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Georgia's Electricity Market Watch – Change in retail tariff

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Retail tariff growth

Effective from April 1, 2026, the retail electricity tariff increased by 5 tetri/kWh for households, representing an average rise of 27.2%, while business tariffs increased by 4 to 7 tetri/kWh, or 20% on average. The change applies to customers of both Telmico (Tbilisi) and EPG Supply (regions).

Retail tariffs are set by the Georgian National Energy and Water Supply Regulatory Commission (GNERC) under a predefined and transparent methodology. The current increase is mainly driven by two factors: higher investment plans and rising electricity procurement costs. A detailed discussion is provided on page 3.

The tariff increase directly raises utility costs for both households and those businesses that purchase electricity on the retail market. In our view, the change will also have several additional effects:

- The tariff increase will add around 0.7 percentage points to the overall price level (inflation).
- Higher investment spending will support infrastructure upgrades and help reduce outage frequency, especially in the regions.
- More expensive electricity will strengthen business interest in self-generation, as seen after the sharp tariff increase in 2021.
- Rehabilitation of the transmission network and substations may also reduce grid-connection costs for small power plants.

It is important to note that the change in the retail tariff does not determine the selling price of electricity generated by power plants. Given the structure of Georgia's electricity market, generation assets sell electricity on the wholesale market, while the retail tariff is formed on the basis of those underlying costs. Accordingly, wholesale prices change first, and the retail tariff then reflects these changes.

Table 1: tariff for households, Tetri/kWh

Tariff step	2026 (New)	2024-25	y/y change
Telmico (Tbilisi)			
<100 kWh	20.0	15.0	33%
101-300 kWh	24.1	19.1	26%
>300 kWh	28.5	23.5	21%
EPG Supply (regions)			
<100 kWh	19.7	14.7	34%
101-300 kWh	23.7	18.7	27%
>300 kWh	28.2	23.2	22%

Source: GNERC, Matsne, Galt & Taggart

Table 2: tariff for businesses, Tetri/kWh

Tariff step	2026 (New)	2024-2025	y/y change
Telmico (Tbilisi)			
220 V	35.3	29.9	18%
6-10 kV	32.0	26.6	20%
35-110 kV	27.8	24.4	14%
EPG Supply (regions)			
220 V	35.7	29.0	23%
6-10 kV	34.6	27.9	24%
35-110 kV	30.3	25.3	20%

Source: GNERC, Matsne, Galt & Taggart

Note: Applies only to retail consumers and excludes direct consumers

Components of the retail tariff

The retail tariff mainly consists of 3 parts - the transmission infrastructure tariff, the electricity procurement cost, and state taxes. The first two components made the largest contribution to the increase in the final retail tariff.

1. Infrastructure component

The infrastructure component reflects the cost of rehabilitation, reinforcement, and expansion of transmission lines, substations, and the distribution network. Accordingly, in both distribution areas, a significant part of the tariff increase is linked to higher investment in the grid.

In the regions, a major factor is Energo-Pro Georgia's 2026-30 investment plan. During this period, the company will invest about GEL 200 mn per year on average, amounting to more than GEL 1 bn in total. The main purpose of these investments is to rehabilitate the network, improve service quality, and reduce outages.

In Tbilisi, more than GEL 400 mn of investment is planned in the Telasi network over the next 5 years. These funds will be directed toward connecting new districts to the grid, replacing old meters, and upgrading existing infrastructure.

In addition, an important part of the infrastructure component is the tariff of the Georgian State Electrosystem (GSE), which was already increased in 2025 and remains in force through end-2026. At the same time, GSE plans to update its investment plan this year, which may become an additional, though relatively small, source of tariff pressure in the coming years.

2. Electricity procurement cost

The second main component of the tariff is the price at which suppliers purchase electricity. This component increased for several reasons:

- Electricity consumption is rising, and additional demand is met by relatively expensive resources.
- Another important factor is the increase in the Enguri and Vardnili tariffs. Their tariff rose by 66% from January 2025. These plants are among the cheapest resources in the system and play an important role in keeping household tariffs relatively low. However, the share of Enguri-Vardnili in meeting retail consumption has been declining over time, driven by higher consumption, hydrological conditions, and demand dynamics in Abkhazia.
- In addition, the tariffs of Khrami 1 and Khrami 2 increased from January 2026. These plants' government-agreed tariff

arrangements expired, and they moved under GNERC regulation, which resulted in higher tariffs.

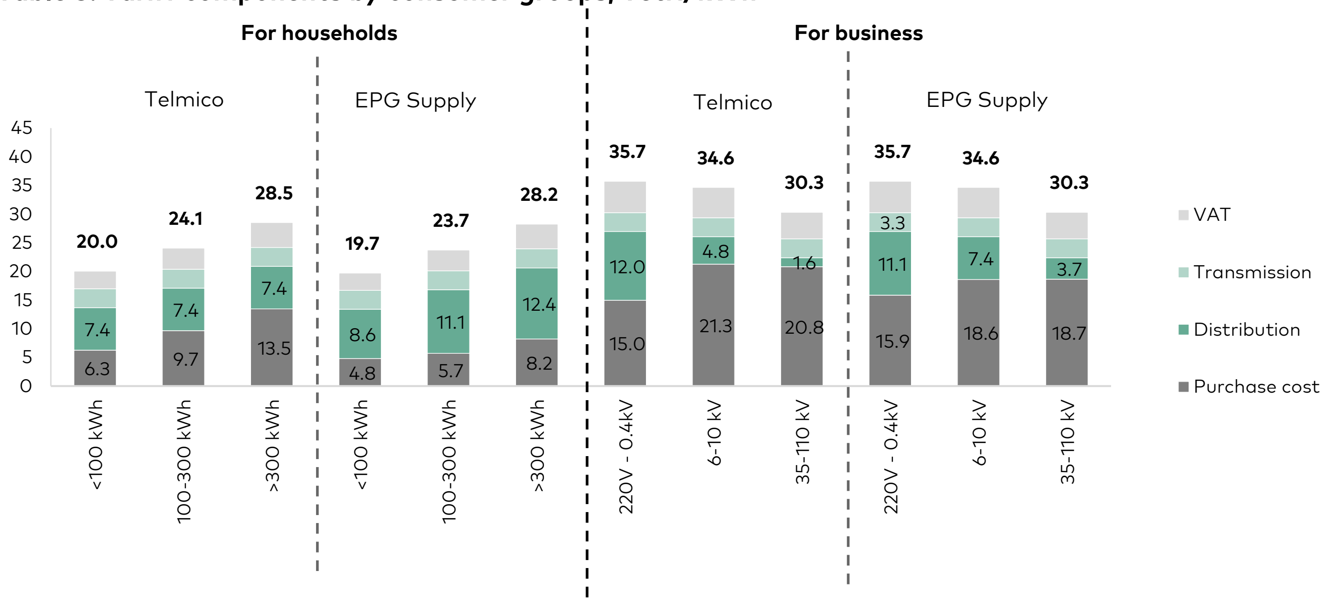
- The price and volume of balancing electricity purchases also increased. This was driven by the removal of gas subsidies for thermal power plants, more expensive imports, and the commissioning of new plants.

Accordingly, the increase in the retail tariff cannot be explained only by grid investment costs - a key factor is also the rise in electricity procurement costs.

3. VAT

The final retail tariff also includes value added tax, which increases in line with taxable base growth and is directed to the state budget.

Table 3: Tariff components by consumer groups, Tetri/kWh



Source: GNERC, Matsne, Galt & Taggart

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