



ELECTRICITY INDUSTRY AND LEGAL UPDATE

KALIKOVA &
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Industry Update

July 10, 2017

Upper Naryn Cascade and small HPPs construction agreement signed between KR Government and Czech company

On July 10, 2017, the Kyrgyz Government and Czech company Liglass Trading CZ, SRO, in the presence of President Almazbek Atambayev, signed agreements on the construction and commissioning of the two of Upper Naryn Cascade (Akbulun HPP and Naryn HPP-1) and some smaller HPPs in the Kyrgyz Republic. This was reported by the press service of the Executive Office of the President.

The smaller HPPs construction agreements include the development of financial and technical feasibility studies, construction, commissioning and operation of small HPPs such as Orto-Tokoy-1, Orto-Tokoy-2, Papan, Chon-Ak-Suu, Kirov, Karasu Left-1, and Karasu Left-2 to be completed until December 30, 2019, as well as Sandyk-1, Sandyk-2 and Sandyk-3 to be completed until the end of 2020.

Under the investment agreement for the construction, commissioning and operation of Akbulun HPP and Naryn HPP-1, the Czech company agreed to invest \$37 million in Upper Naryn Cascade HPPs company by purchasing a 50% stake held by a Russian company.

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July 8, 2017

New power tariff policy to be approved by new Cabinet

Kyrgyzstan started supplying electricity to Uzbekistan under the bilateral agreement.

Legal Update

Government Resolution No. 397 dated June 22, 2017 approving amendments to Government Resolution No. 763 dated December 30, 2011 approving measures to reduce electricity consumption during morning and evening peak periods

Government Resolution No. 763 of December 30, 2011, approving measures to reduce electricity consumption during the morning and evening peak periods was amended by adding the provisions allowing the issue of power supply electrical specifications to Manas Kyrgyz-Turkish University located at 30-43 Djal Micro-district, Bishkek, taking into account the temporary permission to use electricity for heating and hot water supply until the end of 2020, before switching to alternative fuels.

SAFES Order No. 1 dated May 24, 2017 approving procedure for determination of fees for connection to utility distribution network

The procedure for determining fees for connection to utility distribution network defines the principles and measures to ensure the required level of capacity and voltage at the point of connection.

The main principles of determining the amount of the fee for connection to utility distribution network are:

- 1) the financing of expenses of electricity providers related to connection to utility distribution network;
- 2) the incurring by electricity providers of investment expenses related to reconstruction, renovation and construction of facilities necessary to increase capacity

Kyrgyzstan sells electricity to Uzbekistan at 2 cents per kWh effective June 16, 2017. Meanwhile, there are rumors that electricity tariffs will increase. According to the National Energy Holding Company, over the last two weeks, Kyrgyzstan supplied 192.5 million kWh out of 1.25 billion kWh agreed to be exported to Uzbekistan until October 2017.

As reported by Taalay Nurbashev, the Director of the State Agency for Fuel and Energy Regulation under the Kyrgyz Government, this year electricity tariffs will remain the same, but in the following years, depending on the circumstances, the tariff policy may be subject to change.

<http://rus.azattyk.kg/>

June 12, 2017

Toktogul transmission substation renovated first time in nearly 50 years

Toktogul transmission substation is being renovated for the first time in nearly 50 years, Myrzabek Muratov, the chief engineer of Jalal-Abad high-voltage electrical facility told the press. According to him, renovation works started in 2014 with the financial assistance of the Asian Development Bank.

According to Daniyar Zaripov, foreman, the substation has not been renovated since it was built in 1968. "There is modern equipment installed at the facility which is easy to operate and cheap to maintain," he said.

Reportedly, the total cost of renovation was KGS 4 million with the equipment imported from China and Turkey.

Renovation was carried out under the National Development Strategy 2013-2017 framework. In general, by the end of 2017, there will be renovated 105 substations at KGS 180 million.

<http://www.24kg.org/>

July 14, 2017

State Agency for Fuel and Energy Sector (SAFES) reports reduction in revenue deficit in power sector

The revenue deficit in the power sector has been reduced significantly, Talaibek Nurbashev, the SAFES Director, reported to the staff meeting held on July 14, 2017.

According to the SAFES Director, the revenue deficit fell by almost KGS 6.8 billion over the past year (from KGS 7.9 billion to KGS 1.1 billion).

