



ELECTRICITY INDUSTRY AND LEGAL UPDATE

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Industry Update

Kyrgyz Republic has ratified Construction and Operation Agreements for Upstream Naryn HPP Cascade and Kambarata HPP-1

The Kyrgyz Parliament at its February 21, 2013 session has approved, after the second and third readings, the draft law on ratification of the Construction and Operation Agreements for Upstream Naryn HPP Cascade and the Kambarata HPP-1 signed between the Governments of the Kyrgyz Republic and the Russian Federation in Bishkek on September 20, 2012 during Russian President Putin's visit.

At the same time, in furtherance of the above intergovernmental agreements, the Parliament gave the Kyrgyz Government a number of instructions, such as:

- to inform, on a permanent basis, respective Parliamentary committees and general public about progress of project implementation;
- to make provision in the feasibility study about the financing of research and monitoring of glaciers located in the territory of the republic;
- to hire Kyrgyz citizens and local residents as specialists and employees during project implementation and envisage their training in the Kyrgyz and Russian educational institutions;
- to specify payback periods and other provisions in the project FS.

It should be noted that the payback period for the Kambarata HPP-1 and Upstream Naryn HPP Cascade might be 5-20 years depending on tariffs. This was announced during the presentation made by the Ministry of Energy and Industry at the parliamentary hearings on the draft law on ratification the Construction and

Legal Update

Law of the Kyrgyz Republic of February 25, 2013 N 31 "On Ratification of Construction and Operation Agreements for Upstream Naryn HPP Cascade and Kambarata HPP-1 signed between Governments of Kyrgyz Republic and Russian Federation in Bishkek on September 20, 2012"

By the said law the Kyrgyz Parliament has ratified the Agreements for construction and operation of the Upstream Naryn HPP Cascade and the Kambarata HPP-1 which were signed between the Kyrgyz and Russian Governments on September 20, 2012 in Bishkek.

The Kyrgyz Ministry of Foreign Affairs was instructed to notify the Russian Federation of completion of intrastate procedures necessary for giving effect to the above agreements.

The ratification law was signed by the Kyrgyz President and took effect on March 1, 2013.

Kyrgyz Government Resolution "On Formation of Charter Capital of Kambarata HPP-1 CJSC for implementation of Kambarata HPP-1 construction and operation project" dated February 8, 2013 N 56

According to the Government Resolution, for the purposes of implementing the Agreement for construction and operation of the Kambarata HPP-1 between the Kyrgyz and Russian Governments signed on September 20, 2012,

Operation Agreements for the Upstream Naryn HPP Cascade and the Kambarata HPP-1.

Feasibility Study (FS) Agreement for Upstream Naryn HPP Cascade executed between Upstream Naryn HPPs CJSC and Leninhydroproject OJSC

On January 31, 2013, Upstream Naryn HPPs CJSC and Leninhydroproject OJSC executed the feasibility study agreement for selection of construction sites for hydraulic units of the Upstream Naryn HPP Cascade in the Naryn region. It is planned to build, on upstream Naryn, the HPP Cascade consisting of 4 power plants such as Akbulun HPP, Naryn HPP-1, HPP-2, HPP-3. The FS development process will take 3 months and will include activities related to selection of construction sites for hydraulic units, arrangement and determination of main parameters of structures, as well as period and cost of construction. Statement of Works for developing the FS envisages that the first HPP of the cascade will be launched in 2016. The starting date for construction of prioritized facilities and hydraulic structures will be defined in the FS.

To remind, Leninhydroproject, on January 18, won the right to execute the Feasibility Study Agreement for the construction of the Upstream Naryn HPP Cascade. According to Electric Stations OJSC, the final adjusted price is 117,690,368.87 KGS (2,481,348.68 USD at the current rate of the National Bank of the Kyrgyz Republic). Two Russian and one Ukrainian companies submitted their bids to participate in the tender announced by Upstream Naryn HPPs CJSC on November 27, 2012 for development of feasibility study for construction of Upstream Naryn HPP Cascade.

