strengthened **Sub-result 3.2.** The Draft regulatory strategy to support roll-out of smart metering in electricity and natural gas sector prepared	• Report on optimal models and best practices of regulations on smart metering, optimal time-of-use pricing schemes, metering/billing systems and tariff setting for smart metering prepared within 9 months from the start of the project implementation; • Simulations on optimal Time-of-Use Pricing schemes, metering/billing system and tariff settings for smart metering undertaken within 16 months from the start of the project implementation; • Cost-benefit analysis conducted and available for the use of GNERC staff within 19 months from the start of the project implementation; • Regulatory strategy to support roll-out of smart metering drafted in an inclusive and evidence-based process by the end of the project implementation;	• Assessment /Analysis reports; • Project documentation (relevant training materials, training reports, training evaluation and checklists , list of participants); • Reliability of supply and service quality standards; • STE mission reports; • Simulation outcome reports; • Study visit reports;	• Strong commitment from GNERC and high ownership; • Availability of local staff both from beneficiary institution and stakeholder side; • Good communication between the Beneficiary and other stakeholders;