Reportedly, over the period 2014-2016, SAFES in cooperation with the World Bank have implemented the Development Policy Operation (DPO) Program. The DPO Program aims at promoting good governance and budget financing for the Kyrgyz Government to implement

of existing network in order to ensure reliable electricity supply to address increasing loads resulting from increased capacity, etc.

The fee for connection to utility distribution network is charged to legal entities and individuals who requested such connection on the basis of an agreement between the electricity provider and a new consumer. The fee for connection to utility network with capacity of 10 kW and voltage of 0.23-0.4 kV is not charged. The fee for connection to utility network with capacity over 10kW and voltage of 0.4 kV is charged additionally.

Law approving amendments to Energy Saving Law of May 4, 2017 No. 257

The current deficit of own energy resources and constantly rising prices of imported hydrocarbons are the factors preventing the expansion of electric generation capacity and the meeting of electricity needs of population and economy.

Electricity shortage in 2017 estimated at 3 billion kWh in the National Sustainable Development Strategy of the Kyrgyz Republic of January 21, 2013, as well as unstable electricity supply to consumers require urgent measures to promote and implement energy saving and energy efficiency policies in all sectors of economy.

The proposed draft law provides a legal framework for energy survey, energy passport, rational use of fuel and energy resources, and technological process regardless of type of ownership. In addition, it promotes efficient and rational use of public funds, evaluation of energy saving potential, development and substantiation of organizational, technical and other measures for improving energy efficiency.

The primary purposes of the energy survey are: to collect objective data on the amount of energy resources used; to determine energy efficiency indicators and evaluate energy saving and energy efficiency potential; to make a list of standard publicly available energy saving and energy efficiency measures and to determine their value.

Government Resolution of June 14, 2017 No. 377 approving amendments to Government Resolution approving regulation on tender for construction of small hydropower plants in Kyrgyzstan

The amendments to the Regulation on tender for construction of small hydropower plants in the Kyrgyz Republic are proposed to improve renewable energy sources legislation, promote priority sectors of economy, attract investment, increase the country's hydropower potential and implement the promising

reforms and prior policy identified in the National Strategy for Sustainable Development 2013-2017.

The DPO Program contained a set of critical mutually agreed prior policy and institutional actions to be completed by state agencies, including SAFES. As a result of implementing the DPO Program, the Government raised USD 48 million in revenue over the period 2015-2016.

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July 14, 2017

SAFES approves methodologies for determining costs and setting tariffs for electricity and heating services

SAFES regulates more than 150 electricity, heating, natural gas and renewable energy companies, Taalaybek Nurbashev, the Director of SAFES, told the press on July 14, 2017.

According to him, there are 64 energy companies included in the State Register of Natural Monopolies, including 34 electricity companies, 29 heating companies, and 1 natural gas company.

For the time being, SAFES has developed and approved the following rules:

1. Methodologies for determining costs and setting tariffs for electricity and heating services.
2. Interim Regulation on licensing of certain fuel and energy services.

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small HPP projects.

The amendments concern provisions on the composition of the interdepartmental tender commission established by the decision of the Government.

The tender commission includes a deputy authorized representative of the Government in the region, the head of the state administration - akim of the district - or the mayor of the city, where a small HPP will be located. In the previous version of the Regulation, the tender commission consisted of the authorized representative of the Government in the region, the head of the representative and executive bodies of local self-government of the administrative territorial unit where the construction site was located.

In addition, it provides that the Government has the right to cancel the tender before the submission deadline. In such case, the tender commission shall be dissolved. If after its announcement the tender failed to occur, the Government shall have the right to dissolve the tender commission and announce the new tender with the different tender commission. The tender announcement shall be published in international and/or national mass media without the need to be published in both international and national mass media as was the case with the previous version.

The amendments to the Regulation on tender for construction of small hydroelectric power plants in the Kyrgyz Republic shall have retroactive effect and apply to tenders in which no winning bidders were selected or which were conducted before the approval of the Government Resolution of June 14, 377 approving amendments to the Government Resolution approving the Regulation on tender for construction of small hydro power plants in the Kyrgyz Republic.

The sources of news contained in the Update are websites: www.24.kg, www.tazabek.kg, www.rus.azattyk.kg/, etc.



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