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**Turkey
and
Georgia**

Agreement between the Republic of Turkey and Georgia concerning cross-border electricity trade via Borcka-Akhaltsikhe interconnection line. Tbilisi, 20 January 2012

Entry into force: *21 April 2014 by notification, in accordance with article 14*

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**Turquie
et
Géorgie**

Accord entre la République turque et la Géorgie relatif au commerce transfrontalier d'électricité via la ligne d'interconnection de Borcka-Akhaltsikhe. Tbilissi, 20 janvier 2012

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[ENGLISH TEXT – TEXTE ANGLAIS]

**AGREEMENT
BETWEEN
THE REPUBLIC OF TURKEY AND GEORGIA

CONCERNING
CROSS-BORDER ELECTRICITY TRADE VIA BORCKA-AKHALTSIKHE
INTERCONNECTION LINE**

PREAMBLE

The Republic of Turkey and Georgia (herein referred to individually as “the Party” and collectively as “the Parties” or “Republic of Turkey” and “Georgia” where appropriate)

DESIROUS of strengthening the social, economical and technical cooperation between the Parties and sustainable development in the region,

DECLARING their readiness to take measures to encourage and increase cross-border trade in electricity and promote investment by their public and private entities in the field of electricity generation, transmission and implementation of the cross-border Electricity Trade on equal and non-discriminatory terms,

RECOGNISING the importance of smooth and uninterrupted cross-border Electricity Trade via the existing and prospective interconnection lines,

TAKING INTO CONSIDERATION the 13 - September 2007 Memorandum of Understanding on Interconnection between the Government of Turkey, represented by the Ministry of Energy and Natural Resources of the Republic of Turkey and the Government of Georgia, represented by the Ministry of Energy of Georgia, signed in Ankara, the 29 July 2009 Memorandum of Understanding on Further Developing the Electricity Interconnections between the Republic of Turkey and Georgia, represented by the Ministry of Energy and Natural Resources of the Republic of Turkey and the Ministry of Energy of Georgia, signed in Ankara, and the 29 September 2010 Memorandum of Understanding on Interconnection between the Republic of Turkey and Georgia, represented by the Ministry of Energy and Natural Resources of the Republic of Turkey and the Ministry of Energy of Georgia, signed in Istanbul, the 9 September 2009 Construction Agreement for the 400kV Borcka-Akhaltsikhe Interconnection Line and the 29 July 2010 Letter of Intent on a Draft Interconnection Agreement between TEIAS and GSE.

RESOLVED to enact relevant provisions aimed at the development of long-term cooperation in the energy field, promotion of import and export of electricity across their borders and

encouragement and creation of stable and favorable conditions for economic activity in the region,

HAVE AGREED in pursuance of these objectives and the objectives expressed herein, to conclude the following Agreement (herein referred to as this “Agreement”).

Article 1

Definitions and Interpretation

1. Definitions

Capitalized terms used in this Agreement, including in the Preamble, have the following meanings:

“Allocated Capacity” or “ALC” means that the total amount of the capacity allocated in terms of MW for the relevant interconnection line.

“Available Transfer Capacity” or “ATC” means that part of NTC that remains available, after each phase of allocation procedure, for further commercial activities and is offered for utilization by users. ATC is calculated as Net Transfer Capacity for the Borcka-Akhalsikhe Interconnection Line minus Non-available Capacity.

“Borcka-Akhalsikhe Interconnection Line” means the 400 kV interconnection line that, pursuant to the Existing Agreements, the Parties have agreed to construct between Borcka, Republic of Turkey and Akhalsikhe, Georgia, being a cross-border electricity transmission interface facility and including the back-to-back station and other facilities described in the Existing Agreements, to be constructed in accordance with ENTSO-E requirements.

Commercial Transmission Right Owner means that legal entity which has the right to use the Interconnection Capacity for electricity exchanges defined in terms of MW.

“Electricity Interconnection Agreements” means the Interconnection Operation Agreement and all other relevant Agreements between TEIAS, GSE, ET relating to the operation of, the allocation and dispatch of capacity on, the Borcka-Akhalsikhe Interconnection Line.

“Electricity Trade” means purchase and/or sale of electricity generated either in the Republic of Turkey or in Georgia and transported from the Territory of one to the other via the Borcka-Akhalsikhe Interconnection Line.

