

**National Agency of the Kyrgyz
Republic for Anti-Monopoly Policy
and Development of Competition**

S. U. Sultanbekov – State Secretary

A stylized silhouette of a mountain range in shades of brown and tan, positioned at the bottom of the slide against a blue gradient background.

Topic: Application of tariff structures in Kyrgyzstan. Questions and objectives in the energy sector of Kyrgyzstan.

In the course of recent structural changes, according to Decree of the President of the Kyrgyz Republic of October 10, 2005, No.448, on the basis of the State Energy Agency under the Government of the Kyrgyz Republic and Department for Anti-Monopoly policy of the Ministry of Economy, Industry and Trade Development of the Kyrgyz Republic, the **National Agency of the Kyrgyz Republic for Anti-Monopoly Policy and Development of Competition** was established (hereinafter referred to as the National Agency).

Activities of the National Agency after restructuring was done in the following areas:

- Improvement of the normative legal basis of competitive, consumer policies, regulation of the fuel and energy complex and advertising activities.
- State regulation of activities of natural and allowed monopolies. Work on reduction of quasi-fiscal deficit in the energy sector.
- Prevention, restriction and preclusion of monopolistic activities and unfair competition.
- Control over compliance with the legislation on protection of consumer rights.
- Control over compliance with the Law of the Kyrgyz Republic «On Advertising».
- Licensing and control over compliance with license terms by subjects of energy activities.
- International cooperation on harmonization of competitive legislations, implementation of consistent competitive policy and policies in the fuel and energy complex.

The main function and objective of the National Agency with respect to application of tariff structures

- Setting tariffs for electricity
and heat for various
consumer group**

Setting of tariffs is based on:

