

Government of Georgia

Resolution # 556

December 7, 2022

(Amended as of February 7, 2023)

Tbilisi

On Approval of the Support Schemes for the Production and Use of Energy from Renewable Sources and the Capacity (Power) Auction Rules

Article 1

In accordance with paragraph one of Article 11 of the Law of Georgia “On Promotion of Production and Use of Energy from Renewable Sources” approve the attached “Support Scheme for Production and Use of Energy from Renewable Source and Capacity (Power) Auction Rules”.

Article 2

1. The validity of this resolution applies to:

- a) Existing projects in energy sector, which in accordance with the Law on Public and Private Partnership” represent public and private partnership projects and those projects that do not represent public private partnerships
- b) On Projects at the stage of feasibility studies development for the construction of the Power Plants.

2. The effect of this resolution does not apply to the projects being in the construction phase prior to enactment of the given resolution.

Article 3

Upon enactment of the given resolution the acceptance and review of public private partnership applications in accordance with the support mechanisms defined by the Resolution #403 of the Government of Georgia of July2, 2020 “On the Approval of the Support Scheme for the production and use of Energy from Renewable Sources” will be suspended.

Article 4

The Ministry of Economy and Sustainable Development of Georgia shall ensure the approval of the “Capacity Auction Rules” within 30 (thirty) days after the enactment of the given resolution.

Article 5

The Resolution shall get into effect immediately after its publication.

Support Scheme for Production and Use of Energy from Renewable Sources and Capacity

Auction Rules

Article 1. General Provisions

1. "Support Scheme for Production and Use of Energy from Renewable Sources and Capacity Auction Rules" (hereinafter "Support Scheme") determines supporting measures for interested persons for the construction and operation of the power plant with an installed capacity above 0.5MW working on renewable sources in Georgia (hereinafter "Power Plant").
2. The goal of the support scheme is to support use of renewable energy sources and encourage transfer of project implementation right to the person who prudently implements term established by the decision of the Government of Georgia.

Article 2. Definition of Terms

1. The terms used in the given resolution have the following meaning:
 - a) Interested person(s)- Individual or legal person(s) of private law, who submits offer to the Capacity Auction Commission in order to implement the project
 - b) Ministry- Ministry of Economy and Sustainable Development of Georgia;
 - c) Capacity Auction- Auction declared for the use of installed capacity determined by the Government of Georgia employing renewable energy sources
 - d) ESCO-JSC "Electricity System Commercial Operator"
 - e) Contract for Difference- an agreement signed between the person selected in the capacity auction and ESCO on the basis of the Power Plant feasibility Study, and on the basis of which ESCO is obliged to compensate the person selected in the capacity auction for the difference between the proposed tariff and the fixed price on the day ahead market, if the proposed tariff is higher than the fixed price on the day ahead market. In case if the fixed price on the day ahead market is higher than the proposed tariff, the person selected in the capacity auction is obliged to compensate ESCO the difference between the fixed price on the day ahead market and the proposed tariff; [\(as amended on February 7, 2023\)](#)
 - f) Bank Guarantee – at pre-feasibility study stage a power plant pre-construction guarantee to be submitted to the government, or the construction guarantee to be submitted to the Government at the power plant construction stage.
 - g) Application security bank guarantee – the bank guarantee for each 1 MW of installed capacity determined by the pre-feasibility study submitted by the interested person for participation in the auction
 - h) Capacity Auction Commission – a commission created by the Ministry, Ministry of Finance of Georgia; JSC "Georgian State Eletrossystem" and JSC "Public Private Partnership Agency" to select the best application(s) among the interested parties participating in capacity auction;
 - i) Previous feasibility study-a set of studies defined by paragraph 2 of Article 8 of this rule;
 - j) Complete Feasibility Study- a completed feasibility study prepared by the interested person in accordance with agreement signed with and submitted to the Ministry regarding the feasibility of the project implementation
 - k) Power Plant Feasibility Agreement- an agreement between the auction winner and the Government on studying the technical and economic feasibility of the power plant construction;
 - l) Median tariff- the middle tariff selected from the set of proposed tariffs sorted by the growth. In case even number of tariffs are offered the arithmetic average of the middle two tariffs is selected.

- m) Median tariff principle- redistribution of capacity to the median tariff or on the proposed lower tariffs. In the event of the full non- utilization of the capacity offered at the capacity auction, the redistribution offer will be made at higher tariffs- close to the median tariff. It will be done in a row however at the median price;
- n) Proposed tariff- the tariff proposed by the interested person(s).
- o) Project area-potential X and Y coordinates of the power plant project.

