



# ELECTICITY

## INDUSTRY AND LEGAL UPDATE

**KALIKOVA &**  
ASSOCIATES  
*law firm*

*Information for effective business solutions*

Issue 11, September 2012 (quarterly)

## Industry Update

---

### **6 out of 21 power transmitting and selling companies have their licenses suspended**

6 out of 21 power transmitting and selling companies have their licenses suspended, the minister of energy and industry Askarbek Shadiiev reported at the Kyrgyz Government meeting on 19 June 2012, with reference to Kyrgyz intermediary power companies.

According to the minister, the Anticorruption Service under the State Committee for National Security has established a working group including the Kyrgyz Ministry of Energy and Industry specialists to carry out an audit of licensable power companies. These are power companies included in the wholesale electricity sellers/purchasers group. Private power companies supply electricity to some Bishkek districts such as Ak-Jar, Djal-Artis, and some others.

According to the minister, in 2011 the licenses were issued to 21 power companies dealing with power transmission and sale. At the moment, the licenses of 5 power companies (Energy Trade LLC, Global Energy LLC, Energoteplorealizatsia LLC, Kazenergo LLC, Ak-Meenet LLC) are suspended.

### **USAID funded RESET Program to be complete in 2013**

It is reported by Tazabek internet portal, with reference to the USAID's official website, that the USAID funded Regional Energy Security, Efficiency and Trade (RESET) Program will be completed in November 2013. The program is meant to help establishing the organizational

## Legal Update

---

### **Amendments to Kyrgyz Law "On Renewable Energy Sources" of 3 August 2012 N 148**

The purpose of amendments is to foster the development of renewable energy sources (RES) in Kyrgyzstan and to encourage investments into this sector. The amendments also envisage that electricity generated from RES and not consumed by the plant owner for its own purposes or not sold to other consumers on a contractual basis must be acquired by the biggest power distribution company operating in the administrative territorial unit where the RES plant is located, irrespective of to which company's power networks this RES plant is connected.

It is also provided that during the payback period, tariffs for RES electricity should be determined by multiplying the maximum tariff for end consumers by a respective coefficient as specified below:

- for water power plants this coefficient is 2.1;
- for sun power plants this coefficient is 6.0;
- for biomass power plants this coefficient is 2.75;
- for wind power plants this coefficient is 2.5;
- for land power energy this coefficient 3.35.

Upon expiration of the payback period, tariffs for RES electricity are determined by the Kyrgyz Government for each plant individually based on calculations taking into account costs of electricity generation and fair profit. The newly determined tariffs for RES electricity are subject to annual indexation according to the

legal and regulatory frameworks for regulation of prices for electricity exchange, additional services and sale of electricity and to introduce mechanisms of calculating the market value of services related to regulation of water level for the purposes of flood control, irrigation and stimulation of investments into hydropower sector.

Besides the Kyrgyz Republic, the project is carried out in Kazakhstan, Tajikistan, Turkmenistan, Uzbekistan, and Afghanistan. The program's budget for the Kyrgyz Republic is \$16.5 ml. The project's partner is a US corporation, Tetra Tech, which is currently in the process of completing the second phase of the audit of the Kyrgyz power sector.

---

### **Russia and Pakistan discussed the CASA-1000 project on construction of the power transmission lines from Kyrgyzstan and Tajikistan to Afghanistan and Pakistan**

The second meeting of the working group on energy cooperation between Russia and Pakistan took place in Islamabad, Pakistan, the Russian Ministry of Energy reported on July 3. The meeting discussed the current status of cooperation between Russia and Pakistan in the power sector and prospects for its further development in gas, electric power, power efficiency, renewable and alternative energy sources, and coal sector.

Both sides confirmed the importance and their commitment to the implementation of CASA-1000 international project on construction of the power transmission lines from Kyrgyzstan and Tajikistan to Afghanistan and Pakistan, and noted their joint efforts towards Russia's entry into this project.

To remind, CASA-1000 project (Central Asia – South Asia 1000 MW) involves construction of high voltage power lines between Kyrgyz and Tajik power grids and those of Afghanistan and Pakistan to enable export of electricity by Central Asian countries and development of relevant agreements and electricity trading mechanisms that meet international standards.

---

### **4 public-private partnership (PPP) projects in the power sector require an investment of more than \$790 ml.**

5 public-private partnership project proposals were presented by the Kyrgyz Ministry of Energy

procedure defined by Kyrgyz law.

Compensation for additional costs incurred by electric power companies when purchasing RES-generated electricity is taken into account by the Kyrgyz Government when calculating and determining traditional electricity tariffs for electric power companies. Thus, tariffs for electricity will depend on the types of energy sources used to generate it.