- the Law on Energy**
- the Law on Electricity**

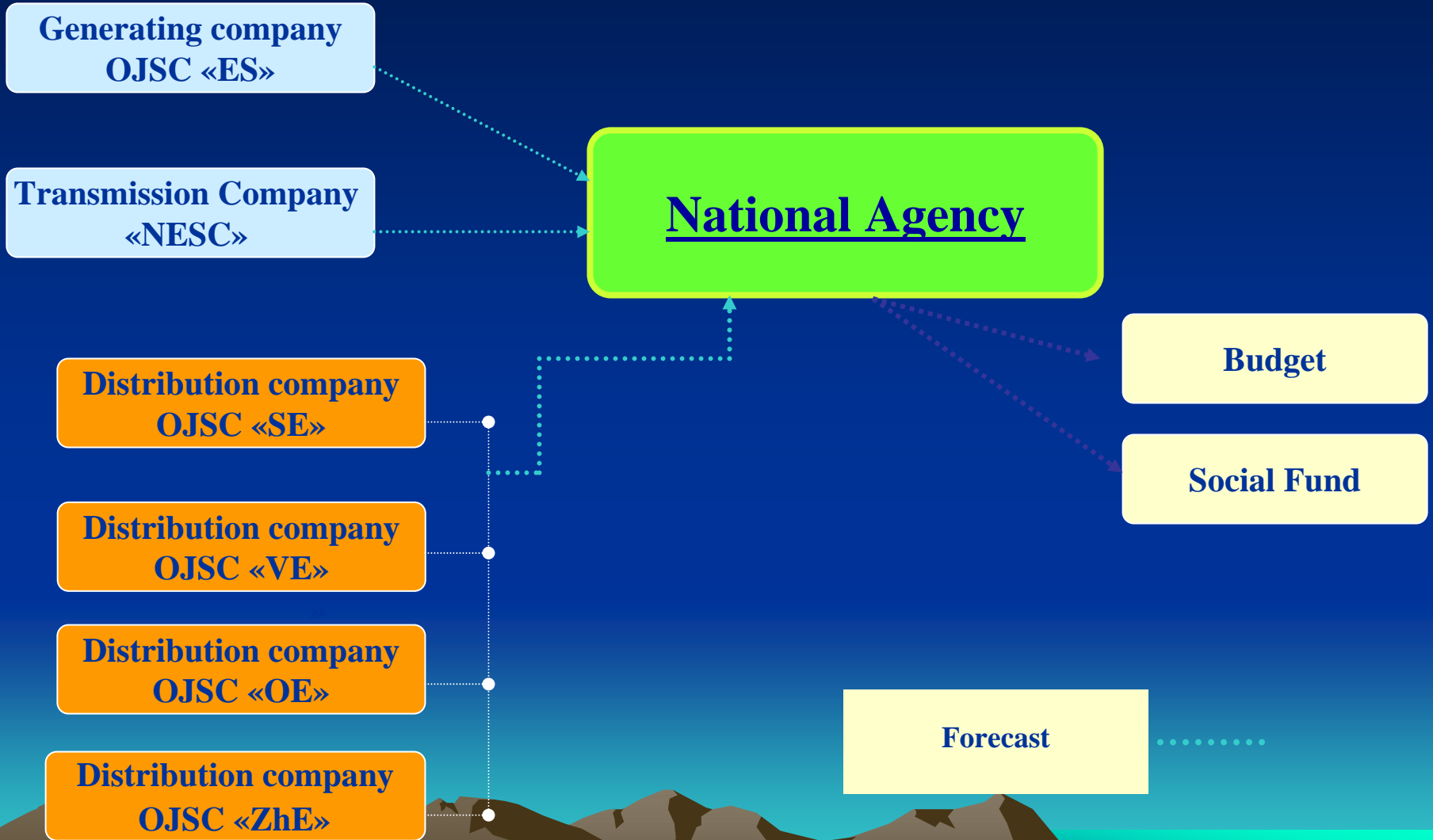
General Principles

- **Tariffs should cover all costs related to generation, transmission, distribution of electricity and heat.**
- **Tariffs for each group of consumers should reflect all costs related to electricity and heat supply for the given consumer category.**
- **Subsidies should be targeted directly to consumers (population) with low level of income through government programs of social protection.**

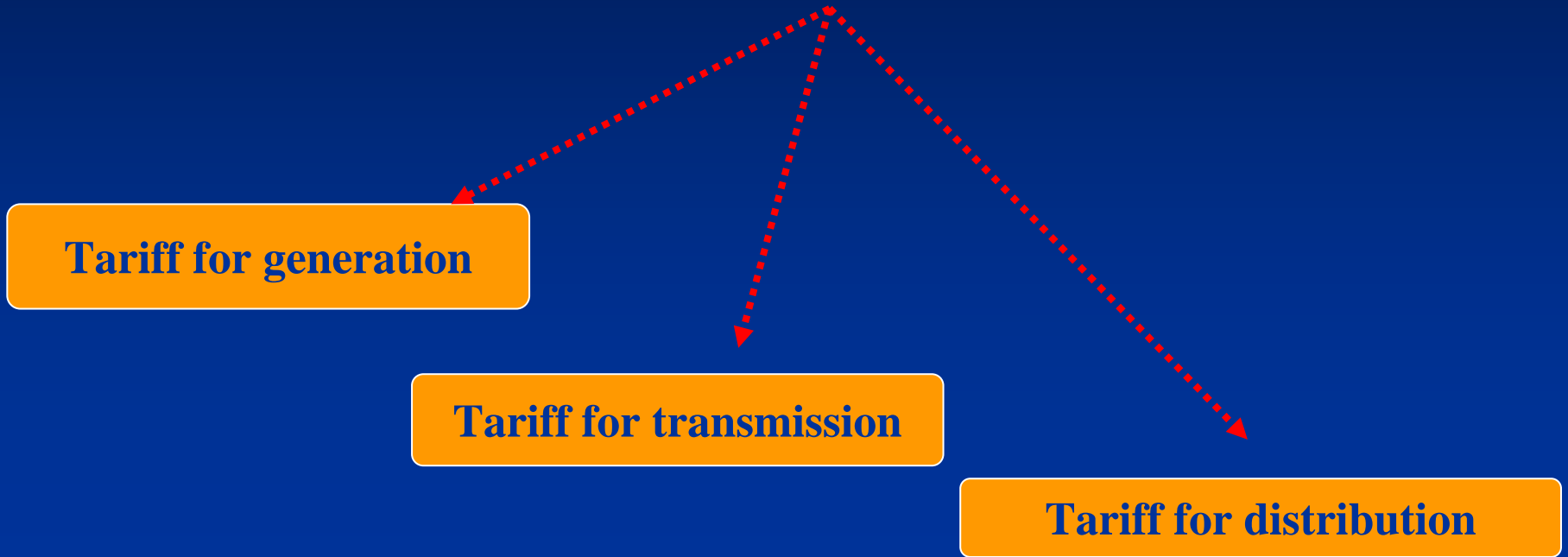
Tariff Setting Procedure

- *Adjustment of forecast data*
- *Generation (HPP, CHP)*
- *Consumption pattern*
- *Export*
- *Inflation rate*
- *Cost structure*
- *USD exchange rate*
- *Level of losses*
- *Level of collections*

