



ELECTRICITY INDUSTRY AND LEGAL UPDATE

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Industry Update

25 January 2016

Commissioning of industrial capacities in the energy system of Kyrgyzstan in 1992-2015 is one of the best among the countries of former Soviet Union, apart from Russia, - the contractor Aliev.

Commissioning of industrial capacities in the energy system of Kyrgyzstan in 1992-2015 is one of the best among the countries of former Soviet Union, apart from Russia, said the honored contractor of Kyrgyzstan, Mr. Ibrahim Aliev, commenting on the statement that for the last 20 years no single station has been built in the country.

According to him, Kyrgyzstan has managed to maintain and increase its generating capacity, when left alone with its energy problems after the collapse of the Union.

Commenting on the opinion on the denunciation of the agreement with Russia on the construction of the Upper Naryn Cascade of HPPs and Kambarata-1HPP and that Kyrgyzstan should have proposed viable projects at a reasonable cost, Mr. Aliev noted that the selection of construction of priority HPP was made as a result of the final phase of a multi-year work carried out by "Hydroproject" Association.

As a result of the analysis of earlier design and survey work under the scheme of water resources of the upper reaches of Naryn river we identified the most favorable areas of the river in terms of

Legal Update

22 January 2016

Kyrgyzstan denounces HEPP construction agreement with Russia

On January 22, President Almazbek Atambayev signed the laws on denunciation of the agreements between the governments of Kyrgyzstan and Russia on construction and operation of Kambarata-1 hydroelectric power plant (HEPP) and the Upper Naryn HEPP cascade signed in Bishkek on September 20, 2013. This was reported by the information policy division of the Executive Office of the President.

The laws were passed by Parliament on January 20, 2016. The Ministry of Foreign Affairs was instructed to notify the RF Government about the denunciation. The laws will take force on the 15th day after their official publication. Thus, Kyrgyzstan unilaterally withdrew from the agreements with Russia.

As a reminder, the agreements were signed on September 20, 2012 during the visit of Russian President Vladimir Putin to Kyrgyzstan. The construction was supposed to be undertaken by a 50-50 joint venture between Kyrgyzstan and Russia operated by Russian Inter RAO EES and Kyrgyz Electric Power Plants OJSC. Its average electric power output was supposed to reach 4.3 billion kWh, its construction period was expected to last for 7 years, and payback period for 12.5 years.

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natural conditions and modern construction and the economic situation for the recommendations of several of the most effective sites for further study. According to him, as a result of the work 6 priority HPPs were selected from 29 stations:

- Akbulun HPP on Naryn River;
- Naryn HPP-1 on Naryn river;
- Naryn HPP-2 on Naryn River;
- Naryn HPP-3 on Naryn River;
- Karabulun HPP on Naryn River;
- Kokomeran HPP-2 (I place) on the river Kokomeran with total installed capacity of 381 MW and annual power generation of 1.895 billion kWh

Assessment of viability and financial feasibility of the project was made in the feasibility study pursuant to which it was evident that it was provided with the prospective payment rates and viability of existing tariffs in the Kyrgyz Republic would be understandable not only for specialists, but the general public, including journalists and human rights defenders.

Designers chose the options taking into account maximum available engineering research and developments, taking into account the full utilization of the hydro potential in those cross-sections of Naryn River, and even the use of the sanitary discharge to generate, Mr. Aliyev said.

<http://www.tazabek.kg/>

18 January 2016

National Energy Holding Company to have charter capital of 5 million soms

National Energy Holding Company is supposed to have a charter capital of 5 million soms, according to Government order.

It is noted that National Energy Holding Company OJSC will be 100% state-owned. The founder of the company will be the State Property Management Fund (SPMF). The charter capital will be 5 million soms divided into 50,000 ordinary registered shares with the par value of 100 soms. The Ministry of Finance is instructed to remit to SPMF by January 20 the funds necessary to form the charter capital of the company. The executive offices of the President and the Government will provide the company with a building at 119 Ahylnbaev St., Bishkek, formerly occupied by the

20 January 2016

Amendments to Electric Power Act

President Atambaev signed amendments to the Electric Power Act of January 20, 2016 № 5.

The law was passed by Parliament on December 10, 2015.