All costs of constructing the power transmission lines up to the point of interconnection to the electric power company's network are borne by the RES plant owner. That said all power companies must ensure non-discriminatory access to their networks for electric power producers using RES to supply power generated by them to the power network, provided that it meets the required standards.

The RES plant must be connected to the networks of the power company offering the lowest cost of connection. National electric stations networks and power distribution companies must secure unimpeded transit of electric power from the RES producers to consumers.

---

### **Regulation on the procedure for implementation of a building energy performance certification approved by Kyrgyz Government Resolution of 2 August 2012 N 531**

This Regulation defines minimum requirements for energy efficiency of new or renovated buildings, rules for determining their energy efficiency indicators and classes, procedure for implementation of a building energy performance certification, and principles of determining the class of energy efficiency in buildings.

It has to be noted that minimum requirements for energy efficiency in buildings do not apply to:

- 1) individual residential buildings with the total area of not more than 150 square meters;
- 2) buildings meant for religious rites, rituals, and ceremonies;
- 3) buildings regarded under Kyrgyz law as the object of cultural heritage (historic and cultural monuments), if it is impossible to meet energy efficiency requirements due to change in its exterior and fencing structures;

and Industry and Electric Stations OJSC to the Kyrgyz Chamber of Commerce and Industry, the press service of this chamber reported on July 10.

According to Electric Stations OJSC's representative, Eldiar Bolotkanov, the estimated cost of the first PPP project for modernization and reconstruction of the Bishkek CHPP is \$150 ml.

At present, the Bishkek CHPP produces more than 90% of the country's total amount of heat power. One of the main tasks of the project is to increase its total installed capacity. «After completion of the Bishkek CHPP reconstruction, it is anticipated to extend the life-cycle of the equipment, to decrease the cost of repair and production, and to supply consumers with electric and heat power without interruption», he said. [The Eurasian Financial Industrial Group expressed interest in investing in CHPP]

The second PPP project for modernization of the Uchkurgan HPP will require more than \$46 ml. of investment. «The project envisages modernization of the equipment, increasing safety of HPP operation, increasing installed capacity by fixing modern, more productive hydro aggregates and respectively increasing power output», the project developers reported. [Riche Europe was going to invest in the modernization of HPP]

The third PPP project for construction of the Suusamyр – Kokomeren HPPs cascade will cost \$2.61 ml. The project developers informed that in 2011 the memorandum of understanding was signed between Electric Stations OJSC and SINOHYDRO Ltd. (China) for the exploration of construction of the Suusamyр – Kokomeren HPPs cascade.

The fourth PPP project envisages construction of the Kulanak HPPs Cascade on the Naryn river section between the At-Bashy and the Ala-Buka rivers. It is possible to build on the Naryn river 6 cascades of 31 HPPs with the total installed capacity of 4,124.5 MW, the long-term average annual power output of more than 16 billion kWh and the estimated construction cost of approximately \$592.65 ml.

The fifth PPP project for construction of the Karakul small-scale HPP was presented by Arslanbek Omurzakov, Executive Director of the Chakan HPP. He informed that the main purpose of the project is to ensure electricity supply to the general public, industrial and agricultural enterprises of Kara-Kul town, Jalal-Abad region. According to him, the construction will continue over the next 2 years. [IFC InfraVentures together with Canadian Asian Central Investment are going to build this small-scale HPP.]

4) temporary objects of non-capital construction;

5) summer houses;

6) auxiliary buildings and structures (ancillary facilities).

All other new and renovated buildings must meet minimum energy efficiency requirements.

According to the regulation, mandatory energy certification is required for residential, public, administrative and multifunctional non-production buildings at the time of their:

- design and construction;

- commissioning into operation;

- energy renovation.

In all other cases, energy performance certification of buildings is performed on a voluntary basis.

The regulation also provides that to obtain a building permit or to perform energy renovation of the building, the design documentation must be developed in accordance with the minimum energy efficiency requirements. Commissioning the new or renovated buildings that do not meet the minimum energy efficiency requirements is not allowed.

In the Kyrgyz Republic, a building energy performance certification is implemented by specialists holding respective qualification certificates issued by the competent authority for architecture and construction.

Implementation of a building energy performance certification is confirmed by the building energy certificate issued for 10 years. The energy certificate will become ineffective before expiration of the indicated period of validity if a restructure or redesign of the building or a change in the external fencing structures or technical systems occurs which gives rise to a change in its energy consumption. It is required that multi-apartment residential buildings, public, administrative and multifunctional non-production buildings in which energy performance certification is implemented must be marked accordingly and the class of a building energy efficiency must be indicated in a visible place on its facade.