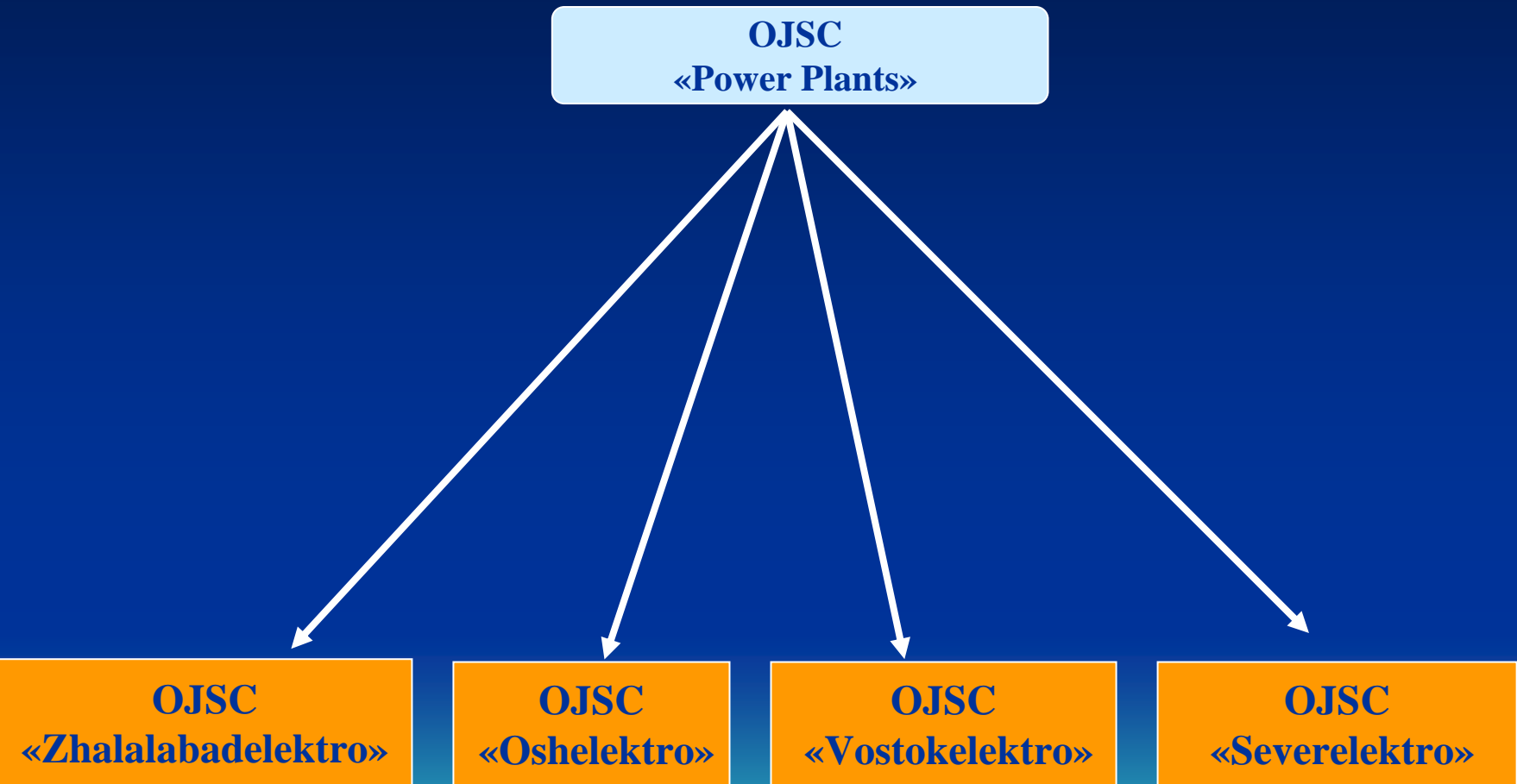
Procedure for setting tariffs for energy market participants of Kyrgyzstan



