



# ELECTRICITY

INDUSTRY AND LEGAL UPDATE

KALIKOVA & ASSOCIATES

*Information for effective business solutions*

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## Industry Updates

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### **The Interim Government of the Kyrgyz Republic rules that 80.49% of the share capital of Severelektro OJSC and Vostokelektro OJSC shall revert to ownership of the State**

The Interim Government of the Kyrgyz Republic has ruled that ownership of 80.49% of the share capital of Severelektro OJSC and Vostokelektro OJSC be reverted to the State. In June 2010, the Interim Government adopted a resolution to rescind the respective share purchase and sale agreements.

As a reminder, the investment tenders held in January-February of this year resulted in a sale of a 80.49% stake on the terms unfavorable to the country to a private company Chakan Hydropower Plant claimed to be affiliated with former President Bakiev's family. A 80.49% stake in Severelektro OJSC was bought by Chakan Hydropower Plant for \$ 3 million and a 80.49% stake in Vostokelektro OJSC was bought for \$1.2 million. These amounts will be returned to Chakan Hydropower Plant.

In addition, the Interim Government ruled to stop the process of selling state shareholdings in two power distribution companies: Oshelektro OJSC and Jalalabatelektro OJSC. The investment tenders to sell state shareholdings in these companies scheduled for February 2010 were not held.

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### **The Interim Government restores electricity tariffs to the levels existing before January 2010**

One of the Interim Government's first decisions was to revoke electricity tariff of 1.5 Kyrgyz soms. This tariff was reduced half as much and now it is 0.7 Kyrgyz soms per 1 kilowatt-hour (this particular tariff was paid before January 2010). It should be noted that tariffs have not changed for industrial users and now they pay a tariff of 1.5 Kyrgyz soms per 1 kilowatt-hour.

## Legal Updates

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### **Interim Government Decree No. 15 of April 15, 2010 "On some issues of operation of the Ministry of Energy of the Kyrgyz Republic"**

By this Decree, the Ministry is temporarily vested with the shareholder's powers exercised on behalf of the state in some state owned electricity, gas and heat supply companies.

In particular, the Ministry of Energy is empowered to select candidates and nominate them for election to the management bodies of the state owned electricity, gas and heat supply companies, and to remove them from office.

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### **Interim Government Decree No. 87 of 16 June, 2010 "On Rescission of Purchase and Sale Agreements for State Shareholding in Severelektro OJSC"**

This decree was issued to revert the shareholding in Severelektro to ownership of the State. Also, with the account of the decision of Chakan Hydropower Plant OJSC Board of Directors' decision to give consent to rescission of the purchase and sale agreement for the state shareholding in Severelektro.

The decree orders the Ministry of State Property to duly rescind the purchase and sale agreement for a 80.49% state shareholding in Severelektro OJSC which was concluded with Chakan Hydropower Plant OJSC in February 3, 2010. The decree also orders the Ministry of Finance to adopt measures to repay Chakan Hydropower Plant OJSC the amount of \$ 3,210,000 paid for the state shareholding in Severelektro OJSC.

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### **Resolution No. 93 of April 21, 2010 of the Executive Board of the State**

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## **The equipment of some Kyrgyz Hydropower Plants to take power and vibration tests**

Acting minister of energy Osmonbek Artykbaev announced that the equipments of Toktogul, Tash-Kumyr and Shamaldy-Sai hydropower plants need to pass a complex of power and vibration tests. Such tests are required by the equipment manufacturer in order to identify optimal regime of operation. This procedure is very expensive and costs \$500 thousand. Therefore, it was decided to consider this issue in 2011.

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## **ADB sets new conditions for providing credit for energy sector in Kyrgyzstan**

The Asian Development Bank has reconsidered the conditions for allocation of credit for Kyrgyzstan's energy sector, the press service of the Ministry of Energy of KR informs.

As noted, earlier the parties agreed on \$56 million credit that was planned to be directed for introduction of automated energy control and accounting system. It was planned that 80 percent of this amount would be financed by ADB (\$44.8 million) and the remaining amount would be added by KR within co-financing (\$11.2 million).

The Bank offered to reduce the part of co-financing by the Kyrgyz party from 20 to 5-10 percent, as well as to increase the grant amount from 44.4 to 50 percent.

Besides, the representatives of the Asian Development Bank expressed interest in financing the projects on restoration and repair of substations of Bishkek and reconstruction of the capital's thermal power plant. According to Pil-Bae Song, in 2011 the ADB plans to invest up to \$120 million in Kyrgyzstan's energy sector.

