INTRODUCTION

Due to the natural monopolistic situation in Georgia in the field of electricity, gas and water supply, utility companies’ behavior was difficult to monitor and control from regulatory point of view, in the light of customer relations. Further to the fact that customer does not have a chance to select any other company apart from the monopolistic one, companies were manipulating and making customers’ life trouble and sometimes even unfair while not providing respective services as well as violating set time frames. Several surveys have been conducted by the regulatory authority named as “Mystic Consumer”, that proved the doubts about utility companies wrong attitude towards consumers, when they were using their dominant position in a negative way. Based on the results revealed, important decision was made by the regulatory authority, thus using technological opportunities there was created electronic journal aiming to collect data in online regime and to verify it, whether it is in light with the regulation covering timing of fulfilling obligations by utility companies and providing services so that companies keeping accuracy of information.

It is only one part if the regulation is right, but another more important part is if the regulation is administered by the regulated companies. Involving all utility companies in three different sectors into online electronic journal was challenging as for not all had technological skills to switch into online data collection process. It turned out to be time consuming, as assisting in installation of technologies for regulated companies and enhancing staff technical skills on one hand was not acceptable because of finances required to be invested in.
technological development and on another morally complicated to take a new step, agree with the change and make a reform. Still, right time management performed by the regulatory authority ensured quantitative and qualitative assessment of data received via online regime. Huge volume of data analysis per following criteria was regulatory’s responsibility in order to meet consumer service satisfaction:

- Informing customers about the date and duration of the planned termination;
- Restoration of supply for disconnected customers in the case of unplanned termination;
- Restoration of supply to the customers disconnected due to non-payment of debt;
- Justified written response and/or responding to the written applications of the customers;
- Checking metering devices on spot in response to application of the customers;
- Registering as a subscriber;
- Connection of a new customer;
- Checking technical quality on spot in response to application of the customers;

Implementation of such monitoring system created a soil to make changes and ensure better, fair, balanced environment for customers and companies. After finalizing the study lots of changes have been made to the regulation in order, it to describe the reality and harmonize consumer/utility company relations. Still process is ongoing even now and is focused to verify all the obstacles company/consumer are facing.

Regulatory Impacts

There are two independent national regulatory bodies in Georgia: the Georgian National Energy and Water Regulatory Commission (hereinafter - the "Commission") and the Georgian National Communications Commission. The Law on National Regulatory Bodies was adopted on September 13, 2002.

Energy issues in Georgia have been regulated by the Law of Georgia on Electricity and Natural Gas dated July 27, 1997, which have been revoked on December 20, 2019 and the new Law on Energy and Water Supply entered into force. According to the Articles 23 and 24 of the Law, the Commission is responsible for the lawfulness of its administrative acts - resolutions and decisions. For the purpose of the public discussion, the Commission publishes drafts of the normative acts on its website - www.gnerc.org and defines a reasonable timeframe for submitting opinions by any interested party. The Commission prepares and approves the procedures related to public discussion, including procedures for public hearing as well as the terms and conditions of publishing information for public discussion. The Commission should adopt and publish a Code of Ethics reflecting widespread international practice and the Code of Ethics should be harmonized with the European legislation.

The new Law on Energy and Water Supply regulates issues related to the service quality, in particular, Article 75 of the new Law includes the provisions concerning Distribution Network Development and Investment Plan and other topics together with the following issues: targets of quality, duration of interruptions in the distribution network and quality of service, potential investments in the devices for controlling the service quality and data exchange.

Pursuant to the paragraph 3 of the Article 135, operational security of electric networks encompass the fulfilment of operational rules related to the operational security by the transmission system operators and, where appropriate, distribution system operators as well as it envisages the compliance with the requirements of service quality rendered concerning the transmission and/or distribution networks and the maintenance of proper level of operational security of electric network that are supervised by the Ministry and the Commission within their competence.

According to the Article 12 (2) (b) of the Law, a license seeker shall take all measures necessary to ensure the quality of service to be provided. Pursuant to the Article 77 of the same Law, based on the annual report of the Distribution System Operator, the Commission may request the distribution system operator and/or where appropriate, other energy undertakings to implement certain measures in order to improve the quality of services in the distribution network.