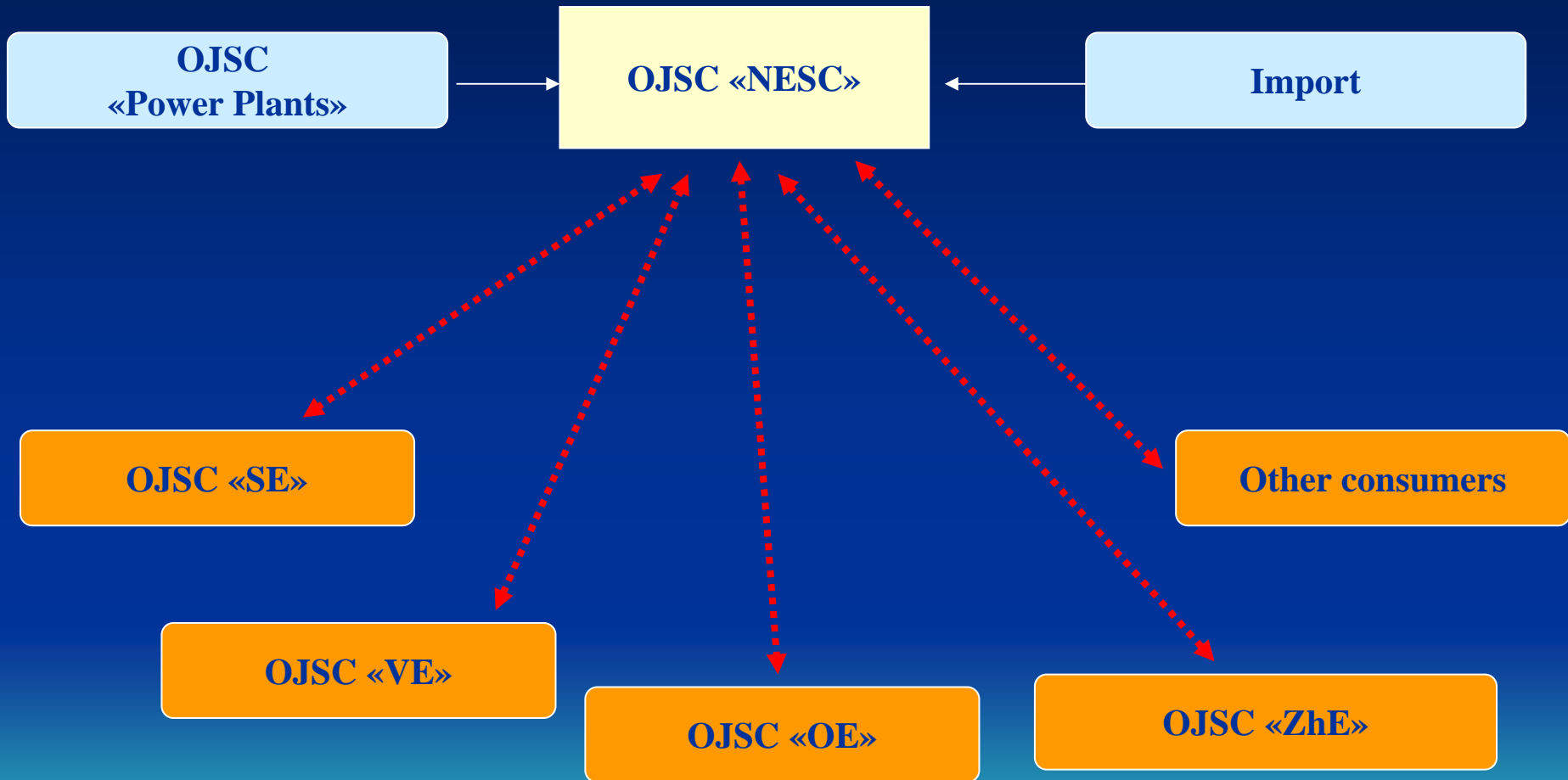
Setting tariffs for energy companies



Tariffs for generation of electricity are set for large wholesale buyers

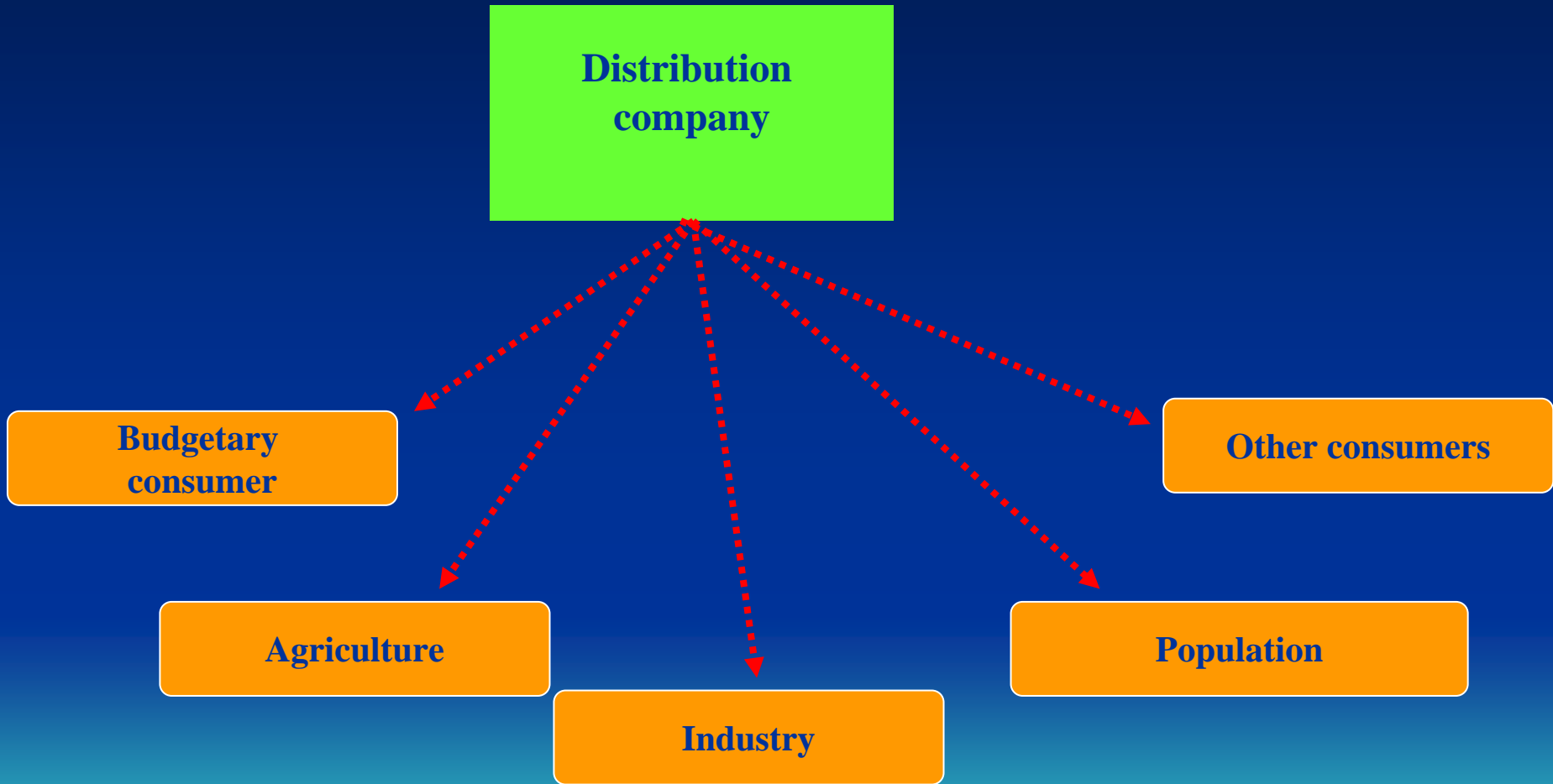


Tariff for transmission (transit) of electricity is set for all Energy market participants at one and the same price level



Electricity ←→

Tariff for distribution of electricity is set for 5 main consumer groups with different tariffs



Introduction of the uniform tariff for electricity for the population:

- decree No. 2-P of the Executive Board was issued on April 13, 2006, «On Approval of the Single Tariff for Electricity» and registered with the Ministry of Justice of KR, and from May 1 the uniform tariff for electricity for the population was introduced in the amount of **0-62 som per 1 kW;**

Medium-term tariff policy for 2006 – 2010

- Annual recalculation based on inflation component.
- Settlements to be made in the national currency.
- The profitability tariff for 2006 to adopt on the level of 2.66 cents and by 2010 to reach the level of 3.12 cents, thus minimizing QFD.
- From 2008, transition to tariffs differentiated by voltage levels

Distribution of cash accumulated in the transit account of the OJSC «Settlement and Saving Company» among energy companies.

