



ELECTRICITY

INDUSTRY AND LEGAL UPDATE

KALIKOVA & ASSOCIATES

Information for effective business solutions

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Industry Updates

Kambarata HPP 2 will start power generation from July 1, 2010

The General Director of Electric Plants OJSC informed that Kambarata HPP 2 will start to produce electricity from July 1, 2010. By this date, all construction and assemblage work must be finished.

China and Kyrgyzstan sign memorandum with respect to the Project on Construction of Datka Kemin Power Line of 500 KW

The President's press service reports that on January 12 of the current year, in Beijing, the National Electric Grid of Kyrgyzstan OJSC and Chinese Tibetan Electric Company signed memorandum with respect to the USD 342 million worth of project.

The new power line will allow delivering electric power to consumers in Kyrgyzstan, specifically, northern part of the country, outside Central Asian Energy Circle, helping to eliminate Kyrgyzstan's dependence from the power lines of Uzbekistan. Besides, the new power line will facilitate significant reduction of commercial losses of electric power.

At present, Kyrgyzstan pays Uzbekistan for electric power flows and for operation of networks of Uzbekistan.

State shareholding in Severelectro OJSC is acquired by Chakan HPP OJSC

Chakan HPP OJSC has won a tender on purchasing a 80.49% state shareholding in the biggest distributing company of Kyrgyzstan: Severelectro OJSC.

According to the Ministry of State Property of the Kyrgyz Republic, bids for the purchase of the state shareholding were submitted by 3 companies: Yakutskspetsstroy LLC (Russia), HPP Energo Almaty LLP (Kazakhstan) and Chakan HPP OJSC (Kyrgyzstan).

Legal Updates

The Law "On writing off bad debts of electricity consumers, power distributing companies, and main suppliers of electric power on principals, interest accrued, penalties, financial, penal and tax sanctions" dated January 28, 2010

According to this law, it is directed to write off all bad debts on principals, interest, penalties, financial, penal and tax sanctions, as well as debts on penalties accrued as of December 1, 2009 of the following entities: (1) main suppliers of electric power to the state authorities; (2) power distributing companies to main suppliers of electric power; (3) consumers of electric power to distributing companies.

Government Resolution "On writing off bad debts of electricity consumers, power distributing companies, main suppliers of electric power on principals, interest accrued, penalties, financial, penal and tax sanctions" dated December 25, 2009

This resolution directs the Ministry of Energy, State Tax Service, State Customs Service, Ministry of Finance, Ministry of State Property, f State Material Reserves Fund of the Kyrgyz Republic, Elektric Plants OJSC, National Electric Grid of Kyrgyzstan OJSC, Severelectro OJSC, Vostokelectro OJSC, Oshelectro OJSC, and Jalalabatelectro OJSC to write off bad debts on principals pursuant to the approved methodology.

Government Resolution No. 807 of December 25, 2009 approved the methodology for writing off bad debt on principals

Pursuant to the Methodology of writing off bad debt on principals (the "Methodology"), power distributing companies shall write off bad debts of electricity

Chakan HPP OJSC has purchased the state shareholding in Severelectro OJSC for USD 3 million and undertook to invest USD 74 million within 10 years.

Investment biddings to sell state shareholdings in Oshelectro OJSC and Jalalabatelectro OJSC not held

Investment biddings to sell state shareholdings in Oshelectro OJSC and Jalalabatelectro OJSC constituting 80.49% of the charter capital of each company which were scheduled for February 1, 2010, were not held due to lack of bids of potential investors.

The repeated investment biddings were scheduled for March 31, 2010, but since no bid was submitted, the biddings were declared failed.

Chakan HPP OJSC acquires state shareholding in Vostokelectro OJSC

On February 1, 2010, Chakan HPP OJSC was declared the winner of the investment bidding to sell state shareholding in Vostokelectro OJSC.

80.49% of shares in Vostokelectro OJSC owned by the state were sold for USD 1.2 million. Chakan HPP OJSC undertook to invest USD 43.4 million in Vostokelectro OJSC by 2029.

Aside from Chakan HPP OJSC, the bids were submitted by HPP Energo Almaty LLP and Biel Electric LLC.

Kyrgyzstan and Russia will continue joint efforts on Kambarata HPP 1 construction project

As a result of the meeting of the Russian-Kyrgyz intergovernmental commission held on February 27, 2010 in Moscow, Inter RAO EAS and Elektric Plants OJSC were directed to continue the work on Kambarata HPP 1 construction project.

The parties agreed that Russia would begin to finance the construction as soon as its feasibility study is completed and international due diligence of this project is done. The total value of the project is USD 1.7 – 2 billion.

consumers on principal amounts as of December 1, 2009. The Methodology sets forth conditions, procedure and time limits for writing off debts.

It is prescribed that power distributing companies should write off bad debts of electricity consumers on the basis of the decision of the board of directors based on the reports of the commissions formed in the power distributing companies nearest to the location of the electricity debtor.

Government Resolution No. 798 dated December 22, 2009 “On sale of state shareholding in Vostokelectro OJSC, Oshelectro OJSC and Jalalabatelectro OJSC

The resolution declares that state shareholding (80.49% of the charter capital of each joint stock company) in Vostokelectro OJSC, Oshelectro OJSC, and Jalalabatelectro OJSC shall be offered for investment biddings without setting the price.

As for Severelectro OJSC, the decision to sell the state shareholding therein was adopted by the Government on October 9, 2009.

Government Resolution No. 127 dated March 5, 2010 “On cancellation of limits on consumption of electric power in the Kyrgyz Republic”

The Government of the Kyrgyz Republic directed the Ministry of Energy, Electric Plants OJSC, National Electric Grid of Kyrgyzstan OJSC, Severelectro OJSC, Vostokelectro OJSC, Oshelectro OJSC, and Jalalabatelectro OJSC to cancel limits on consumption of electric power in all regions of the Kyrgyz Republic since March 8, 2010.

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