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## **ADB invests \$ 44.8 million to create a wholesale electricity market in Kyrgyzstan**

This was informed by acting minister of energy Osmonbek Artykbaev during the meeting with the representatives of donor organizations. It is anticipated that ADB would provide 44.4 percent of \$44.8 million as a grant and the remaining part as a credit for 32 years at 1.5 percent per annum. At the same time within the first eight years there would be concessionary interest rate at 1 percent.

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## **Electric Stations OJSC announced**

## **Department for Regulation of Fuel and Energy Infrastructure "On Electricity Tariffs"**

This resolution revokes electricity tariffs introduced after January 1, 2010 at the rate of 1.5 soms per 1 kilowatt-hour for all consumer groups. Tariff for the general public is set at 0.7 soms and for other consumers at 1.5 soms per 1 kilowatt-hour.

Tariffs for the residents of Toktogul region, Jazykechuu village and Karakul city in Jalalabat region are reduced as follows: up to 150 kilowatt-hours – 4.5 soms per 1 kilowatt-hour, above 150 kilowatt-hours – 0.7 soms per 1 kilowatt-hour and tariff for the pumping plant of Toktogul region, Jazykechuu village and Karakul city is 8.9 tyiyn per 1 kilowatt-hour.

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## **Resolution No. 94 of April 21, 2010 of the Executive Board of the State Department for Regulation of Fuel and Energy Infrastructure "On Tariffs for Thermal Energy, Hot Water Supply and Maintenance of Internal Heat Supply System"**

By Resolution of April 1, 2010 thermal energy tariffs are: 715 soms per 1 kilowatt-hour for the general public and 929.2 soms per 1 kilowatt-hour for other consumers. Hot water tariff for the general public is 197.28 soms per month and in case of using metering devices 41.1 soms per cubic meter. For other consumers, hot water tariff is 60 soms per cubic meter.

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## **Interim Government Resolution of May 7, 2010 "On Kambarata 2 Hydropower Plant Construction"**

Under this resolution, all assets of Kambarata 2 HPP OJSC must be returned to Electric Stations OJSC.

The resolution prescribes that in order to ensure uninterrupted construction of Kambarata 2 HPP the amount of 1,230 million soms should be taken from the reserves of the Interim Government and directed to the republican budget.

This amount must be given to Electric Station OJSC by the Ministry of Finance as a budgetary loan for Kambarata construction. The budgetary loan is given until December 25, 2030 with 3% interest per annum and with 5-year grace period.

The loan is given without a collateral security. Also 400 million soms will be invested in the authorized capital of Electric Stations OJSC.

The date of launching the first aggregate of Kambarata 2 HPP is August 31, 2010.

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## **public bidding for export of electricity in 2010**

Electric Stations OJSC informed its potential buyers from Kazakhstan, Uzbekistan, Tajikistan and Russia that it began collecting bids and information about the amount of necessary electricity, about the consumption areas and the need for further making of contract. The planned volume of electricity export is 1-1.5 kilowatt hour in accordance with a daily schedule for the period from July 1, 2010 to November 30, 2010.

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## **A damage of 50 million soms caused to the energy system in the South**

Riots in the southern Kyrgyzstan caused 50 million soms of damages to energy system of the country.

Damages to power lines made about 20 million soms with 20- 30 million soms of damages caused to switch-yards in Osh and Jalalabad regions.

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## **Kyrgyz energy specialist plan to reduce losses to 25% by the end of the year**

Acting minister of energy Osmonbek Artykbaev announced that at the beginning of 2010 energy losses were 30%, at present they are 29% and by the end of 2010 they will be not more than 25%.

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## **The New Parliament and the Government will decide the fate of the Directorate of the project on development of small and medium energy sector in the Kyrgyz Republic**

According to acting minister of energy Osmonbek Artykbaev, the Directorate, headed by ex-prime-minister Feliks Kulov, works in a normal way and its activity was not interrupted.

The New Parliament and the Government of the Kyrgyz Republic must solve the question about the Directorate's further fate. In Osmonbek Artykbaev's opinion, the Directorate's activity must be reformed.

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## **Interim Government Resolution No. 43 of May 7, 2010 "On Establishing External Management in SAAK Gidromontaj, Kyrgyzgidrospecstroj, Gidroenergostroi, Narynspecgidroelektromontaj"**

The resolution is adopted to protect state interests in accordance with Interim Government decree No. 18 of April 18, 2010 "On Establishing External Management in Legal Entities". The resolution establishes external management in the aforesaid companies. The Ministry of State Property has the right to appoint the external manager and to establish his term of office and compensation.

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## **Interim Government Resolution No. 12 of April 21, 2010 "On Establishing External Management in Naryngidroenergostroi OJSC"**

By this Resolution, external management was established in the aforesaid company. The Ministry of Energy of the Kyrgyz Republic was given a right to appoint the external manager and to establish his term of office and compensation.

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