3. Other terms used in the support scheme have the meanings defined by the Law of Georgia “On Promotion of Production and Use of Energy from Renewable Sources”, Law of Georgia on “Public Private Partnership”, The “Law of Georgia on Energy and Water Supply”

Article 3. Support Scheme

1. The support scheme includes a support period of 15 (fifteen) years after the commissioning of the power plant, for various sources of renewable energy in the following months of each year:

- a) For Hydro power plant – 8 months (September, October, November, December, January, February, March and April)
- b) For the Wind power plant – 9 months (August, September, October, November, December, January, February, March, April)
- c) Solar power plants - 12 months (January, February, March, April, May, June, July, August, September, October, November, December)
- d) For Power Plants operating on other renewable sources-12 months (January, February, March, April, May, June, July, August, September, October, November, December)

2. The Support scheme is implemented by ESCO. For this purpose, the relationship between ESCO and the person benefiting from the support scheme is regulated in accordance with the “Principles of Implementation of Wholesale Public Service Obligations by the Energy Service Commercial Operator”.

3. If in accordance with the Resolution №556 of the Government of Georgia, of December 7, 2022, On Approval of the Support Schemes for the Production and Use of Energy from Renewable Sources and the Capacity (Power) Auction Rules, from the date of the announcement of the auction before the signing of the Power Plant Feasibility Agreement with the interested party, another interested party applies to the Ministry to initiate the implementation of the project in the same project area under this resolution, the stated request will be considered only if the application submitted in accordance with the Resolution №556 of the Government of Georgia, of December 7, 2022, On Approval of the Support Schemes for the Production and Use of Energy from Renewable Sources and the Capacity (Power) Auction Rules, in the same project area, is not selected by the Auction Commission or for any other reason, Power Plant Feasibility Agreement is not signed with the applicant in the same project area ([paragraph 3 added as of amendment of February 7, 2023](#))

Article 4. Price difference payment terms

1. The price difference will be paid by ESCO as an addition to fixed price on the day ahead market, only if the fixed price on the day ahead market during the power plant support period is less than the tariff determined by the Contract for Difference ([as amended on February 7, 2023](#))

2. The price difference is paid to ESCO by the interested party only if, during the power plant support period the fixed price on the day ahead market of electricity is higher than the tariff determined by the Contract for Difference ([as amended on February 7, 2023](#))

3. The price difference will be paid in accordance to the conditions stipulated in the 1st and 2nd paragraphs of this article for the amount of electricity provided by the power plant to GRID in the corresponding hour.

4. On the basis of this resolution, the compensation of the price difference is carried out in the national currency in accordance to the rules stipulated in the Contract for Difference, provided that the amount to be compensated is calculated and recognized in accordance with the hourly data of electricity day ahead market trade each day of trading, using exchange rate set by the National Bank of Georgia for the relevant day of trading in a day ahead market. The total amount corresponding to the price difference of the reporting month will be reimbursed after the end of each month (as amended on February 7, 2023)

Article 5. Capacity Auction Commission

1. Selection of the best application(s) in the capacity auction announced by the Ministry and submission to the Ministry is ensured by the Capacity Auction Commission.

2. Capacity Auction Commission consists of:

- a) Ministry;
- b) Ministry of Finance of Georgia
- c) LEPL “Public Private Partnership Agency”
- d) JSC” Georgian State Electorsystem”

3. During the evaluation of applications, it is also possible to invite expert(s)/specialist(s) of specific knowledge as members of the Capacity Auction Commission, with or without the right to vote in the Capacity Auction Commission.

4. The Rules of the auction and the composition of the auction commission are determined by the order of the Minister of Economy and Sustainable Development of Georgia.

Article 6. Announcement of the auction, consideration of applications and decision-making

1. The Ministry is obliged to ensure the announcement of the auction in accordance with this resolution

2. The Compliance of the applications of the interested person(s) and the attached documentation with the requirements of Article 8 of this rule shall be checked by the Capacity Auction Commission.

3. After reviewing the documentation by the Capacity Auction Commission, the interested person will be given an additional reasonable deadline to correct inaccuracy, provided that the period determined by paragraph 4 of this article will be observed by the Auction Commission. After the expiration of the deadline set by the Auction Commission, the application submitted by the interested person is not subject to review and the application will not be given further progress (amended as of February 7, 2023)

4. Applications submitted by the interested person(s) in accordance with the requirements set forth in Article 8 will be considered by the Capacity Auction Commission within 1 (one) month after receiving the application. If needed, the given period can be extended so that overall period of consideration of the application does not exceed 3 (three) months.