On December 29, the tender bids were opened. Leninhydroproject OJSC assessed its services to cost 118,619.171 KGS. Hydroenergoproject KPII CJSC's bid price is 140,613.721 KGS, and Ukrhydroproject JSC's bid price is 169,774.687 KGS. Originally, the maximum bid price was 236,543,323 KGS (5,500,381.61 USD at the current rate of the National Bank of the Kyrgyz Republic as of November 30, 2012).

On October 27, the time capsule burial ceremony was held in Tash Bashat village of Naryn region at the construction site of Upstream Naryn HPP Cascade. The total capacity of Upstream Naryn HPP Cascade is not more than 191 megawatt. It should be noted that on March 28, 2013, Nikolai Modenov, head of unit of Leninhydroproject OJSC, together with other specialists visited Naryn region to become aware of the state of affairs.

Electric Stations OJSC was awarded the right to use land plots in Toktogul and Toguz-Torous districts of Jalalabat region and Jumgal district of Naryn region for their further transfer as a contribution to the charter capital of Kambarata HPP-1 CJSC.

The state registration service under the Kyrgyz Government, authorized representatives of the Kyrgyz Government in Jalalabat and Naryn regions jointly with the state administrations and local self-government bodies of Toktogul, Toguz-Torous and Jumgal districts, the State Agency for Environmental Protection and Forestry under the Kyrgyz Government were instructed to take all necessary actions related to issuance of the title-certifying documents to Electric Stations OJSC for these land plots.

The Government instructed Electric Stations OJSC to provide, as a contribution to the charter capital of Kambarata HPP-1 CJSC, the right of use of the land plots and, if necessary, other assets (tangible and intangible) according to the list agreed with the Kyrgyz Ministry of Energy and Industry.

The land plots provided to Electric Stations OJSC were converted into the category of lands of industry, transport, communications, defense and other use.

Kyrgyz Government Ordinance of January 28, 2013 N 22-p

By the said ordinance, the Government approved composition of the Executive Council of the State Department for Regulation of Fuel and Energy Sector under the Ministry of Energy and Industry of the Kyrgyz Republic (SDRFES) consisting of the following members:

- director of the SDRFES;
- director of the competition development department of the Kyrgyz Ministry of Economy;
- representative of the steering committee of the Kyrgyz Parliament (as agreed);
- chairman of Independent Environmental Impact Assessment public association (as agreed);
- chairman of Commodity Manufacturers Association public association (as agreed).

The functions of the Executive Council of SDRFES include approval of electricity tariffs with consent of the Kyrgyz Parliament.

Electric Stations OJSC reviews Chinese company Sinohydro's preliminary FS for Suusamyр-Kokomerен HPP Cascade

According to the head of foreign relations and projects department of the Ministry of Energy and Industry of the Kyrgyz Republic Ruslan Orozaliev, Electric Stations OJSC is reviewing a Chinese company Sinohydro's preliminary FS for Suusamyр-Kokomerен HPP Cascade construction Project. According to him, Sinohydro is now considering the possibility of development of the FS for the project envisaging the construction of 3 HPPs with the total capacity of about 1,300 MW. The cost of the project is not known yet and will be determined after the development of the FS.

5 companies have submitted bids for development of FS for Kambarata HPP-1 project

5 companies have submitted bids for participation in tender for development of a feasibility study for investing in Kambarata HPP-1 project. This was reported on March 11 in the course of bids opening at the session of the tender commission. Thus, the tender bids were submitted by the following companies:

1) HYDROCHINA CORPORATION

Tender proposal is estimated at 9,653,408 USD (excluding taxes), VAT is estimated at 1,159,000 USD, total value including taxes is 10,811,817 USD.

2) ILF Beratendo Ingenieure ZT (Austria)

The company's proposal is estimated at 12,333,333 USD, excluding taxes, VAT is 2,466,667 USD. Total proposal with all taxes is 14, 800,000 USD.

