



When Balance is Achieved



Permitting and Approval Processes for Gas Infrastructure Projects

Case Study by GEORGIA

Ana Bzishvili

GEORGIAN NATIONAL ENERGY AND WATER SUPPLY
REGULATORY COMMISSION (GNERC)



ERRA Gaseous Fuels Markets and Economic Regulation Committee (GF COM) Meeting

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Overall Information About Country's Framework



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GNERC key role The Georgian National Energy and Water Supply Regulatory Commission (GNERC) plays a main role in the approval process of natural gas investment projects.

Main Objective Ensuring that regulated companies manage their investments effectively, prioritizing economic efficiency in accordance with the principle of minimal costs.

Functions and Responsibilities of GNERC

Approval of Investment Evaluation Rules

- Establishes rules that define how regulated enterprises should submit investment plans and their associated projects for review

Agreement on Investment Plans

- Reviews and agrees on submitted investment plans or specific projects in detail
- Ensures that approved plans comply with regulations tariff requirements and public interests

Principle of Minimal Costs

- Ensures that enterprises operate with economic efficiency and adhere to the principle of minimizing costs

Process for Amendments

- Defines procedures for making amendments to approved investment plans or projects when necessary
- Manages the process of incorporating changes effectively

Reporting Rules and Conditions on Completed Projects

- Defines the format, content, and deadlines for reports on projects completed by companies, based on the approved investment plan

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GNERC approve investments plans For DSO-s

DSO-s submit the network investment plan to the Commission annually and the plan covers a 5-calendar year period



Ministry of Economy and Sustainable Development approves Network Development Plan For TSO

According to the legislation, the TSO is required to submit a 10-year network development plan to the Ministry and commission (GNERC) annually

GNERC-s role in this process – to review the draft of the 10-year transmission network development plan, check if it covers all investment needs and submit comments and recommendations to the Ministry

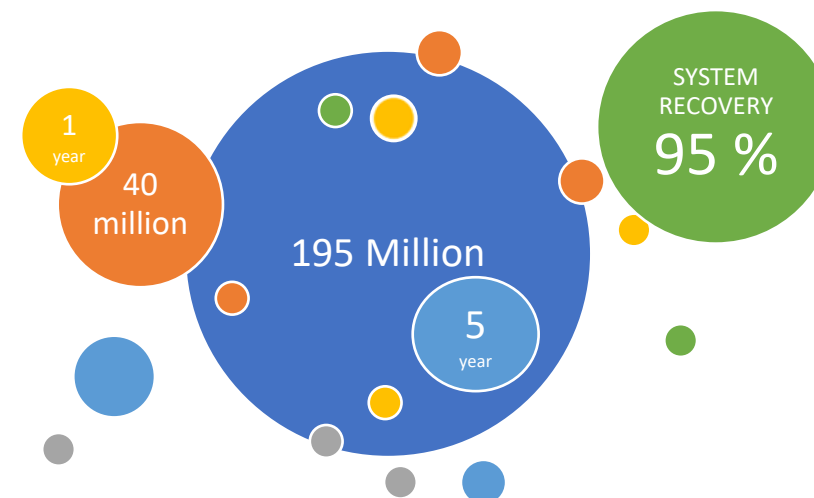
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DSO-s Network Investments (5 years)					
YEAR	CATEGORY I NETWORK RELIABILITY AND EFFICIENT OPERATION	CATEGORY II SUPPLY SECURITY AND DIVERSIFICATION	CATEGORY III SYSTEM DEVELOPMENT AND EXPANSION	TOTAL	SYSTEM RECOVERY
2025	45 033 695	2 580 760	1 188 834	48 803 288	92%
2026	35 987 321	222 113	2 832 978	39 042 411	92%
2027	44 388 315	149 880	423 156	44 961 351	99%
2028	38 415 757	173 500	736 758	39 326 014	98%
2029	30 787 614	1 106 464	69 734	31 963 812	96%
Total	194 612 700	4 232 717	5 251 460	204 096 877	95%

The total average value of network investment projects for one year is **40 million GEL**, with 95% of it allocated to system recovery.



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In the previous year, no major gas projects were completed. The main activities focused on the rehabilitation of existing gas pipelines.

