



ELECTRICITY

INDUSTRY AND LEGAL UPDATE

KALIKOVA &
ASSOCIATES
law firm

Information for effective business solutions

Issue 14, June 2013 (quarterly)

Industry Update

The Russian Federation ratifies the Construction and Operation Agreement for the Upstream Naryn HPP Cascade, signed between the government of the Russian Federation and the Kyrgyz Republic on September 20, 2012 in Bishkek

On May 8, 2013, the president of the Russian Federation signed a law ratifying the Construction and Operation Agreement for the Upstream Naryn Cascade hydropower plant (HPP), signed in Bishkek on September 20, 2012 during Russian President Putin's visit.

The Agreement envisages a project for the construction and operation of four hydro power plants forming the Upstream Naryn Cascade in the territory of the Kyrgyz Republic, namely: Akbulun HPP, Naryn HPP-1, HPP-2 and HPP-3. It should be noted that the Kyrgyz Parliament ratified this Agreement by the Law of February 25, 2013, effective from March 1, 2013.

The Russian Federation ratifies the Construction and Operation Agreement for Kambarata HPP-1, signed between the governments of the Russian Federation and the Kyrgyz Republic on September 20, 2012 in Bishkek

On May 8, 2013, the president of the Russian Federation signed a law ratifying the Construction and Operation Agreement for the Kambarata HPP-1, signed in Bishkek on September 20, 2012 during Russian President Putin's official visit.

The Agreement envisages a project for the construction and operation of the Kambarata HPP-1 in Kyrgyzstan. The Agreement also

Legal Update

The Kyrgyz Government enacts the Resolution «On the Delivery of Project for the Construction of Power Transmission Lines of 500 kV «Datka-Kemin» and the 500kV substation «Kemin» of March 25, 2013 №148

The said resolution was enacted in furtherance of the Preferential Credit Agreement between the Government of the Kyrgyz Republic and the Export-Import Bank of the People's Republic of China for the financing of the project for «Construction of power transmission line 500 kV «Datka-Kemin» and substation 500 kV «Kemin», signed on June 5, 2012 in Beijing and ratified by the Kyrgyz law of June 19, 2012 № 86.

By this resolution, the National Power Grid of Kyrgyzstan OJSC was awarded the right to use, free of charge and for an unlimited duration, land plots from state forest resources for the purposes of installing poles for the 500 kV power transmission lines «Datka-Kemin», 220 kV power transmission lines and the construction of the 500 kV substation «Kemin», along with temporary access roads and buildings necessary for their maintenance.

To ensure the prompt delivery of the project the Kyrgyz Government instructed the State Agency for Architecture, Construction and Housing and Utilities Sector under the Kyrgyz Government to allow the parallel planning and construction of facilities and to issue permission for starting the construction of the said project facilities.

In addition, the Ministry of Energy and Industry of the Kyrgyz Republic, the State Agency for Architecture, Construction, and Housing and Utilities Sector under the Kyrgyz Government

envisages a project for the construction and operation of a high-voltage power line, BL 500 kV Datka Substation (Kyrgyzstan) – Kemin Substation (Kyrgyzstan), VL 500 kV Kemin Substation (Kyrgyzstan) – Almaty Substation (Kazakhstan) and VL 500 kV, which together will secure the export of electric power generated by Kambarata HPP-1 to the power grids of neighboring countries.

The project is being carried out by the joint venture Kambarat HPP-1 CJSC, which possesses a fifty-fifty percent distribution of shareholding between INTER RAO UES and Electric Stations OJSC. The Kyrgyz Parliament ratified this Agreement by the Law of February 25, 2013, effective from March 1, 2013.

6.2 billion KGS needed for the reactivation of Bishkek Central Heating and Power Plant-2 (CHPP-2)

At a meeting of the Ar-Namys party faction, the State Agency for Construction and Housing and Utilities Sector under the Government of the Kyrgyz Republic, referring to the information given by Electric Stations OJSC, reported that the estimated value of reactivating CHPP-2 (located in the south-west of Bishkek city and currently inoperative) is 6 billion 293 million KGS.

It is also reported that the reactivation of CHPP -2 and its integration into the general heating system of Bishkek will help improve the heat supply to the population, as would the complete reconstruction of CNPP-1.

As far as the operating CHPP-1 is concerned, its reconstruction will require about \$200 ml. Both the reactivation of CHPP-2 and the reconstruction of CHPP-1 require investment. However, international financial organizations have not indicated an interest in investing in these projects, because the CHPPs are coal power plants, whose work is associated with harmful emissions and greenhouse effects.

