



Georgian National Energy and Water Regulatory Commission

Monitoring in Natural Gas Sector

Guliko Bedoshvili
Department for Tariffs and Pricing
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Legal Acts Regulating Safety and Customer Service Rules in the Field of Natural Gas Transportation and Distribution

- * The Law on Electric Energy and Natural Gas and bylaws and regulations adopted by the Commission on basis of this Law:**
 - Rules for Controlling and Licensing Activities in Power, Natural Gas and Water Supply Sectors**
 - Natural Gas Market Rules**
 - Natural Gas Consumption Rules**
- * The Law on Licenses and Permits**
- * Safety Rules for Natural Gas Utilities**

Rules for Controlling and Licensing Activities in Power, Natural Gas and Water Supply Sectors

- **This document was adopted (revised) by the Regulatory Commission in September 2008 and it stipulates those mandatory requirements-conditions that shall be observed by any person performing activities covered by the Law on Electric Energy and Natural Gas in power, natural gas and/or water supply sectors. It also sets conditions and procedures for implementation of control (monitoring) over non-licensed activities in the same sectors.**
- **Monitoring of natural gas supply activities is implemented by the Commission**
- **The control is implemented through: 1. Reports on observance of activity-service conditions;**
 - **Quarterly and annual financial reports;**
 - **Technical report**
- **2. Random inspection**
- **3. On basis of customers' claims.**

Rules for Controlling and Licensing Activities in Power, Natural Gas and Water Supply Sectors (continued)

■ Licensing rules

- According to the Law, transportation and distribution of natural are subject to licensing.**
- Licensing rules define those requirements, compliance with which is mandatory both for license applicants and license holders, notwithstanding their organisational-legal status.**
- Issue, modification or elimination of the licenses, as well as definition of licensing conditions and compliance monitoring is implemented by the Regulatory Commission**

Rules for Controlling and Licensing Activities in Power, Natural Gas and Water Supply Sectors (continued)

- **The applicant shall submit to the Commission the written application in the form developed by the Commission, and the following documents shall be enclosed:**
 - a) **List of fixed assets of the company and audit report on their evaluation;**
 - b) **Document confirming ownership and/or right to use the assets, excerpt from the public registry, cadastre map;**
 - g) **Report by State Inspection for Technical Supervision and/or Architectural-Construction Inspection confirming compliance of the assets of the applicant with the existing state standards and norms;**
 - d) **Requirements specification for connection to the network;**
 - e) **Scheme of the natural gas network.**

Rules for Controlling and Licensing Activities in Power, Natural Gas and Water Supply Sectors (continued)

- * Monitoring of compliance with the license conditions is implemented by the Commission**

Monitoring is implemented through: a) reports on compliance with the license conditions;

b) random inspection of compliance with license conditions or inspections on basis of customers' claims

- * The natural gas transportation and distribution licensees shall submit to the Commission the reports on compliance with license conditions within the terms specified by the Commission;**

a) quarterly information on performance (economic-financial indicators) and annual financial reports approved by the auditor.

b) Technical report (on status of technical means)

g) Performance reporting, including information on measures taken and planned for improvement of the service quality.

d) On emergencies and measures taken to eliminate consequences of such emergencies.

e) Other information, as deemed necessary by the Commission.

Natural Gas Market Rules

- * **Natural Gas Market Rules are approved by the Ministry of energy in 20006. The provisions of the Rules regulate relations between natural gas suppliers transportation and distribution licensees and direct consumers**
- * **Basic Principles**
 1. **Safe, uninterrupted, reliable and quality supply of natural gas;**
 2. **Transportation licensee shall:**
 - **timely comply with the requirements of supplier on supplying, interrupting or restoring supply of gas to specified person;**
 - **comply with safety standards;**
 - **ensure uninterrupted supply to all customers in accordance with the stated rules;**
 - **comply with the stated safety rules and norms;**
- * **Natural gas supplier, transportation or distribution licensee is entitled to interrupt supply in accordance with the stated rules, if:**
 - **customer fails to fulfill obligations under legislation and contract;**
 - **it is necessary to carry out planned or emergency repair works;**
 - **safety rules are violated or use of gas tools impose hazard to any person.**