The largest project planned for the next 5 years is related to natural gas meters.

The work includes:

- Replacing meters
- Moving meters outside from private homes
- Replacing old meters with smart meters

The total cost of these works is **54** million gel.



Evaluation Procedures

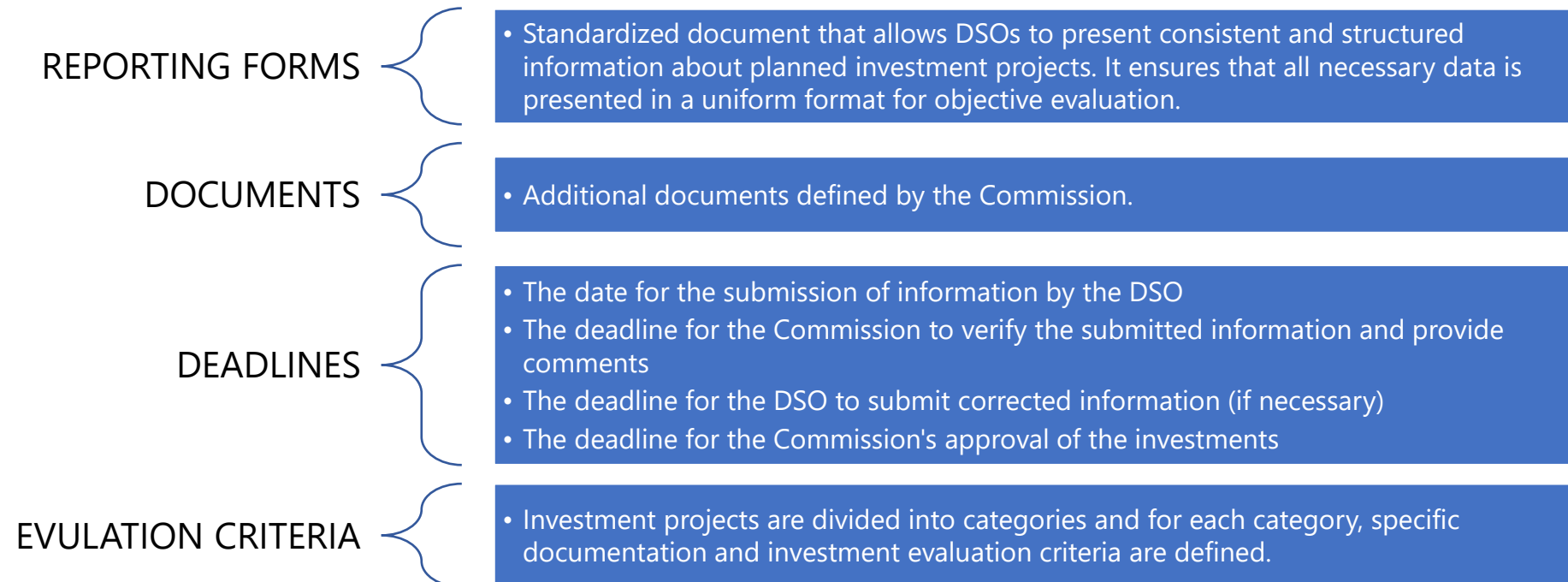


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According to the Energy and Water Supply Law of Georgia [GNERC](#) approves the investment evaluation procedures.

In the natural gas sector, the investment evaluation procedure is approved by [GNERC](#) Resolution No. 36, dated July 29, 2021, **"On the Approval of Investment Evaluation Procedures."**

The resolution defines:



Evaluation Procedures



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Investment projects are divided into categories, and for each category, evaluation criteria are set based on the project's value

Investment Project Classification

Category I	Category II	Category III	Category IV	Category V
<ul style="list-style-type: none"> Projects related to network reliability, sustainability, and efficient operation <i>rehabilitation, reconstruction, modernization, or replacement of damaged/obsolete assets</i> 	<ul style="list-style-type: none"> Projects related to supply security and diversification <i>investment in new infrastructure for transmission and distribution networks</i> 	<ul style="list-style-type: none"> Projects for system development and expansion <i>new infrastructure investments in response to increased demand</i> 	<ul style="list-style-type: none"> Other projects <i>environmental, renewable energy integration, and energy efficiency improvements</i> 	<ul style="list-style-type: none"> Non-network investment projects <i>investments in intangible assets, office inventory, vehicles, buildings, communications, IT, and specialized equipment</i>