The Commission approved Rules of Commercial Service Quality by the Resolution #13 dated of July 25, 2016, which was revoked by the Resolution #39 of December 28, 2018 and adopted a new normative act "On Approving Service Quality Rules".

Georgian National Energy and Water Supply Regulatory Commission has approved “Instruction for Monitoring of the Indicators of the Service Commercial Quality rendered by the Electricity Distribution Licensees” by its Resolution #3 on April 1, 2009. This Resolution only referred to the electricity distribution licensees and unfortunately failed to fulfill its "obligation". Requirements for this instruction have been hardly fulfilled and soon after, in 2012, it was revoked. GNERC has approved the Rules for Commercial Quality of Service rendered by the Electricity Distribution Licensee by its Resolution #6 of July 5, 2012. These rules were in force until August 31, 2016, but they were not properly implemented as well. It should be noted that both the instruction and the rules referred to only one sector regulated by the Commission and placed other licensees in unequal conditions that was the wrong decision. This was due to the fact that the Commission's regulation initially applied to electricity distribution companies

1. Law of Georgia on Energy and Water Supply dated of December 20, 2019
2. Law of Georgia on Energy and Water Supply dated of December 20, 2019
3. Law of Georgia on Energy and Water Supply dated of December 20, 2019
5. Law of Georgia on Energy and Water Supply dated of December 20, 2019
6. GNERC Resolution #13 on Approving the Rules for Commercial Service Quality dated of July 25, 2016;
7. GNERC Resolution #39 on Approving Service Quality Rules dated of December 28, 2018;
8. GNERC Resolution #3 on Approving Instruction for Monitoring of the Indicators of the Service Commercial Quality rendered by the Electricity Distribution Licensees dated of April 1, 2009
9. GNERC Resolution #6 on Approving the Rules for Commercial Service Quality rendered by the Electricity Distribution Licensee dated of July 5, 2012;
only and regulation of gas and water supply companies has been added to its functions later.

**Electronic Journal**

By the Resolution #13\(^{10}\) as of July 25, 2016 GNERC has approved the Rules of Service Commercial Quality that applied to all undertakings regulated by the Commission. The purpose of Rules of Service Commercial Quality (hereinafter - “the Rules”) is to improve the commercial quality of service provided to the customer in compliance with the standards determined in the rules.

It should be noted that the Rules of Commercial Service Quality set uniform requirements for regulating following issues:

a. Commercial quality standards of service;
b. Requirements and criteria for commercial service quality;
c. Means of compensating, imposing fines and incentivizing, as well as amount of compensation to be awarded to the Customer by the Utility in case if service provided is not in compliance with standards approved under these Rules;
d. Registering data on commercial service quality provided by the Utility to the Customer;
e. Submitting information to Georgian National Energy and Water Supply Regulatory Commission on commercial service quality provided by the Utility to the Customer.\(^{11}\)

As noted above, by the Resolution #39 of December 28, 2018 approved the Service Quality Rules, which are still in force and have significantly improved the performance of the companies. According to the mentioned Rules, licensees are obliged to support the Commission in the process of introducing journals and program software. These electronic journals have been in operation since late 2016 and GNERC monitors this process that is reflected in daily control and supervision by the regulator.

The company has been obliged to pay compensation to its customers since July 1, 2017 and 2017 is the first year of financial incentives / sanctions.

The rules set out the standards of service: reliability and commercial service quality. There are two types of service quality standards: overall and guaranteed.

Overall standard of commercial service quality is a type of service that does not depend on service provided to a specific customer. Overall standard of commercial service quality sets target indicators for timely and duly provision of services by the Utility to indefinite amounts of customers within the calendar year.

