



## ELECTRICITY

INDUSTRY AND LEGAL UPDATE

KALIKOVA &  
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*Information for effective business solutions*

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### Industry Update

#### **Vladimir Putin proposes setting up an SCO Energy Club**

Russian President Vladimir Putin's proposal to set up an energy club within the Shanghai Cooperation Organization was voiced at the 13th SCO summit in Bishkek on September 13, 2013. According to President Putin, the establishment of the Energy Club will facilitate the implementation of many hydropower projects.

As it is well-known, the signing of the agreement on the construction of the Kambarata Hydropower Plant 1 and the Upper-Naryn HPPs Cascade between Kyrgyzstan and Russia in September 2012 created tension between Kyrgyzstan and Uzbekistan. The latter declaimed against the construction of hydro-electric power plants on the territory of Kyrgyzstan. In this regard, the SCO Energy Club can be used as a platform for reaching compromises and mutually beneficial solutions to the problem of using water resources in Central Asia.

#### **Pakistan launches negotiations with Kyrgyzstan and Tajikistan over CASA-1000 project**

The Ministry of Energy and Industry of the Kyrgyz Republic announced that Pakistan has launched negotiations with Kyrgyzstan and Tajikistan over the CASA-1000 project. The Kyrgyz delegation headed by Minister Osmonbek Artykbaev was invited by the Pakistani side which attaches special importance to this project. Among the participants of negotiations are the representatives of National Power Grid OJSC and Power Plants OJSC. It is anticipated that the energy officials from these organizations will meet with the President and Prime Minister of Pakistan.

### Legal Update

#### **The Kyrgyz Government Resolution “On temporary measures for the enforcement of supervisory functions in the energy and construction sectors” of August 5, 2013 No. 449**

The above resolution was passed to improve supervision over compliance with environmental and technical safety requirements. In this resolution, the government imposed the following temporary requirements until the adoption of relevant regulatory acts:

- energy companies shall pay contributions to finance the activities of the environmental and technical safety authority to the extent of funding the conventional technical units approved in the manner prescribed;
- construction companies shall pay contributions to an extent not exceeding the cost of state architecture and construction supervision but not more than 0.3 % of the cost of construction and installation works.

For the purpose of improving the regulatory framework for inspecting and supervising the energy and architecture/construction activities, the Government instructed the Kyrgyz Ministry of Energy and Industry and the Ministry of Economy to draft and propose relevant regulatory acts by September 1, 2013.

#### **Kyrgyz Law “On Amending the Law on Energy Efficiency” of June 15, 2013 No. 96**

The new amendments to the Law “On Energy Efficiency” define the Government's authority in respect of energy efficiency. Thus, the Government is responsible for pursuing a uniform state policy for energy efficiency, controlling the implementation of the National

Reminder: the CASA-1000 project consists in the construction and integration of power lines to connect power-generating countries such as Tajikistan and Kyrgyzstan and power-consuming countries such as Afghanistan and Pakistan. The first supplies of electricity are expected to start in 2016.

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### **Energy minister pushes for land transformation to enable construction of the Upper Naryn HPPs cascade**

Energy and Industry Minister Osmonbek Artykbaev spoke on the necessity of land transformation at the meeting of the Government held on August 29 to address progress on the project for the construction of the Upper Naryn HPPs cascade. The minister reminded those present that construction is carried out under an Agreement signed between the governments of Russia and Kyrgyzstan on September 20, 2012. At the moment, project financing issues are being resolved and construction is performed by 120 Kyrgyz citizen workers.

The upper Naryn HPPs cascade will consist of 4 hydropower plants: Akbulun HPP, Naryn HPP 1, Naryn HPP 2, and Naryn HPP 3, with a total capacity of 237.1 MW and a total output of 942.4 ml. kWh. The cascade will not influence the water regime of the Naryn river nor will it affect the interests of Uzbekistan and Kazakhstan, which are situated downstream. The areas of flooded lands are minimal and resettlement of the population will not be required.

The project will be operated by Upper Naryn HPPs CJSC with RusHydro OJSC and Power Plants OJSC holding equal stakes in its authorized share capital. According to the terms of reference for the feasibility study and selection of the construction site for the Upper Naryn HPPs cascade (Akbulun HPP, Naryn HPP, Naryn HPP 2, and Naryn HPP 3), it is expected to launch the construction in 2016-2019.

Thus, the construction of hydropower plants must be launched not later than:

- the 3rd quarter of 2016 for the first HPP;
- the 3rd quarter of 2017 for the second HPP;
- the 3rd quarter of 2018 for the third HPP;
- the 3rd quarter of 2019 for the fourth HPP.

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### **RusHydro OJSC considers building another three HPPs in Kyrgyzstan**

In an interview broadcast on Russia 24 TV Channel on July 26, 2013, Evgeny Dod, CEO of RusHydro OJSC, said RusHydro plans to attract external finance and launch projects with

Energy Program and approving regional and sectoral programs for the promotion of energy efficiency.

Also, this Law defines the functions of the competent authorities for the development of an energy efficiency policy and for the supervision and control over compliance with this policy.

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### **Kyrgyz Law “On Ratification of a Cooperation Agreement among the CIS Countries on the Operation of Interstate Transmission Lines of National Power Grids” of June 8, 2013 No. 93**

The above Law ratified the Cooperation Agreement among the CIS countries on the operation of interstate transmission lines of national power grids. The Agreement was signed in Yalta, Ukraine on November 20, 2009.