“ENTSO-E” means the European Network of Transmission System Operators for Electricity.

“ET” means Energotrans LLC, which owns and controls part of the Transmission System in the Territory of Georgia, including the Borcka-Akhalsikhe Interconnection Line that will connect the Turkish and Georgian power systems.

“Existing Agreements” means the agreements described in the Preamble.

“Force Majeure” has the meaning set forth in Article 9.2.

“GSE” means Georgian State Electrosystem LLC which is the System Operator of the Georgian Transmission System, owns and controls part of the Transmission System and carries out the operational dispatch and control of the energy system of Georgia, including the part of the Borcka-Akhalsikhe Interconnection Line located on the Territory of Georgia that will connect the Turkish and Georgian power systems.

“Interconnection Operation Agreement” means the agreement between TEIAS, GSE and ET described in Article 8 of this Agreement.

“Joint Committee” means the joint committee established and governed in accordance with Article 10.

“Laws and Regulations” means the laws and regulations of each respective Party, encompassing Presidential and Governmental decrees, acts, secondary legislation including regulations, ministerial orders, resolutions and rules, and all such other instruments having the force of law.

“Letter of Intent” means the 29 July 2010 Letter of Intent for the position of TEIAS and GSE on Draft Interconnection Agreement (on the 400 kV Akhalsikhe-Borcka HV Line) and a smooth operation of a DC “Back-to-Back” station.

“Net Transfer Capacity” or “NTC” means the total electricity exchange program (via the Borcka-Akhalsikhe Interconnection Line) between two interconnected Transmission Systems compatible with the fulfillment of the security standards established by the respective Transmission Systems, for a certain period and direction of active power flow.

“Non-available Capacity” or “NAC” means that part of NTC on the Borcka-Akhalsikhe Interconnection Line which the System Operators of both Parties jointly agree is not available for use by Commercial Transmission Right Owners due to specified technical and security problems those can not be immediately resolved.

“Renewable Energy Source” means a source that captures its energy from on-going processes that are naturally regenerative, such as flowing water (hydropower), sunshine (sunpower), wind (windpower), wave power, biological processes such as anaerobic digestion, and geothermal heat flow.

“Short-term Resale and Reallocation” means reallocation of the capacity to the other potential Commercial Transmission Right (CTR) Owner by the cancellation of the capacity allocated to a CTR Owner in case of the allocated capacity for a certain usage period is not used efficiently or never used.

“State Authority” means a national, regional or local governmental authority, a ministry, department or regulatory, supervisory or competent authority, or political subdivision or instrumentality, agency or judicial body of either Party.

“State Entity” means any entity (including a company, corporation, limited liability company, partnership, limited partnership, enterprise, joint venture, unincorporated joint venture, association, trust or other juridical entity, organization or enterprise duly organized under the laws of any state or any subdivision thereof) in which, directly or indirectly, a Party has a controlling equity or ownership interest or similar economic interest, or in respect of which that Party directly or indirectly has the power to direct or cause the direction of its management and policies.

“System Operator” means an operator of a Transmission System, including the Borcka-Akhalsikhe Interconnection Line.

“TEIAS” means Turkish Electricity Transmission Corporation, which is the market operator and System Operator of the Turkish Transmission System, owns and controls the Turkish Transmission System and carries out the operational dispatch control of the electricity system of the Republic of Turkey, including the part of the Borcka-Akhalsikhe Interconnection Line located on the Territory of the Republic of Turkey that will connect the Turkish and Georgian power systems.

“Territory” means, with respect to any Party, the land territory of such Party, its territorial sea and the air space above each of them, as well as the maritime areas over which such Party has jurisdiction or exercises sovereign rights in accordance with public international law.

“Transmission Rights” means the legal entitlement of a Commercial Transmission Right Owner to Transport electricity through all or any portion of the Borcka-Akhalsikhe Interconnection Line.

“Transmission System” means a national high voltage electricity transmission system, including all related facilities.

“Transport” means the transmission of electricity via any legal arrangement or entitlement.

“Utilization Period” means the period of allocation of the relevant part of ALC of the Borcka-Akhalsikhe Interconnection Line to the Commercial Transmission Right Owner.