**Financial Mechanisms**

| Cases when the Overall Standard of Service Quality is not fulfilled |
|---|---|---|
| Overall Standard | Service | Annual Target Indexes |
| № | | In order to meet the standard, information about outages must be delivered on time in 90% of the cases. In the case if annual target indexes are improved/worsened, the regulated cost base of the Utility shall be increased/reduced respectively by 0.01 % of the regulated cost base for each 1% improved/worsened. Fulfillment of this standard by the Utility shall be calculated based on the ratio between the number of Customers informed on time during the year and the total number of those switched off Customers, who have submitted their contact data to the Utility. Supply shall be restored timely to 80% of the Customers switched off as a result of unscheduled outage. In the case if annual target indexes are improved/worsened, the regulated cost base of the Utility shall be increased/reduced respectively by 0.01 % of the regulated cost base for each 1% improved/worsened. Fulfillment of this standard by the Utility shall be calculated based on the ratio between the number of timely restored Customers and the total number of switched off Customers. In order to meet the standards, 80% of incoming calls shall be answered on time. In the case if annual target indexes are improved/worsened, the regulated cost base of the Utility shall be increased/reduced respectively by 0.01 % of the regulated cost base for each 1% improved/worsened. In case of improvement or worsening by the Utility of average duration of electricity supply outage according to territorial districts in each region, the Commission shall be authorized, during calculation of the Utility’s tariff, to increase or reduce the regulated cost base according to the Q factor. In case of improvement or worsening by the Utility of average duration of gas or water supply outage according to territorial districts in each region, the Commission is authorized to increase or reduce respectively by 0.01 % of the regulated cost base for each 1% improved/worsened. | |
| 1 | Information the Customers about the date and duration of supply outage | |
| 2 | Restoration of supply to the Customers who were switched off due to internal unscheduled outages | |
| 3 | The time for responding to the call by the call center operator | |
| 4 | Reduction of average duration of electricity supply outage | (shall be effective from December 31, 2019, 27.12.2019 N46) |
| 5 | Reduction of average frequency of natural gas or water supply outage | (shall be effective from December 31, 2019, 27.12.2019 N46) |

So called compensation should be paid by the Licensee in case it does not meet the guaranteed standard. Amount of compensation is calculated according to the table below.\(^{12}\)

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\(^{10}\) GNERC Resolution #13 on Approving the Rules for Commercial Service Quality dated of July 25, 2016;

\(^{11}\) GNERC Resolution #13 on Approving the Rules for Commercial Service Quality dated of July 25, 2016, Article 1

\(^{12}\) GNERC Resolution #13 on Approving the Rules for Commercial Service Quality dated of July 25, 2016, Annex 2
Compensation

**Cases when the Overall Standard of Commercial Service Quality is not fulfilled**

<table>
<thead>
<tr>
<th>Guaranteed Standard</th>
<th>Amount of Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restoration of supply to the Customers disconnected due to non-payment</td>
<td>Household Customer – 5 GEL</td>
</tr>
<tr>
<td></td>
<td>Non-household Customer – 10 GEL</td>
</tr>
<tr>
<td>Sending justified answers or text messages to queries of the Customers or/and reacting to them</td>
<td>Household Customer – 5 GEL</td>
</tr>
<tr>
<td></td>
<td>Non-household Customer – 10 GEL</td>
</tr>
<tr>
<td>Onsite inspection of metering tools, based on the Customer’s query</td>
<td>Household Customer – 5 GEL</td>
</tr>
<tr>
<td></td>
<td>Non-household Customer – 10 GEL</td>
</tr>
<tr>
<td>Registration as a subscriber</td>
<td>Household Customer – 5 GEL</td>
</tr>
<tr>
<td></td>
<td>Non-household Customer – 10 GEL</td>
</tr>
<tr>
<td>Onsite inspection of technical quality, based on the Customer’s query</td>
<td>Household Customer – 5 GEL</td>
</tr>
<tr>
<td></td>
<td>Non-household Customer – 10 GEL</td>
</tr>
</tbody>
</table>

**Connecting new Customers to the system/increasing the capacity**

<table>
<thead>
<tr>
<th>Technical supervision of construction, installation of the metering node and network in-cut (shall be effective from December 31, 2019, 27.12.2019 №46)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Connection of Micro Generating Power Plant (shall be effective from December 31, 2019, 27.12.2019 №46)</td>
<td></td>
</tr>
</tbody>
</table>

It is interesting to see how the quality of service has improved for consumers after making the abovementioned decision. Electricity, natural gas and water supply companies are actively involved in this process.

**RESULTS AND DISCUSSION**

Research conducted with the purpose to evaluate relations among consumers and natural monopoly utility companies in the light of service quality has resulted in revealing regulated companies not fulfilling the regulatory legislation, thus amendments have been made to the regulations and monitoring of service quality has become one of the priority for regulatory commission. The Commission has been using an electronic monitoring system of commercial service quality for already 3 years. The abovementioned software has been introduced in 2017 in order to monitor the achievement of the objectives defined by the Service Quality Rules approved by the Commission’s Resolution №39 of December 28, 2018 by using modern systems and technologies.