The presenters noted that Kazakhstan, Tajikistan, Afghanistan, and Pakistan are the promising electricity markets. It was also recommended that all PPP projects be published on the website of the Chamber or other concerned ministries or agencies to provide more detailed guidance to business community.

---

### **New Kyrgyz minister of energy and industry appointed**

On 6 September 2012, Avtandil Kalmambetov was appointed as the new minister of energy and industry of the Kyrgyz Republic replacing Askarbek Shadiev. To remind, during the former minister's term, Avtandil Kalmambetov served as the deputy minister of energy and industry of the Kyrgyz Republic.

---

### **Agreement on construction of the Upstream Naryn HPPs Cascade and the Kambarata HPP-1 signed between Kyrgyzstan and Russia**

The agreement between the Governments of the KR and the RF on construction and operation of the Upstream Naryn HPPs Cascade and Kambarata HPP-1 was signed on September 20 at the Ala-Archa state residence during the visit of Russian President V. Putin to the Kyrgyz Republic. The agreements were signed on behalf of the Kyrgyz Republic by the minister of energy and industry Avtandil Kalmambetov and on behalf of the Russian Federation by the minister of energy Aleksander Novak.

Thus, Kyrgyzstan and Russia have agreed on construction and operation of the Akbulun HPP, Naryn HPP-1, Naryn HPP-2 and Naryn HPP-3 of the Upstream Naryn HPPs Cascade. For the purposes of this project, it is anticipated to establish a joint venture – Upstream Naryn HPPs CJSC, with RusHydro OJSC being its Russian shareholder and Electric Stations OJSC being its Kyrgyz shareholder holding equal 50/50 stakes.

In respect of the Kambarata HPP-1, the parties agreed that in this project the Russian side will be represented by Inter Rao EUS OJSC, and the Kyrgyz side will be represented by Electric Stations OJSC, which will hold equal stakes (50/50) in Kambarata HPP-1 CJSC.

To remind, the total amount of funding committed to these projects is more than 2 billion USD, of which 1.7 ml. USD will be used for the construction of the Kambarata HPP-1 and 400 ml. USD for the construction of 4 medium-scale

This ordinance is adopted to give effect to the Preferential Credit Agreement between the Kyrgyz Ministry of Finance as a borrower and Export and Import Bank of the People's Republic of China as a creditor on financing the project for construction of Datka-Kemin 500kV power transmission line and Kemin 500kV substation which was signed on 5 June 2012 in Beijing and ratified by Kyrgyz law of 19 June 2012 N 86.

By the said ordinance, the Government ordered the Kyrgyz Ministry of Finance to allocate the borrowed funds to National Electric Network of Kyrgyzstan OJSC in an amount of USD 389,795,000 (three hundred eighty nine million seven hundred ninety five thousand) and to properly execute the Sub-credit Agreement with the National Electric Network for the repayment of borrowed funds under the following terms:

- the repayment period is 20 years, including a 9 year grace period for principal, with equal principal payment over 11 years following the grace period. The final payment date is 21 October 2032;
  - interest accrued during the grace period is payable when due on the actually drawn funds.
- 

### **Kyrgyz Government Ordinance of 13 July 2012 N 347-r**

By this ordinance, the Government approved the members of the Executive Council of the State Department for Regulation of Fuel and Energy Sector under the Kyrgyz Ministry of Energy and Industry, including:

- Director of the State Department for Regulation of Fuel and Energy Sector under the Kyrgyz Ministry of Energy and Industry;
- Deputy Director of the State Department for Regulation of Fuel and Energy Sector under the Kyrgyz Ministry of Energy and Industry;
- Director of the Department for Competition Development under the Kyrgyz Ministry of Economy and Antimonopoly Policy.

The Executive Council is competent to approve electricity tariffs with the consent of the Kyrgyz Parliament.

---

HPPs of the Upstream Naryn Cascade.

---



71 Erkindik Boulevard,  
Bishkek, 720040  
Kyrgyz Republic

Tel.: +996 (312) 666060  
Fax: +996 (312) 662788  
Web: [www.k-a.kg](http://www.k-a.kg)  
Email: [lawyer@k-a.kg](mailto:lawyer@k-a.kg)

The sources of news contained in the Update are websites:  
[www.tazabek.kg](http://www.tazabek.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](mailto:msaaduev@k-a.kg)

Kalikova & Associates does not bear responsibility for completeness and accuracy of the news contained in the Update. Update materials are for general information purposes only and should not 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 © 2012 Kalikova & Associates