DisCos

OJSC «ES»

OJSC «NERK»

OJSC «SE» - 40%

40%

20%

OJSC «VE» - 40%

40%

20%

OJSC «OE» - 40%

40%

20%

OJSC «ZhE» - 40%

45%

20%

Monitoring of quasi-fiscal deficit in the energy sector

- According to the technical Memorandum on the economic policy with the IMF, of February 28, 2006, the quasi-fiscal deficit in the power sector for year 2006 was determined to be on the level of 6509 million som or 5.9% of the GDP.
- For July 1, 2006, QFD is planned on the level of 3745 million som.
- In order to achieve planned volumes of QFD for 2006 a plan to achieve QFD was adopted taking into account actual values of January of the current year, when RECs have to reduce losses to 36 % meanwhile ensuring 79 % cash collections, and for the energy system as a whole there should be 40 % of losses and 73 % of cash collections.

Analysis of Electricity for the 1st half year of 2006

- Generation comprised 7140.8 million kWh, which is less than during the similar period of year 2005 by 86.1 million kWh.
- At hydro power plants during the 1st half year of 2006 generation comprised 6681.7 million kWh, which is by 26.4 million kWh less in comparison with the previous year.
- Productive supply of electricity during the 1st half year of 2006 is 6472.1 million kWh, which is by 24 million kWh less than the value for the corresponding period of 2005 and comprises 99.6 %.
- At the same time consumption in the internal market during the 1st half year of 2006 comprised 5920.1 million kWh, which is less than consumption during the corresponding period of 2005 by 96.5 million kWh and is 98.4%.

National Power Grid of Kyrgyzstan

- As of today, the OJSC «NES of Kyrgyzstan» is a relatively well-to-do company, which has profits and is successfully reducing electricity losses. During the reporting period from issued bills (without VAT – 373.6 million som) electricity distribution companies settled 184.9 million som, which is less than the level of the previous year by 28.75 million som, out of them in cash – 139.7 million som, i.e. 49% of outstanding bills.
- In spite of financial difficulties, in November 2005, the OJSC «NES of Kyrgyzstan» finished construction and put into operation the electricity line 220 kV «Frunzenskaya – Ala - Archa», which significantly improves the reliability of electricity supply in the North of the republic.
- During the 1st half of year 2006, technical losses of electricity in NESK networks comprised 440.9 million kWh or 6.21 % with the planned value being 498.04 million kWh or 7.23% , or in comparison with the similar period of year 2005 in absolute terms reduced by 38.9million kWh.

Losses of electricity by distribution companies.

- 1) OJSC «Severelectro»
for the 1st half year total losses - 1154.6 million kWh or 41.7%; including:
 - technical losses – 557.4 million kWh – 20.1%, commercial losses – 597.2 million kWh - 21.6%.
- 2) OJSC «Vostokelectro» -
for the 1st half year total losses – 352.1 million kWh or 40.1%, including:
 - technical losses - 164.2 million kWh – 18.7%, commercial losses – 187.9 million kWh - 21.4%.
- 3) OJSC «Oshelectro» -
for the 1st half year total losses 446.8 million kWh or 37.1%, including:
 - technical losses – 280.5 million kWh– 23.3%, commercial losses – 166.4 million kWh – 13.8%.
- 4) OJSC «Zhalalabatelectro» -
for the 1st half year total losses 275.9 million kWh – 36.4%, including:
 - technical losses 177.8 million kWh – 23.4%, commercial losses – 98.1 million kWh 12.9%.
- Total losses of electricity in REC networks for 6 months of 2006 in comparison with the same period of year 2005 decreased by 3.7% and comprised 2229.4 million kWh or 39.8% of that injected in the networks.

Thank you for attention!