

**National Agency of the Republic of
Kyrgyzstan for Anti-Monopoly Policy and
Promotion of Competition**

**«Direct Access Between Industrial
Consumers and Independent Power
Producers/Generators»**

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Main interests of independent producers and industrial consumers

- The main interest of independent producers and investors is to get non-discriminatory access to infrastructure of natural monopolies and direct access to consumers, and also development of really competitive environment with free prices under strict regulation of the cost of services of natural monopolies.
- And in their turn industrial consumers are interested, first of all, in minimization of tariffs (prices) for services and products supplied by natural monopolies, with the specified level of reliability and quality. Therefore, consumers benefit from the development of competition with remaining state regulation of tariffs and prices – a rare , but possible combination.

- Under such conditions the objective of the state is to balance interests of all process participants ensuring economic stability and sustainable growth. Reforms of natural monopolies should become an integral part of the general strategy of socio-economic development of the country. Meanwhile, the situation is quite the opposite: the main initiators of reforms and their ideological inspirations are monopolies, fight of interested parties around concepts of restructuring and contents of new laws intensifies, and so far nobody assessed implications of the reforms for the economy. It is necessary to carry out a comprehensive analysis, which would provide the answer, also to such questions as: how the price dynamics of natural monopolies would affect regional specifics of production, financial situation of consuming enterprises and investment processes that take place there.

- In order to create competitive environment in electricity generation and in order to attract foreign direct investments, it is necessary to spin off from the open JSC «Electrostantsii» [Power Plants] assets of Kambaratin HPP, CHPs of the cities of Bishkek and Osh, to create favorable conditions for country-wide restoration and construction of small hydro power plants with capacity under 30 MW.
- In Kyrgyzstan, competition appears in the field of electricity trading – between suppliers (sellers) that deliver it to final consumers. Thus, at present, in addition to four monopolistic energy distribution companies the right to sell electricity was also granted to more than forty different joint-stock companies and private entrepreneurs, such as a closed JSC «Transelectro», «Energoservice Zharyk» Ltd., «Energotechservice» Ltd., «Abigal» Ltd., «Bishkekenergocomplex» Ltd., «Spetsenergostroi» Ltd., etc.

- That shows that in the electricity sales (supply) market, competitors have appeared already. They all have distribution lines and transformer substations through which they supply or re-sell electricity to final consumers.
- While state owned energy companies have cash collections on the level of about 40-45%, private energy companies mentioned above bill their consumers 100% and get 100% of payments and have long ago forgot barter trade and offsets. That is why there are reasons to give energy distribution companies into private hands, to strategic investors or domestic businessmen. Privatization would improve their management and work with consumers, as in such a case they would get financial incentives to work. Private owners would not allow thefts of electricity up to 25%, or extra normative losses, as these losses mean cash losses. 1% of losses in money terms in average is about 30 million som.

- **Concession of energy companies by means of establishment of independent producers suggests:**
- - Financial proceeds from privatization, concession fees would replenish the budget of the republic. The owner would not allow thefts of electricity, there would be better management and governance in energy companies. There would be guarantees of financial sustainability of energy companies, there would be no financial fraud in energy companies' managerial bodies, the responsibility related to payments to the budget would be higher, as all the aforementioned problems depend on the cash collections for consumed electricity. There would be financial injections for reconstruction of electric networks and power equipment, which in the long run would strengthen electricity supply for the economy and population of the republic.