The law is aimed to create the legal framework for development of small-scale electric power sector. The law introduces the term small-scale electric power facilities, i.e. hydroelectric and thermoelectric power plants with the capacity of 1 MW to 30 MW.

The law takes effect on the 15th day after its official publication.

18 January 2016

Order appointing head of National Energy Holding Company

Prime Minister T. Sariyev signed the order appointing Aibek Kaliev, former Deputy Minister of Economy and Industry, as the director of National Energy Holding Company. This was reported on January 18 after the teleconference meeting.

National Energy Holding Company has been established instead of the Ministry of Energy and Industry and is responsible for operation and promotion of the energy sector of the country. Under the other government order, its charter capital is 5 million soms and its founder is the State Property Management Fund.

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23 December 2015

Government Resolution of December 23, 2015 № 870

To prevent corrupt practices in the process of supply and consumption of electric power, the Government introduced the following amendment

now abolished Ministry of Energy and Industry.

Under the new structure of the Government, National Energy Holding Company has been established instead of the Ministry of Energy and Industry and is the only operator responsible for management and promotion of the energy sector of the country.

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5 January 2016

Power purchase agreement signed with Ekibastuz hydroelectric power plant

Electric Power Plants OJSC has signed a power purchase agreement with Ekibastuz hydroelectric power plant for 100 ml. kWh at 10.88 Tenge/kWh. In parallel, intensive efforts are being undertaken to examine and assess the condition of equipment at all hydroelectric and thermoelectric power plants. This was reported by the press service of the Ministry of Economy.

According to it, the import will begin in case of necessity. As of today, the demand for electric power in Kyrgyzstan is fully met by existing capacities.

"The electrical cable lines whose failure led to an emergency shutdown of GA-2 and GA-3 hydraulic units on December 23 and 28, 2015, had been put into service in 1974-1975. The life span of such cables is 20-25 years, while they have actually served for almost 40 years.

More than 20 specialists, including Russian experts, are working 24/7 at the Toktogul HEPP where the cable failure has occurred. Downstream hydroelectric power plants are operating at the higher capacity. Remedial work is expected to continue until January 15, says report.

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3 January 2016

Government to announce urgent tender for construction of small-scale HEPPs

Government plans to announce urgent tender for the construction of small-scale HEPPs, Premier Temir Sariyev told during the retreat meeting at the

to its Resolution approving the Rules for use of electric power of August 22, 2012 № 576:

«58. The amount and capacity of electric power consumed by household consumers shall be determined by using commercial metering devices or Electric Receivers Automated Metering System included in the State register of measuring devices and permitted in the Kyrgyz Republic. The amount and capacity of electric power consumed by non-household consumers shall be determined by using Automated Metering System».

This amendment becomes effective on the 15th day after its official publication.

21 December 2015

Government Order of December 21, 2015 № 614-p

To provide government support to Electric Power Plants OJSC in ensuring an uninterrupted supply of heating and electricity to consumers during the autumn and winter period 2015/2016, the Government ordered the Ministry of Finance of the Kyrgyz Republic:

- 1) To restructure the overdue government loan to Electric Power Plants OJSC, as of the date of signing this order, on the basis of the debt acknowledgement letter by capitalizing the principal, interest and penalties accrued but not repaid as of the date of signing this order. Capitalized amounts shall be treated as debt obligations and shall be repaid on the following conditions:
 - Debt repayment period. Payments shall be made in equal monthly installments during the period from January 15, 2022 till December 15, 2022, without interest;
 - Late payment penalty. The late payment penalty shall be 6% of the overdue amount per annum;
- 2) To offer Electric Power Plants OJSC a budgetary loan of KGS 200 (two hundred) million for the purchase of fuel

Toktogul HEPP.

On December 23, a major failure occurred at the country's largest HEPP. The repair team is working 24/7 to fix the problem. I am very grateful to electricians who are doing their best to complete the repair by January 15. We have everything necessary to accomplish this, including funding, component parts, and highly skilled specialists. The major failure at the Toktogul HEPP is an alarming sign signaling that it is time to upgrade equipment at hydroelectric power plants of the country. This should have been done 15 years ago. The failed cable equipment has been in service for more than 40 years, although its normal service life is 25 years. It is obvious that it became morally obsolete and fell into disrepair, Premier added.

Reportedly, Premier has instructed electricians to set up a special commission and to undertake a technical due diligence of all HEPPs and, if necessary, to approve their gradual reconstruction plan.

