

USEA Reduces Investment Risk in South Caucasus Energy Trade Through Market Mechanism Reform



The United States Energy Association (USEA) played a pivotal role in reducing investment risk in energy trade in the South Caucasus by modernizing the operational and regulatory framework of the Georgia-Türkiye 400 kV DC Interconnector. This strategic infrastructure links European and Asian electricity markets, and with its enhanced transparency and predictability, it now offers a more secure and attractive landscape for regional and international investors.

USEA partnered with Georgia's GSE and Türkiye's TEIAS to address a critical issue in real-time power exchange: the absence of a formal compensation mechanism for unintended hourly deviations to the scheduled flow of

electricity. Without such a system, energy transactions across the border were subject to operational uncertainty, legal ambiguity, and financial exposure, which deterred long-term investment in cross-border infrastructure.

USEA helped develop a robust market mechanism that included pricing formulas, a harmonized IT architecture, customized data exchange protocols, and contingency procedures. These solutions introduced operational discipline, reduced commercial ambiguity, and created the regulatory certainty that investors seek when evaluating grid-related projects.

By institutionalizing rules-based energy trade and establishing secure,

The United States Energy Association's project on the Georgia-Türkiye 400 kV DC Interconnector introduced a market-based compensation system that strengthens cross-border energy trade and boosts investor confidence. By creating a transparent, financeable framework for regional electricity exchanges, the initiative enhances grid stability and paves the way for future infrastructure investment in the South Caucasus.

auditable processes for deviation management, the project significantly reduces technical and regulatory risks for new and existing investments. It also signals to the private sector and financial institutions that the region is committed to sound governance, predictable returns, and sustainable energy cooperation.

This initiative showcases USEA's ability to implement intricate, high-impact reforms that address fundamental risk factors hindering infrastructure investment. As Georgia and Türkiye strengthen cross-border electricity trade, the improved operating environment fosters greater private-sector confidence and long-term development across the South Caucasus energy corridor.