Since November 2017, Commercial Service Quality Control Department¹³, which is a new structural unit of the Commission, controls in real time the commercial quality of the service provided to the retail customers by the electricity distribution licensees, water supply licensees, natural gas distribution licensees and/or natural gas suppliers, reveals deficiencies and develops recommendations for improving commercial service quality.

As a result of active cooperation with regulated utilities, the monitoring system has been significantly improved in the reporting period. Technical and procedural deficiencies have been eliminated. The commercial Service Quality Control Department is working on further improvement of the monitoring program, which means systematization of specific no typical cases.

Service Quality Rules approved by the Commission on December 28, 2018 apply to electricity, natural gas and water supply sectors and establish unified requirements and standards. Commercial service quality standards are the indicators of commercial service quality set by the Commission defining the minimum level of customer service quality which shall be provided by the entity. Electronic monitoring system of commercial service quality monitors the following general and guaranteed standards envisaged by the Resolution:

**Overall Standard**

1. Informing customers about the date and duration of the planned termination – to meet the standards the customers shall be informed about 90% of the total amount of terminations in a timely manner;
2. Restoration of supply for disconnected customers in the case of unplanned termination - to meet the standards, 80% of the total amount of terminations shall be restored in a timely manner;
3. the time for responding to the phone call by the call center operator;
4. Reduction of average duration of interruption of electricity supply;
5. Reduction of average frequency of natural gas/water supply.

**Guaranteed Standard**

1. Restoration of the supply to the customers disconnected due to nonpayment of debt: in case of paying off the debt until 16:00, the deadline shall be (in the high mountainous regions or at the weekend until 14:00) 5 hours after payment, in case of paying off the debt after 16:00 (in the high mountainous regions or at the weekend after 14:00)- until 12:00 of the next day;

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¹³Resolution №6 of the Georgian National Energy and Water Supply Regulatory Commission on Approving the Charter of GNERC dated of March 6, 2014;

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2. A justified written response and/or responding to the written applications of the customers – deadline shall be 10 working days;
3. Checking metering devices on spot in response to application of the customers - deadline shall be 10 working days;
4. Registering as a subscriber and provision of supply with requested conditions – deadline 5 working days;
5. Connection of a new customer – deadline is determined according to the package chosen by the customer;
6. Checking technical quality on spot in response to application of the customer – deadline 5 working days;
7. Issuance of Technical Condition for connection of new customer
8. Installation of metering point and network in-cut
9. Connection of micro generating power plant

Customers’ applications submitted to the regulated utilities, information on planned and unplanned terminations, information on connection of new customers and recovery of supply for the customers disconnected due to non-payment of debts, are automatically recorded in the Commission’s database, for the purpose of effective control over compliance with the above-mentioned standards. Based on the database, data analysis and visualization module of commercial service quality monitoring system ensure processing of information and submitting in a desired manner.

The indicators of meeting the standards of commercial service quality in the years of 2017-2019 are given below according to the sectors.

In the event of the failure to perform services envisaged by guaranteed standards due to the internal reasons, the utility is
obliged to provide specified compensation to the customers for non-performance of services:

In case of non-compliance with the standards related to the connection of a new customer to the network in electricity, natural gas and water supply sectors in the specified timeframe, the compensation is defined as follows:

In case of missing the deadline for connection to the network (system) defined by the package set by the Commission for the first time – the fee for connection of the new customer is decreased by 50%; in case of missing the deadline for the second time, if the works for the connection to the network (system) are not finished - the connection fee is reduced to zero. Therefore, from 2019 in case of missing the deadline for connection to the network (system) in the electricity, natural gas and water supply sectors for the third and every next time, the licensee is obliged to compensate 50% of the connection fee to the person willing to connect - every time the deadline is missed;

for the violation of other guaranteed standards the compensation is a one-time action and amounts: 5 GEL – for household customers and 10 GEL – for non-household customers.

The compensation envisaged by the guaranteed standards shall be accrued on the customer’s subscriber card as a credit for further settlement. In addition, the compensation shall be reflected in the customer’s subscriber card within 15 working days from the violation of guaranteed standard of service.