5. In accordance with the request of the interested person, the Capacity Auction Commission is obliged to protect the confidentiality of the applications (relevant

documentation) submitted according to this rule apart from the project capacity and proposed tariff, which shall be made public along with the auction results ([amended as of February 7, 2023](#))

6. In case of two or more alternative applications in the same project area, priority will be given to the application with the lower proposed tariff. If the tariffs are identical, in such a case, priority will be given to the application with the higher expected output proposed by the energy model. In the event, that two or more alternative applications in the same project area, the proposed tariffs and expected output proposed by the energy model are identical, the Ministry will schedule and repeat the auction, in accordance with the Capacity Auction Rules. In the repeated Capacity Auction, priority will be given to the application with the lowest proposed tariff ([amended as of February 7, 2023](#))

7. The installed capacity provided by the auction will be distributed among projects according to the lowest tariff provided by this support scheme until the full utilization of said capacities using median tariff principle.

8. The Capacity Auction Commission is authorized to terminate the auction and return the documentation submitted to the interested party at any time before signing the contract for difference.

9. In the event that from the date of the announcement of the auction, before the signing of the agreement on the technical and economic feasibility of the power plant with the interested party, another interested party applies to the Ministry for the “Technical and Economic Study of the construction of those power plants” in the same project area “regarding the approval of the rules and conditions for the submission and review of construction, ownership and operation proposals to the Ministry of Economy and Sustainable Development of Georgia, which does not represent a public-private partnership project” based on resolution #515 of the Government of Georgia dated October 31, 2018, in order to initiate the implementation of the project, the mentioned application will be considered only if the application submitted according to this resolution for the same project area is not selected by the Auction Commission or for any other reason the agreement on the technical and economic feasibility is not signed with the person submitting the application in the same project area and the bank guarantee in full amount for securing the application will be returned to the applicant within 30 (thirty) days after the rejection ([amended as of February 7, 2023](#))

Article 7. Signing the Contract

1. The Ministry, in accordance with this rule, submits the proposal prepared by the Capacity Auction Commission, which meets the requirements of the current legislation and this rule, together with the attached documentation within 60 (sixty) days from the preparation of the proposal to the Government for decision making purposes.

2. In case of approval of the presented proposal by the government, after the issuance of the relevant legal act, a technical-economic feasibility agreement of the power plant is signed between the Government and the interested party, which provides for the signing of a contract for difference in case of fulfillment of the conditions provided for in this agreement. In case, before the announcement of the auction, an agreement was signed with the person selected in the auction “On the approval of the support scheme for the production and use of energy from renewable sources” according to Resolution #403 of the Government of Georgia of July 2, 2020 and/or “Regarding approval of the rules and conditions for submitting and reviewing proposals for the construction, ownership and operation of power plants to the Ministry of Economy and Sustainable Development, which does not represent a public-private partnership project” in accordance with the Resolution #515 of the Government of

Georgia dated October 31, 2018, the legal act of the Government of Georgia will determine the stage of public and private partnership in the development of the mentioned project, and the studies prepared by the interested person and submitted to the Ministry (if any) will be considered completed.

3. The Ministry monitors the execution of the agreement on technical and economic feasibility of the Power Plant.

4. Within 30 (thirty) calendar days from the signing of the technical-economic feasibility agreement of the power plant and the submission of the corresponding bank guarantee, the bank guarantee for securing the application will be returned in full to the interested person.

5. In the event that the interested party has not signed the technical-economic feasibility agreement of the power plant within 3 (three) months after the issuance of the relevant act of the Government of Georgia, the Government is entitled to fully demand the bank guarantee for the application.

6. After signing the contact for difference, during the period determined by the contact for difference, the interested person is obliged to trade electricity in Georgia on day ahead market, unless the interested person withdraws from the support scheme in accordance with paragraph 7 of this Article ([amended as of February 7, 2023](#))

7. After every 5 (five) years from the start of operation of the power plant, the interested party has the right to reject the contact for difference and withdraw from the agreement, if he notifies the Ministry in the writing within 6 (six) months before the end of every 5 (five) years. In other cases, the interested party loses the right to withdraw from the contact for difference.

Article 8. Documentation to be submitted for the participation in the capacity auction.