3) Fichtner GmbH & Co KG

The bidder's proposal is estimated at 647,294 USD excluding taxes, VAT is 0 c.u. Total value is \$647,294.

4) TRACTEBEL Engineering (France)

This company is a member of Hydroproject Institute OJSC and TRACTEBEL Engineering (Belgium) consortium.

The bidder's proposal is estimated at 8,583,094 USD, VAT is 0. Total value is 8,583,095 USD.

5) SNC-LAVALIN INTERNATIONAL LTD and South Engineering Energy Center (consortium).

Law of the Kyrgyz Republic «On amendments and modifications to the Law of the Kyrgyz Republic "On Electric Energy" of February 15, 2013 N 20

The law on electric energy was amended to include the following changes and additions: the new definition of 'household consumer' meaning an individual using electric energy for household purposes in accordance with the terms of the contract.

Besides, changes envisage that the electric energy consumer shall make payment at tariffs effective at the time of consumption according to the indicators of the individual meter once in a calendar month or by using electronic meters with prepayment card or by making prepayment for electric energy according to the terms of the contract. In case of prepayment, the consumer will be supplied electric energy at the tariff effective at the time of prepayment.

For household consumers, the meters will be installed by the electric energy supplier on a free of charge basis except when the meter goes out of order due to the consumer's fault (except for manufacturer's defect or inadequate installation).

Draft Government Resolution «On making amendments and modifications to the Regulations «On licensing of separate types of business activities», approved by the Government Resolution №260 of May 31, 2001»

This draft government resolution envisages introduction of amendments to the Regulations «On licensing of separate types of business activities».

In particular, it is envisaged to demand as a mandatory condition for obtaining the license to generate, transmit, distribute and sell electric energy the presence of own energy equipment (transformer substations and/or power lines). The entities not having their own energy equipment will not be awarded the licenses.

The list of documents submitted to SDRFES for obtaining the license is envisaged to be expanded to include the documents confirming the title to the energy equipment.

Besides, as an additional ground for revocation

Proposal is estimated at the total value of 4,654,130 USD, VAT 558,496 USD. Total value with VAT is 5,213,626 USD.

The meeting decided to transfer all materials to the expert group for review. The winner of the tender will be identified by no later than March 30, 2013. The tender participants will be notified within three days, unless the members of the commission approve the other period of identification of the winner.

Member of the board of Kambarata HPP-1 CJSC and head of department of consolidated procurements of INTER RAO OJSC Stanislav Morozov noted that the initial price of the FS for KHPP-1 on Naryn river would be 15,000,000 USD including all taxes.

Canadian company SNC-Lavalin International Inc. was announced winner of the tender. The winner was selected on March 29 at the regular meeting of the tender committee. The FS development period will be 5 months and the cost will be 5,212,600 USD.

of license it is proposed to envisage the absence of own energy equipment or use of the energy equipment under lease terms.

It should be noted that in the background statement to this government resolution the Kyrgyz Ministry of Energy and Industry indicates that the proposed changes in the licensing regulations are aimed at increasing transparency of entities operating in the energy sector, promoting fair competition in the energy sector and removing from the market the entities not having own equipment (transformer substations and/or power lines), which are operating today in the electric energy market.

These measures, according to the Ministry of Energy and Industry, will allow the owners of energy equipment to identify their opportunities for full-fledged participation in the energy supply to consumers by attracting investment, expanding networks and increasing capacities.

In 2012, Kyrgyzstan exported to Kazakhstan \$37.9 million worth of electricity

In 2012, Kyrgyzstan exported to Kazakhstan 37,925,600 USD worth of electric energy. According to the data of the Kyrgyz State Customs Service, in 2011, Kyrgyzstan exported 61,931,000 USD worth of electricity, which is 24 million more than in 2012. According to the data of Electric Stations OJSC, the total volume of electricity export in 2012 reached 1,501,874,000 kWh, including:

- 1,269,724,000kWh to the Republic of Kazakhstan;
- 231,535,000 kWh to the Republic of Uzbekistan;
- 615,000,000 kWh to XUAR.



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