Natural Gas Market Rules (continued)

* Reliability standards:

- Natural gas transportation licensee shall maintain the transportation network connected to the systems of the other countries in due order.
- Transportation licensee shall design and manage the system in a manner providing system stability even in cases when one or more elements (devices) of the system fail
- In case of any deficit caused by natural disaster, sabotage, emergency or other events affecting the system, gas shall be distributed in accordance with necessity and fairness principles. In such cases, transportation licensee shall primarily provide gas to the power generation utilities
- Natural gas transportation can be required by supplier or direct consumer.
- Quality of natural gas and its odorisation shall comply with the rules and state standards developed for this sector. Odorisation shall be implemented by the transportation licensee, and the control is responsibility of transportation and/or distribution licensee.
- Natural gas transportation licensee, prior to commencement of natural gas supply, shall require from the distribution licensee or direct customer respective documentation confirming due status of connection to the system and metering point

Natural Gas Consumption Rules

- * **The Natural Gas Consumption Rules are approved by the Regulatory Commission in 2004 and they regulate relations between those companies and customers of natural gas sector that sell-purchase, distribute and consume natural gas through the distribution network.**
 - **Connecting customer to natural gas distribution network requires approval by the respective natural gas distribution licensee.**
 - **Distribution licensee shall reject connection of the customer, if gas devices (heaters, water heaters, gas-stoves, etc.) are not certified and does not have respective operational documentation.**
 - **Customer wishing to receive natural gas shall submit application to the selected supplier.**
 - **supplier and/or distribution licensee shall give the customer justified response not later then two weeks after receiving such application.**
- * **Natural Gas Consumption Rules also regulate billing and payment procedures, disputes rising out or in connection with metering, means for elimination of illegal consumption, procedures of meter removal and drawing up the reports, etc.**

Safety Rules for Natural Gas Utilities

- * Safety Rules for Natural Gas Utilities were approved by the State Inspection for Technical Supervision in 2002 and they set requirements for ensuring safety and are mandatory for all persons designing, constructing and operating natural gas supply systems with excessive pressure up to 1.2 MPa, consume gas for heating or technological purposes, manufacture and use natural gas devices.**

- * The Rules regulate following sites:**
 - External gas pipelines and constructions (gas pipelines located outside of cities and other settlements, together with respective premises);**
 - Internal gas pipelines and gas using devices of boilers in industrial and agricultural installations;**
 - Internal gas pipelines and gas devices of the buildings;**
 - Gas regulating stations, points and devices;**
 - Systems protecting gas pipelines from electro-chemical corrosion.**

- * The Rules envisage periodical survey of qualification and knowledge of human resources in the gas utilities; the rules for commissioning and operating gas supply systems.**

B Safety Rules for Natural Gas Utilities (continued)

- * Currently, the operation of gas transportation system (mains) is subject to the safety rules adopted by the Ministry of Gas Industry in soviet period**
- * The age of the natural gas transportation system, complicated relief and climatic conditions make necessary the special requirements for ensuring its safe operation.**
 - Highest point of gas transportation pipeline – 2,400m;**
 - Pipeline crosses more then 2,000 artificial and natural barriers, 118 big and medium size rivers;**
 - 6.013 km of the pipeline goes through 12 specially constructed tunnels;**
 - 19% out of 1,940 km of the pipeline is under operation for more then 30 years, 76% – for 10-30 years, and 5% – for less then 10 years;**
 - Active electric-chemical protection of the pipeline was implemented through 200 cathode and 40 electric drainage protection devices, 3,500 protectors; they are out of order since 1991-1992**

Safety Rules for Natural Gas Utilities (continued)

- * In 1990-ies, in Georgia, natural gas supply and, respectively, consumption was almost fully terminated; this resulted in deterioration of electric-chemical protection of the underground gas pipelines and corrosion, thus creating the safety risks in gas supply sector.**

At the same time, the market overcrowded by the non-certified gas devices (heaters) that were installed by the customers themselves, and this was the reason for frequent accidents. Currently, the requirements for observation of safety rules are made stricter and the quality of service also improves.



Thank You for Attention!