Criteria for evaluating investments

Technical feasibility	assessment of technical reliability, including supply interruption, loss, pressure, and quality indicators
Economic analysis	assessing the net present value (NPV), particularly if the project's NPV is less than zero
Financial analysis	ensuring the financial feasibility of the project, with clear justification of financial resources
Cost-effectiveness	evaluating the rationality and efficiency of projected costs.
Regulatory compliance	including necessary permits and approvals for the first year of investment.
Impact on tariffs	the effect on tariffs, especially for projects over a certain cost threshold (e.g., 1 million (DSO) or 5 million GEL(TSO))
Alternative scenarios	consideration of at least one alternative implementation scenario for projects above a certain cost

Criteria for evaluating investments in the natural gas sector			
Category	Criteria	TSO	DSO
		<i>if the project value is</i>	
I	Technical feasibility criteria	< 5 million GEL	< 1 million GEL
	Economic analysis	> 5 million GEL	> 1 million GEL
	Cost rationality and efficiency	For all projects	For all projects
	Required permits for investment projects in the first year (if applicable)	For all projects	For all projects
	Justification of access to financial resources by the enterprise	For all projects	For all projects
	Impact on tariffs	> 5 million GEL	> 1 million GEL
II	Financial analysis	For all projects	For all projects
	Economic analysis if	FNPV<0 ²	FNPV<0 ²
	At least one alternative implementation scenario if the project value is > 5 million GEL	> 5 million GEL	No need for
	Cost rationality and efficiency	For all projects	For all projects
	Required permits for investment projects in the first year (if applicable)	For all projects	For all projects
	Justification of access to financial resources by the enterprise	For all projects	For all projects
III	Financial analysis	For all projects	For all projects
	At least one alternative implementation scenario if the project value is > 5 million GEL	> 5 million GEL	No need for
	Cost rationality and efficiency	For all projects	For all projects
	Required permits for investment projects in the first year (if applicable)	For all projects	For all projects
	Justification of access to financial resources by the enterprise	For all projects	For all projects
	Impact on tariffs	> 5 million GEL	> 1 million GEL
IV	Technical feasibility criteria	< 5 million GEL	< 1 million GEL
	Economic analysis	> 5 million GEL	> 1 million GEL
	At least one alternative implementation scenario if the project value is > 5 million GEL	> 5 million GEL	No need for
	Cost rationality and efficiency	For all projects	For all projects
	Required permits for investment projects in the first year (if applicable)	For all projects	For all projects
	Justification of access to financial resources by the enterprise	For all projects	For all projects
	Impact on tariffs	> 5 million GEL	> 1 million GEL

Note: 1. Technical feasibility criteria are developed for investment projects with a value of less than 5 million GEL.
2. An investment project is acceptable if ENPV > 0.
3. The total impact of all investment projects in the given category on tariffs will also be assessed (the tariff impact is evaluated by the Commission).
4. An investment project is acceptable if FNPV > 0. Investment projects with FNPV < 0, but funded by third-party financing, will be accepted.
5. The Commission will inform the government about the tariff impact of an investment project if ENPV < 0.

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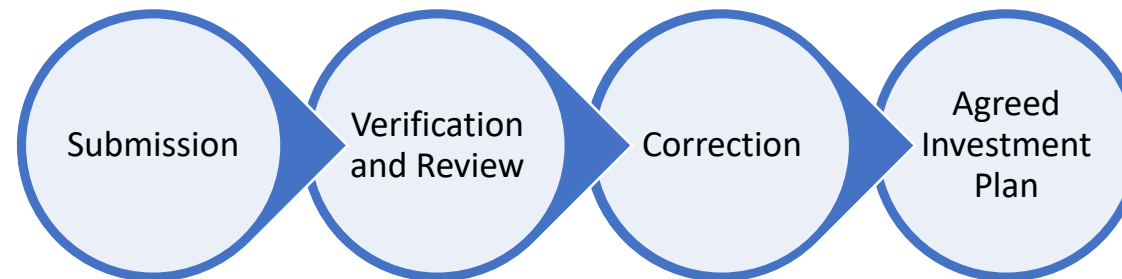


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The relationship between GNERC and companies in the investment agreement process is transparent and flexible.