The purpose of the Agreement is to form a single energy market for CIS member states based on the principles of equality, fair competition and mutual benefit. The Agreement allows business entities of the member states of this Agreement to conclude contracts for the maintenance and repair of interstate transmission lines, subject to their obligations for maintaining a proper supply of electricity to consumers and the stable operation of electrical systems. It is provided also that maintenance teams, transport vehicles, special machinery, equipment, fixtures, tools and materials can be delivered to other member states of the Agreement by road, air or maritime transport without impediment and free of customs duties and taxes.

The cost of implementing the Agreement will be covered by energy companies such as Electric Plants OJSC and National Power Grid of Kyrgyzstan OJSC. The CIS Electrical Energy Council will coordinate the implementation of the Agreement to promote partnership and cooperation among the CIS member countries in the electric energy sector.

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### **Kyrgyz Law “On Amending Kyrgyz Law ‘On Electric Energy’ of June 24, 2014 No. 98”**

The amendments introduced the new terms “competent authority for the development of energy policy and competent authority for energy supervision and control in the Law “On Electric Energy”.

The competent authority for energy policy is the executive agency authorized by the Kyrgyz Government to regulate relations in the energy

lucrative awards for investors. He mentioned, among other things, plans to construct another three HPPs in Kyrgyzstan, in addition to the Upper Naryn HPPs cascade.

According to E. Dod, Russian President Vladimir Putin expressed his support for RusHydro's initiatives and it is expected that RusHydro will start research in respect of Janykel HPP (130 MW), Alabugin HPP (400 MW), Kokomeren HPP (360 MW) by the end of this year.

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### **Upper Naryn HPPs CJSC's CEO I. Gorbenko reports on the progress of works at the construction site**

Upper Naryn HPPs CJSC's CEO, Igor Gorbenko, reported on the progress of the site preparation activities at the Upper Naryn HPPs cascade construction site. He reported that work is underway to prepare the site for building a concrete batching plant. The site covers an area of 2 hectares. Upon completion of site preparation, the company plans to build a road connecting the central highway with a gravel deposit. After this, the company plans to start exploitation of the gravel deposit. At the moment, four prospecting teams are involved in drilling boreholes.

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### **Kyrgyz Counting Chamber to conduct an audit of projects for construction of Kambar-Ata HPP 1 and Upper Naryn HPPs Cascade in 2014**

The Kyrgyz Counting Chamber plans to conduct an audit of projects for construction of the Kambar-Ata HPP 1 and the Upper Naryn HPPs cascade in 2014. This was announced by the Counting Chamber's CEO Elmira Ibraimova.

According to Ibraimova, over the past few years, the Kyrgyz Counting Chamber has been practicing parallel and joint auditing together with its counterparts in other countries. At the joint meeting of executive committees of the Kyrgyz and Russian Counting Chambers held on September 4, 2012, the Russian Counting Chamber's CEO Sergei Stepashin offered to conduct joint audits of the Russian investment projects for construction of HPPs in Kyrgyzstan.

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### **World Bank reports that rehabilitating existing electricity assets in Kyrgyzstan will cost 865 ml. USD**

sector. This authority is the Kyrgyz Ministry of Energy and Industry (State Department for Regulation of the Fuel and Energy Sector under the Kyrgyz Ministry of Energy and Industry).

The competent authority for energy supervision and control is the executive agency authorized by the Kyrgyz Government to secure technical safety, as well as the unfailing and uninterrupted generation, transmission, distribution and consumption of electric and thermal energy and natural gas, together with their efficient use. This agency is the State Inspection for Environmental and Technical Safety under the Kyrgyz Government.

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### **Kyrgyz Law "On Amending the Kyrgyz Law 'On Energy of June 24, 2003 No. 99' "**

The amendments to the Law "On Energy" were made in furtherance of the program of administrative reforms to executive agencies aimed at preventing the concentration of policy-making and supervisory functions in one public authority.

The new amendments provide that supervisory functions of the Ministry of Energy and Industry shall be transferred to the State Inspection for Environmental and Technical Safety, which will also be responsible for energy safety.

Also, amendments to the Law "On Energy" define the various scopes of authority of the above public authorities and the Government in respect of the fuel and energy sector and energy efficiency. The following new terms were incorporated into the Law: 'competent authority for energy policy' and 'competent authority for energy supervision and control'.

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Rehabilitating old assets will cost 250-300 USD per kWh as compared to 1,200-2,000 USD per kWh in the case of constructing new facilities. This was reported in the World Bank's Power Sector Chapter of the Public Expenditure Review.

The financial assistance for rehabilitation is only 15% guaranteed.

Rehabilitating old power plants will reduce the probability of outages and increase the available power capacity. Rehabilitating transmission and distribution assets will reduce technical losses and thereby reduce the power generation needed to meet demand. This will improve supply adequacy and reduce outages.

The World Bank estimated that rehabilitating existing facilities will cost 865 ml. USD.

Total cost of rehabilitation (ml. USD)

Generation - 415

Toktogul HPP - 260

Uch-Kurgan HPP - 130

At-Bashy HPP - 25

Supply - 160

Rehabilitating transmission assets - 160

Substations and meters - 40

Distribution - 250

Rehabilitating transmission lines and substations - 190

Measurement/Tariff setting - 60

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