1. In order to participate in the capacity auction announced by the Ministry, the interested person shall submit an application in written form from the date of the announcement of the auction until its end, which should contain the following information:

- e) Complete information about the applicant (name of the company, extract from the National Public Registry under the Ministry of Justice of Georgia or a document issued by the relevant agency of a foreign country, which confirms the existence of the relevant legal entity, its registration data, information about partners/founders and directors must be apostilled or legalized, legal and actual address, contact information);
- f) The Prefeasibility study for the potential power plant project;
- g) The proposed tariff;
- h) Project implementation estimated work plan
- i) Bank guarantee for securing the application – in the amount of GEL 10 000 (ten thousand) for each 1 megawatt of installed capacity;
- j) other documentation required by the “Capacity Auction Rules”

2. The application of the interested person should have the following attachments:

- a) The location and basic parameters of the facility
- b) A Topographic map of the potential construction facility territory (scale – 1:25 000)
- c) Brief geological data of the facility location area, geological map (including based on foundation materials);
- d) Seismic data, seismic map of the area where the facility is located;

- e) Hydrological and metrological data (average monthly indicators), in the case of a wind power plant – wind observation data, and in the case of a solar power plant – solar observation data (including based on foundation materials);
- f) Energy model (data on expected output);
- g) Primary data on environmental impact;
- h) Estimated scheme of connection to the network and the network capacity on receiving generated electricity
- i) Infrastructure information (existing and under construction roads should be marked on topo-maps, with indication of distances);
- j) Estimated budget/costs
- k) Economic report (economic analysis of the project covering investment volume, duration and credit information)
- l) Financial model both in printed and electronic forms;
- m) A certificate from the LEPL National Agency of Public Registry and/or a document issued by the relevant agency of a foreign country, confirming that:
 - m.a) In case of a natural person, public law restriction is not registered on the owned property;
 - m.b) In case of a legal entity public law restriction is not registered on the owned property or the shares of the same legal entity(in case of translation, certified by apostille or notary);
- n) A certificate on non- registration in the relevant register of debtors and/or foreign countries (in case of translation, certified by apostille or notary);
- o) In case of a legal entity, a certificate from the LEPL National Agency of Public Registry or a document issued by the relevant agency of a foreign country, confirming that the liquidation of the legal entity is not in progress;
- p) In case of a legal entity, a certificate from the city court of the relevant jurisdiction and/or a document issued by the relevant agency of a foreign country confirming that there is no insolvency/rehabilitation proceeding against the legal entity ([sub-paragraphs m-p added as of amendment of February 7, 2023](#))

3. Information should be submitted in Georgian language, both in hard copy and electronically (the electronic version should be populated on the CD disc as well as on the flash drive)

4. The Capacity Auction Commission is entitled to request other information from the interested person.

Article 9. Bank guarantees to be submitted along with Contract

1. The interested person is obliged to submit a pre-construction guarantee to the Ministry for the benefit of the government in order to ensure the obligations under the same agreement within the period provided for by the agreement on technical and economic feasibility of the power plant, which should not be more than 30 (thirty) calendar days after signing, which must be issued by a bank licensed in any member country of the Organization for Economic Co-operation and Development (OECD) and/or in Georgia. The amount of the bank guarantee should not exceed 15% (fifteen) percent of the share capital of the bank issuing the guarantee. In addition, the term of the bank guarantee must be at least 10 (ten) months longer than the term of performance of obligation under the contract.

2. For the purposes of the first paragraph of this article, the pre-construction guarantee is a bank guarantee, depending on the total installed capacity of the power plant, in the amount of not less than 10,000 (ten thousand) US dollars or its equivalent in euros for each megawatt (in accordance with the exchange rate established by the National Bank of Georgia for that period).

3. For the purposes of the first paragraph of this article, the construction guarantee is a bank guarantee, depending on the total installed capacity of the power plant, in the amount of not less than 20,000 (twenty thousand) US dollars or its equivalent in euros for each megawatt (in accordance with the exchange rate established by the National Bank of Georgia for that period.)

4. In case of violation of the obligation to submit a bank guarantee under the terms and conditions stipulated in the first paragraph of this article, the technical-economic feasibility contract of the power plant will be terminated automatically, and the Ministry will notify the person implementing the project in writing.

5. Violation of the obligation under the terms and conditions established by the agreement on technical-economic feasibility of the power plant, in addition to the obligation provided for in paragraph 4 of this article, will result in the imposing of a penalty on the interested person/violator, the amount of which is 0.5% of the total amount provided for in the pre-construction guarantee for each overdue day. In addition, the payment of the levied levy must be made within 15(fifteen) calendar days from the receipt of the Ministry's request by the person interested in the application, and if the payment is not made within the said period, the Ministry is authorized on behalf of the Government to claim the amount of the unpaid levy from the bank guarantee. In case of the decrease in the amount of the bank guarantee, the person implementing the project is obliged to complete the bank guarantee within 30 (thirty) calendar days.