Samsung Electronics company expresses its intent to build 28 Hydropower Plants (HPPs) in the Issykul region

Samsung Electronics company indicated its interest in building 28 hydropower plants (HPPs) near the shore of Issykul. This was reported by a consultant of the international unit of the consulting and audit company Samil-PricewaterhouseCoopers (Samil PWC) in Kyrgyzstan, Nurbek Jorobek uulu. Samsung Electronics is one of the clients of PWC.

together with authorized representatives of the Kyrgyz Government in the Jalalabat, Naryn and Chui regions were instructed to provide all necessary assistance to National Power Grid of Kyrgyzstan (the customer) and the Tebian Electric Apparatus Stock Company Ltd. (PRC) (the contractor) in delivering the project for the construction of the 500 kV power transmission line «Datka-Kemin» and the 500kV substation «Kemin» and to take direct part in selecting a place (highway) for the construction of the 500 kV high-voltage line «Datka-Kemin».

Two bills are passed at their second reading in the Kyrgyz Parliament which delegate to the State Inspection Office for Environmental and Technical Safety under the Kyrgyz Government a number of functions possessed by the Ministry of Energy and Industry of the Kyrgyz Republic

The bills, which introduce amendments to the Energy Law, the Electric Power Law, and the Electricity Saving Law, were drafted in furtherance of achieving administrative reform in the executive branch of government and are aimed at preventing overlapping functions in the areas of policy-making and supervision.

The proposed bills envisage the transfer of control and supervisory functions from the Ministry of Energy and Industry to the State Inspection Office for Environmental and Technical Safety, which will also be responsible for technical safety in the energy sector.

The bills also define, on the legislative level, the scope of competence of the above state authorities and the powers of the Government in the fuel and energy complex and energy saving sectors.

The Kyrgyz Government Resolution «On Steps to Improve Organization of Construction and Renovation Works at Hydro Power Facilities in the Kyrgyz Republic» of May 6, 2013 N 242

By this resolution the government approved a list of works and services procured through tender by the open joint stock companies Electric Stations and Chakan HPP for the participation therein of the open joint-stock companies Narynspezhydroenergomontazh and Narynhydroenergostroi.

Samil PWC is the world's largest international corporate network offering professional services in the area of consulting and auditing. Pricewaterhouse Coopers consists of the companies included in the global corporate network known as Pricewaterhouse Coopers International Limited, each of which is an independent legal entity. The company has been in existence for more than 160 years and is among the "Big Four" audit companies. Its headquarters is in London. Samil-Pricewaterhouse Coopers accredited its representative office in Kyrgyzstan in February 2013 and is headed by the company's director for Central Asia, Lee Djong Chol.

Among the biggest clients of Samil PWC are Samsung Electronics, LG Electronics and Hyundai. PWC has selected the energy and transport sectors as those to which it will attract its clients to implement projects in Kyrgyzstan.

Russia to provide 1 billion rubles for the pre-construction stage of the Upstream Naryn HPPs Cascade project

Igor Gorbenko, CEO of Upstream Naryn HPP (Hydropower Plant) CJSC, in his interview with the news agency Tazabek announced that in accordance with the agreement between President Atambaev and RusHydro's CEO Evgeny Dod, RusHydro would allocate 1 billion rubles (\$31.3 ml) to Upstream Naryn HPP CJSC for the preconstruction stage. According to I. Gorbenko, it is planned that these funds will be spent by March 2014. The funds will arrive on June 10-11, 2013 and construction works will begin on June 13, 2013.

Renovation of the Toktogul Hydropower Plant (HPP) will cost \$260 ml.

Gulshaiyr Abdirasulova, a member of the working group on external debt monitoring, reported at a roundtable on «Interim monitoring results for the ADB project on modernization of the Toktogul HPP» held on June 4, 2013 that renovation of the Toktogul HPP would cost 260 ml. US dollars.

According to her, capacity losses at the Toktogul HPP today reach up to 10%. The current electricity tariffs are not sufficient to cover all expenses, said G. Abdirasulova.

The roundtable was attended by representatives of the Ministry of Energy and Industry, Electric Station OJSC and the Asian Development Bank, together with representatives of non-government organizations, civil activists and other stakeholders.

The resolution envisages that the works and services specified in the list will not be subject to the requirement provided in Article 8.1.4 of the Law on State Procurement.