It is necessary to urgently announce a tender for the construction of small-scale HEPPs. In March, we plan to announce a tender for the development of the Kara-Keche coal deposit and for the construction of a thermoelectric power plant. This will help us convert social facilities to gas and coal, which is our goal. But most importantly, the general public will benefit from fail-safe power supply during the entire calendar year, Premier added.

During the meeting with electricians, Premier informed about the signing of the agreement on importing 100 MW from Kazakhstan.

Given the need for the construction of new hydroelectric plants, relevant authorities should accelerate finalization of procedural issues involved in denunciation of agreements with Russia on construction of Upper Naryn Cascade of HEPPs and Kambar-Ata HEPP, Premier said in conclusion.

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30 December 2015

Kyrgyzstan is granted US\$ 250 million for reconstruction of Toktogul HEPP, T.Sariev

Kyrgyzstan is granted US\$ 250 million for the reconstruction of the Toktogul HEPP, T.Sariev told at the meeting of executives of Kyrgyz energy companies.

The grant is provided by the European Bank for

resources and to duly execute the debt obligation on the following conditions:

- Loan repayment period. Payments shall be made in equal monthly installments during the period from January 15, 2022 till December 15, 2023;

The loan shall be offered on an interest-free and non-collateral basis;

Late payment penalty. The late penalty fee shall be 6% of the overdue amount per annum.

Reconstruction and Development and will be fully used for the reconstruction of the Toktogul HEPP, T. Sariiev said.

All of its hydraulic units will be replaced by the more powerful ones. The advancement of technology necessitates upgrading the cables and units. This will help us to extend the lifespan of the Toktogul HEPP and to improve its performance, he added.

As a reminder, the emergency shutdown of a block transformer of the second hydraulic unit occurred at the Toktogul HEPP on December 23. It has been repaired the same day. The emergency shutdown of three generators due to oil leak took place on December 28. This resulted in the imposition of partial power restrictions which were lifted on December 29.

25 December 2015

Thermoelectric power plants to be constructed in Tash-Kumyr and Sulukta towns, Ministry of Economy reports

It is planned to construct thermoelectric power plants in Tash-Kumyr and Sulukta towns, Deputy Minister of Economy Aibek Kaliev reported at the meeting of Onugu-Progress faction on Friday.

The construction of thermoelectric power plants is required by the tender conditions for Bel-Alma coal deposit. This will create new jobs and increase output, the official added.

According to him, the Ministry is drafting tender conditions for the construction of thermoelectric power plants at the Kara-Keche coal deposit.

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20 November 2015

EAEU's single market of electric power to start operating by 2019

Under the EAEU Treaty, single market of electric power will start operating by July 1, 2019, single market of natural gas and single market of oil and oil products - by January 1, 2025. This was reported by the press service of the Ministry of

Economy of the KR.

It is also reported that the formation of these markets will enable the free movement of energy carriers across the territories of the EAEU member countries, create the competitive environment in the energy sector, ensure equal access to services of natural monopolies in the field of transportation and transit of energy carriers, and promote joint development of infrastructure and coordinated tariff policy.

This means that the trade in energy carriers will require bilateral agreements and new market sector, i.e. centralized trade in energy carriers, including day-ahead market.

The formation of single markets will facilitate more reliable operation of the fuel and energy sector of the Union, growth of mutual trade and investment in this area, reduction of production costs, creation of favorable conditions for balanced consumption of energy carriers and growth of GDP, the agency stressed.

It should be noted that the EAEU's oil reserves account for 7% of the world's reserves and its extraction and export account for 1/6 of the global amount, natural gas reserves account for about 1/5 of the world's reserves and its extraction and export account for more than 1/4 of the global amount, electric power generation accounts for 5% of the global generation and its export accounts for 2.5% of the global amount, coal reserves account for more than 1/5 of the world's reserves, its extraction accounts for 6% of the global amount and coal export accounts for 1/6 of the global export, uranium reserves account for more than 1/5 of the global reserves and its extraction accounts for more than 2/5 of the global extraction.

In total, the EAEU has 168 thou. km of 220kV power lines, 197 thou. km of major gas pipelines, 66 thou. km of major oil pipelines, and 21 thou. km of major oil product pipelines.

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