6. At the stage of technical-economic study preparation, if the count of the penalty imposed on the company exceeds 50% (fifty) percent of the total pre-construction bank guarantee, the government has the right to unilaterally terminate the validity of the contract for the technical-economic feasibility of the power plant. In such case the government will call the entire amount covered by the bank guarantee and the project and the relevant property (including the intellectual property related to the project) will be transferred to the Government free of charge.

7. In the event that, based on Clause 5 of this Article, the amount of compensation imposed on the interested person is requested from the bank guarantee and the bank guarantee has not been replenished within 30 (thirty) calendar days in the amount of the requested amount, the Government will automatically and unilaterally terminate the validity of the technical-economic feasibility agreement. In such a case the government will request the remaining amount provided by the bank guarantee.

Article 10. Responsibility of the person implementing the project

1. The person implementing the project is obliged to comply with the obligations imposed by the agreement on technical-economic feasibility of the power plant and the contract for difference, the requirements stipulated by the current legislation and upon the request of the Ministry to submit the information to the Ministry within a reasonable period of time, which cannot be more than 2 (two) months.

2. The person implementing the project does not have the right to completely or partially alienate the right to implement the project without the prior consent of the Government or to encumber it in any

way. And in accordance with the Georgian legislation, he is responsible of the project power plant operation, maintenance and protection.

3. In case of the Government approval the alienation of the right to implement the project during the feasibility agreement of the power plant, the person implementing the project is obliged to transfer the project implementation right to the new owner under the same conditions as stipulated in the power plant feasibility agreement concluded with the Government.

4. If during the power plant technical economic feasibility agreement implementation period the project implementing person conducts partial alienation of the given project, he shall bear joint liability with the new owner for fulfilling obligation taken under the contact for difference.

5. Upon completion of the power plant feasibility agreement terms and obligations the given information will be submitted to the Government after the evaluation by the Ministry.

6. In case of failure in meeting the power plant technical-economic feasibility agreement terms the parties to this agreement shall act in accordance with the conditions specified in the agreement.

Article 11. The Difference between the applications submitted to the auction and the feasibility study

1. If the negative difference between the average annual output submitted in the pre-feasibility study by interested person with the auction application and the average annual output in the full feasibility study is more than 10% but less than 15%, the tariff offered to the interested person in case of signing construction phase contact will be reduced by 10%.

2. If the negative difference between the average annual output submitted in the pre-feasibility study by interested person with the auction application and the average annual output in the full feasibility study is more than 15%, but less than 30%, the tariff offered to the interested person in case of signing the power plant construction, ownership and operation contract will be reduced by 30%.

3. In the event that the negative difference between the average annual output submitted in the pre-feasibility study by interested person with the auction application and the average annual output in the full feasibility study is more than 30%, the agreed tariff will be reduced by 100% to the interested person.

4. If the positive difference between the average annual output submitted in the pre-feasibility study by interested person with the auction application and the average annual output in the full feasibility study is more than 10% but less than 15%, the tariff on positive difference offered to the interested person in case of signing construction phase contact will be reduced by 10%.

5. If the positive difference between the average annual output submitted in the pre-feasibility study by interested person with the auction application and the average annual output in the full feasibility study is more than 15%, but less than 30%, the tariff on positive difference offered to the interested person in case of signing the power plant construction, ownership and operation contract will be reduced by 30%.

6. In the event that the positive difference between the average annual output submitted in the pre-feasibility study by interested person with the auction application and the average annual output in the full feasibility study is more than 30%, the agreed tariff will be reduced by 100% on the positive difference to the interested person. ([entire article amended as of February 7, 2023](#))

Article 12. Project term and term change

1. The period from the signing of the agreement on power plant technical economic feasibility to commissioning of the power plants should not exceed:

- a) for Hydro power plants – 5 (five) years;
- b) for wind power plants – 4(four) years;
- c) for solar power plants – 3(three) years;
- d) for other renewable energy power plants – 5(five) years.

2. The terms specified in the first paragraph of this article may be extended/prolonged by the relevant act of the Government of Georgia, if the commissioning of the power plant is delayed due to circumstances caused by force majeure, which shall be confirmed by the relevant authorized agency in writing ([paragraph 2 added as of amendment of February 7, 2023](#))

Article 13. Transitional Provisions

1. Projects, the development of which has started before the entry into force of this decree and is in progress in accordance with the Government Decree #403 of July 2, 2020 on the Approval of the Support Scheme for the production and use of energy from Renewable Resources, will be implemented in accordance with the support scheme determined according to the Government Decree # 403 of July 2, 2020.

2. All interested parties participating in the auction announced in accordance with these rules, who do not win the auction or with whom the power plant technical economic feasibility agreement will not be signed, are authorized to develop the project in accordance with the legal act on the basis of which the right to develop the project was obtained.