



ELECTRICITY COMPETITIVE MARKET DEVELOPMENT AND REGIONAL TRADING PERSPECTIVE FOR GEORGIA

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ABSTRACT

Liberalization processes in Georgian power sector have been gaining more actuality over recent years. Reform has already produced impressive results. End user tariffs have risen and companies along the industry value chain have been privatized and are profitable. Power energy sector development policy is to continue to commercialize the sector. Against this backdrop of reform, increased private ownership of hydropower generation is a logical next step forward.

Regional economies and energy markets are also expanding fast. Demand for power in neighboring Turkey, could double till 2020. An increasing and irreversible international appetite for electricity generated from renewable sources, and the highly productive nature of its rivers position Georgia to become a significant provider of export power in the midterm. The addition of a new, soon to be completed HVDC transmission line between Georgia and Turkey is a significant step towards realization of the country's export potential. When other new transmission lines become operational, total capacity between Georgia and Turkey will reach about 1,400 MW, ten times more than currently available.

Multiple changes have already been made to stimulate increased commercial activity in the industry. Barriers to market entry have been removed and there is wholesale competition in power generation. Tariffs and tariff policies intended to secure the sector's economic sustainability and enable service providers to achieve cost recovery have been adopted. The use of direct contracts between power generators and wholesale purchasers has been expanded. Transmission and distribution networks are managed on an open access basis. Energy sector reforming still proceeds and target remains full market opening, including retail competition. It is already proven that Georgian experience of very fast recovery, reaching electricity independency and success in development of power sector over last few years remains an interesting sphere of investigation for regional and post Soviet Union countries.

Keywords: Liberalization, electricity trading, Hydro-power generation, wholesale competition