<table>
<thead>
<tr>
<th>Utility</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Georgian Water and Power LLC</td>
<td>1,817,885</td>
<td>1,403,365</td>
<td>299,475</td>
</tr>
<tr>
<td>Telasi JSC</td>
<td>117,830</td>
<td>210,155</td>
<td>41,740</td>
</tr>
<tr>
<td>Socar Georgia Gas LLC</td>
<td>647,375</td>
<td>350,610</td>
<td>79,925</td>
</tr>
<tr>
<td>Energo-Pro Georgia JSC</td>
<td>141,005</td>
<td>103,785</td>
<td>88,405</td>
</tr>
<tr>
<td>Tbilisi Energetic JSC</td>
<td>56,630</td>
<td>47,085</td>
<td>243,860</td>
</tr>
<tr>
<td>SakOrgGaz JSC</td>
<td>130,250</td>
<td>41,850</td>
<td>46,610</td>
</tr>
<tr>
<td>RustavisTskali LLC</td>
<td>31,230</td>
<td>44,390</td>
<td>3,155</td>
</tr>
<tr>
<td>Water Supply Company of Georgia LLC</td>
<td>630</td>
<td>3,045</td>
<td>13,085</td>
</tr>
<tr>
<td>BatumisTskali LLC</td>
<td>0</td>
<td>188,735</td>
<td>170</td>
</tr>
<tr>
<td>Telavas LLC</td>
<td>0</td>
<td>0</td>
<td>10,185</td>
</tr>
<tr>
<td>Other Little Utilities</td>
<td>630</td>
<td>180</td>
<td>1,625</td>
</tr>
<tr>
<td>Total</td>
<td>2,943,465</td>
<td>2,393,200</td>
<td>818,235</td>
</tr>
</tbody>
</table>

Table 1.11 The amount of compensating accrued to the customers

CONCLUSION

In our opinion, the introduction of the abovementioned regulations at the legislative level will significantly improve the quality of service provided to customers. In preparing the draft resolution, the Commission has considered international practice. Moreover, GNERC has held numerous meetings and consultations with European partners and experts while working on the draft of this Resolution.15

Based on this Resolution, the companies asked the customers to assist in improving the commercial quality of services, for example, the largest company, Telasi JSC has introduced an electronic journal in accordance with the standards of the Commission, which records online customer messages, claims and information on how the company has responded to any of its customer’s complaint. In order to improve SMS messaging service, Telasi JSC asked the population to provide the staff of the company with their mobile phone numbers. The company needs the mobile numbers to send SMS notifications that allow subscribers to receive information about planned and emergency outages, interruption of supply of electricity due to the debt or non-payment of fees for water supply, cleaning and electricity services provided. Subscribers can provide relevant information to the staff of the company, who will have a document confirming that they represent Telasi JSC. In addition, subscribers can provide the company with their mobile numbers by using the "Customer's Private Cabinet" on the website or call the company’s call-center or business center.16 Suppliers in water supply and natural gas sectors have implemented the same measures.

Finally, we believe that the reforms implemented by GNERC will improve the level of service provision to the customers as much as possible. Utilities endeavor to improve their services in order to have more satisfied customers.

References

1. Law of Georgia on Electricity and Natural Gas dated of June 27, 1997;
2. Law of Georgia on Energy and Water Supply dated of December 20, 2019;

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14 Note: the amount of the compensation accrued in 2017 highlighted in Table differs from the amounts recorded in the Annual Report of 2017 of the Commission. In the 2018 report, the data of 2017 is clarified, since the amount accrued in the calendar year may be adjusted during the following year.

15 http://gnerc.org/ge/siakhleebi/11242/11242 (Last check on September 29, 2017)
17 http://www.gwp.ge/ka/users (Last check on September 29, 2017)
5. Resolution #3 of the Georgian National Energy and Water Supply Regulatory Commission on Approving Instruction for Monitoring of the Indicators of the Service Commercial Quality rendered by the Electricity Distribution Licensees dated of April 1, 2009
13. Jorge Vasconcelos, Article on Energy regulation in Europe: the politics of regulation and regulatory policy revisited. 05 September, 2019. School of Florence
15. Demur Chomakhidze, Maia Melikidze, Book on Methodological and Conceptual Basis for Energy Development in Georgia. 2019, pages 47-52

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