

Natural Monopolies and Their Regulation in Georgia

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Abstract : Introduction: Today, the study of monopolies, including natural monopolies, is topical. In real life, pure monopolies are natural monopolies. Natural monopolies are used widely and are regulated by the state. In particular, the prices and rates are regulated. The paper considers the problems associated with the operation of natural monopolies in Georgia, in particular, their microeconomic analysis, pricing mechanisms, and legal mechanisms of their operation. The analysis was carried out on the example of the power industry. The rates of natural monopolies in Georgia are controlled by the Georgian National Energy and Water Supply Regulation Commission. The paper analyzes the positive role and importance of the regulatory body and the issues of improving the legislative base that will support the efficient operation of the branch. Methodology: In order to highlight natural monopolies market tendencies, the domestic and international markets are studied. An analysis of monopolies is carried out based on the endogenous and exogenous factors that determine the condition of companies, as well as the strategies chosen by firms to increase the market share. According to the productivity-based competitiveness assessment scheme, the segmentation opportunities, business environment, resources, and geographical location of monopolist companies are revealed. Main Findings: As a result of the analysis, certain assessments and conclusions were made. Natural monopolies are quite a complex and versatile economic element, and it is important to specify and duly control their frame conditions. It is important to determine the pricing policy of natural monopolies. The rates should be transparent, should show the level of life in the country, and should correspond to the incomes. The analysis confirmed the significance of the role of the Antimonopoly Service in the efficient management of natural monopolies. The law should adapt to reality and should be applied only to regulate the market. The present-day differential electricity tariffs varying depending on the consumed electrical power need revision. The effects of the electricity price discrimination are important, segmentation in different seasons in particular. Consumers use more electricity in winter than in summer, which is associated with extra capacities and maintenance costs. If the price of electricity in winter is higher than in summer, the electricity consumption will decrease in winter. The consumers will start to consume the electricity more economically, what will allow reducing extra capacities. Conclusion: Thus, the practical realization of the views given in the paper will contribute to the efficient operation of natural monopolies. Consequently, their activity will be oriented not on the reduction but on the increase of increments of the consumers or producers. Overall, the optimal management of the given fields will allow for improving the well-being throughout the country. In the article, conclusions are made, and the recommendations are developed to deliver effective policies and regulations toward the natural monopolies in Georgia.

Keywords : monopolies, natural monopolies, regulation, antimonopoly service

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