The investment plan is finally reviewed in a public session, where all parties have the right to present their opinions. The decision is made by the commission, and the decision is publicly announced. Therefore, any interested party has the opportunity to access information about the investments.

To simplify communication and information sharing, GNERC has introduced an electronic portal that ensures the full cycle of investment agreement processes.



Previously, DSO-s submitted reporting forms with (Excel files) and documents manually. Now, this process is fully automated. A platform has been developed based on the forms established by GNERC, where DSOs upload complete information about planned investments along with any additional documentation.

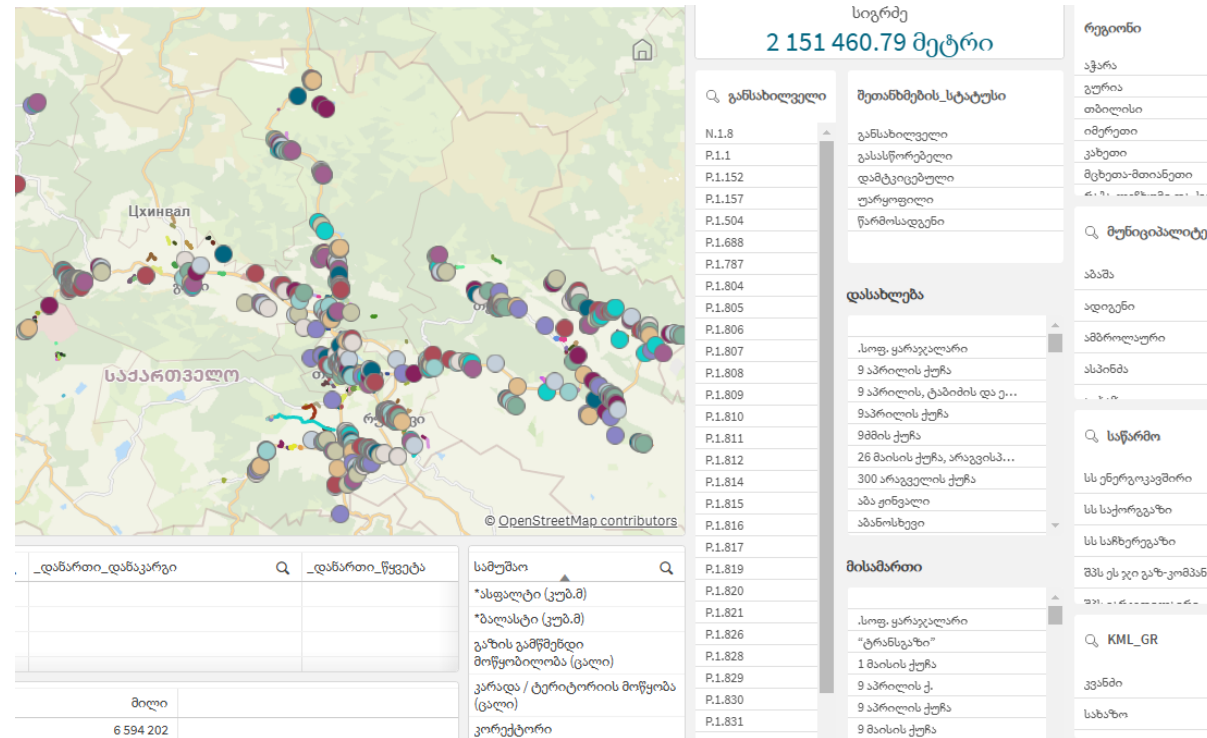
Evaluation Procedures



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Gas Pipelines Map

- Companies provide parameters (length, diameter, pressure) and coordinates of the pipelines
- The program automatically maps the pipelines, visualizing the work areas
- This process improves the accuracy of investment-related information
- It becomes clear where construction will occur, enabling informed decision-making