According to Article 8.1 of the said law, to participate in the procurement process suppliers (contractors) must meet certain qualification requirements, namely: (i) they must have professional and technical competence, experience and reputation, financial resources, equipment and other material resources necessary for the performance of the procurement agreement in accordance with the requirements for tender documentation; (ii) they must not be insolvent or bankrupt and their property must not be under judicial control; (iii) their obligations on tax and other mandatory fees in the Kyrgyz Republic must have been performed; (iv) they must be legally capable of executing procurement agreements, etc.

The Kyrgyz Government Resolution of March 13, 2013 N 128 «On the Bill Ratifying the Cooperation Agreement among the CIS member states in the area of operation of interstate power transmission lines connected to national power grids», signed on November 20, 2009 in Yalta

By the said Resolution the Government approved the bill ratifying the Cooperation Agreement among the CIS member states in the area of operation of interstate power transmission lines connected to national power grids and forwarded the bill to the Kyrgyz Parliament for consideration.

As noted in the Government's conclusion regarding this bill, the Agreement is necessary for determining the terms and conditions and the legal framework for the reliable and efficient operation of interstate power transmission lines connected to the national power grids of the CIS member states. The purpose of the Agreement is to form a unified market environment for the electric power of the CIS member states based on the principles of equality, fair competition and mutual benefit.

The Agreement provides for the execution of agreements by business entities located in the Agreement's member states that ensure the technical maintenance and repair of interstate power transmission lines and the compliance of their technical condition with the requirements of providing a reliable power supply to consumers together with the stable operation of power grids. Maintenance teams, transport

Concrete pouring ceremony held at the construction site of the Upstream Naryn Cascade Hydropower Plants (HPP)

A ceremony commemorating the first concrete placement for the Upstream Naryn Cascade Hydropower Plant (HPP) was held on June 12, 2013 in Naryn. The ceremony was attended by Kyrgyz President Almazbek Atambaev and RusHydro CEO Evgeny Dod, who announced that the issue of constructing another two hydropower plants (HPPs) in the upper reaches of the Naryn river would be decided by the end of 2013. The Upstream Naryn Cascade Hydropower Plant (HPP) is planned to be built within 5 - 6 years. The first power plant of the cascade is planned to be launched in 2016, and the last power plant will be launched in 2019.

Memorandum of Understanding for the construction of the Sary-Jaz Cascade Hydropower Plant (HPP) to be signed during PRC Chairman Xi Jinping's visit to Kyrgyzstan

President Almazbek Atambaev intends to sign a memorandum of understanding for the construction of the Sary-Jaz Cascade hydropower plant (HPP) (consisting of three stations) in the Issykul region with PRC Chairman Xi Jinping during the latter's visit to Kyrgyzstan. This was announced by the President at a ceremony held on June 12, 2013 in commemoration of the start of construction of the Upstream Naryn Cascade hydropower plant (HPP). If this project is accomplished, Kyrgyzstan will become fully energy independent and will be able to sell electric power to Kazakhstan and China with whom it has signed mutual agreements for the construction of the power transmission line (PTL) Kemin-Almaty and the power transmission line that will (PTL) connect Kyrgyzstan and China.

vehicles, special machines, equipment, outfits, tools and materials may be sent to the territories of other member states of the Agreement by road, air or marine transport without impediment and free of customs duties and taxes.

The financing of actions in furtherance of the Agreement is to be provided at the expense of the power companies, such as the open joint stock company Electric Stations and the open joint stock company National Power Grid of Kyrgyzstan.

The coordination of actions in furtherance of the Agreement is imposed on the CIS Power Council, the main purpose of which is to establish partnerships and cooperation relationships among the CIS member states in the power sector.



71 Erkindik Boulevard,
Bishkek, 720040
Kyrgyz Republic

Tel.: +996 (312) 666060
Fax: +996 (312) 662788
Web: www.k-a.kg

The sources of news contained in the Update are websites: www.tazabek.kg, www.24.kg, www.knews.kg, www.vb.kg

If you would like to ensure that you continue to receive this newsletter [subscribe here](#), and make sure to add our email to your address book.

If you do not wish to receive this newsletter [unsubscribe here](#).

If you have any comments, please contact Magomed Saaduev at msaaduev@k-a.kg

Kalikova & Associates does not bear responsibility for completeness and accuracy of the news contained in the Update. Update

Email: lawyer@k-a.kg

be considered as legal advice. Transmission of information on or by use of this Update is not intended to create, and receipt does not constitute, a lawyer-client relationship between the sender and receiver.

Copyright © 2013 Kalikova & Associates