Evaluation Procedures



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Two Interfaces

The map offers two user-friendly interfaces for different needs

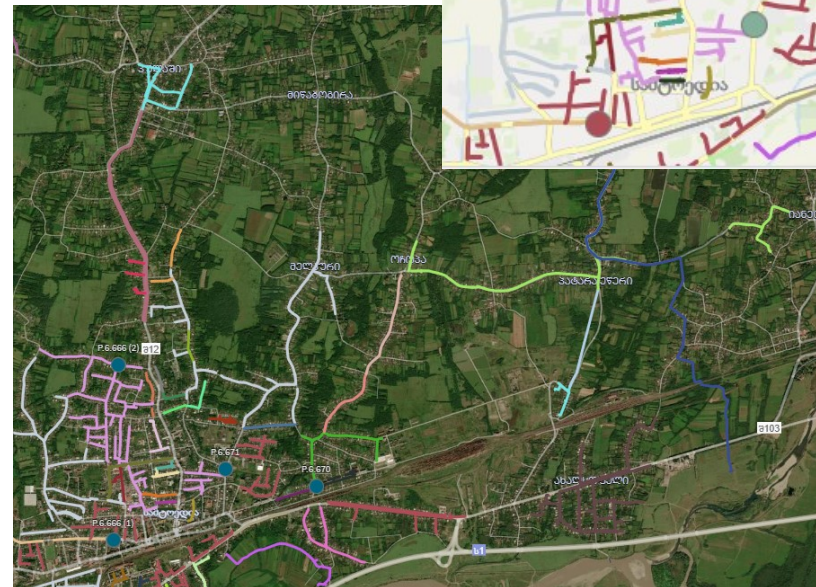
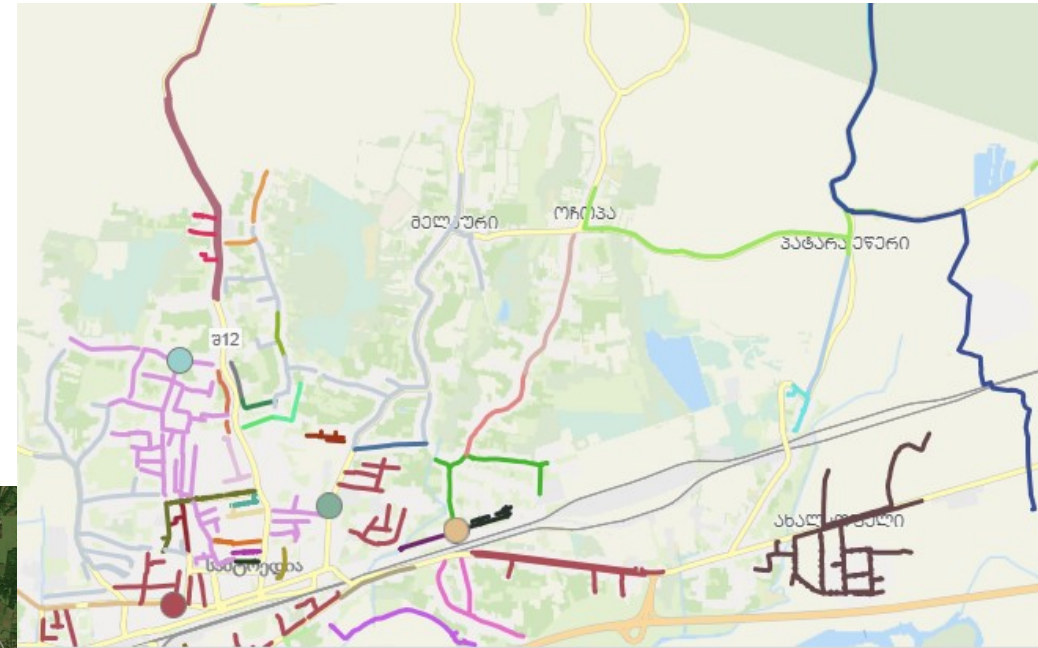
Comprehensive Information

relevant details about the pipeline

- Location
- Parameters (length, diameter, pressure)
- Category and Reason for Construction/Replacement
- Construction Date
- and Project Cost

Supporting Documents

Access all verification documents submitted by the company.





**THANK YOU
FOR YOUR ATTENTION!**

a.bzishvili@gnerc.org