

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

LATEST DEVELOPMENTS IN TARIFF PRICING

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Electrical Energy

Over the past 4 years not a single change in the electrical energy tariffs and other types of utilities has been made, while the need for such a change has been rather acute.

The existing 2-tier tariffs paid by the population where the consumption of electricity of up to 150 kilowatt-hours is charged at 1 cent and 2 cents for each additional kilowatt of electricity consumed after the 150 kilowatt-hours limit created and entailed several drawbacks.

As the analysis indicated one of the drawbacks of the existing tariffs is the fact that it creates opportunities for distortion by energy distribution companies of the reporting per their billing to conceal the actual commercial losses of electrical energy.

In addition, there were cases where the controller of the energy providing company colluded with consumers to understate the tariffs when billing the latter (e.g. installing multiple meters for the same subscriber and manipulating the number of subscribers).

- Despite the numerous efforts to eliminate the 2-tier system of tariffs for the population and gradually increase tariffs for other consumers, the Agency was unsuccessful in implementing these plans due to the Parliamentary Election in 2005 and later change of the regime.
- Since the beginning of the current year, the Agency run several explanatory and awareness-raising campaigns among the population to introduce the uniform tariff for electrical energy for household consumers by arranging and conducting public hearings in which NGOs and Unions for Social Protection of Population in various parts of the country.
- Introduction of the uniform tariff will allow simplifying the procedure of billing of household consumers and ensure transparency of financial flows in the energy industry and in the future will allow minimizing the cross-subsidizing among the various groups of consumers and significantly affect the reduction of the quasi-fiscal deficit in electrical energy partially thanks to an increase of the middle tariff.

- Introduction of the uniform tariff will create more advantages for the consumers since they currently file a lot of complaints regarding the complexity of calculations and billing as part of the existing 2-tier system. Today, whenever the controller visits a consumer once a month in 30 days, the existing tariff system there are no complications in billing the consumer, however, if the controller's visit falls before the 30-days point or after it, the billing process becomes complicated for both the energy providing company and the consumer and the latter naturally turns all suspicious and distrustful.
- Once the uniform tariff was introduced, consumers became capable of controlling their consumption and payments on their own by means of simple arithmetical calculations. This also allowed preventing the cases of unsubstantiated increases of the payment for electricity.

- In order to ensure transparency and further develop tariffs for the population, in light of the energy sector reforms and pursuant to the Resolution of Government of Kyrgyz Republic, the Executive Council of the National Agency of Kyrgyz Republic for Anti-Monopoly Policy and competition Development by its resolution as of 13 April 2006 eliminated the 2-tier tariffs and introduced a uniform tariff for electricity of 1,5 US cent per 1 kilowatt/hour.
- Estimations indicate that for the consumers that consume up to 1000 kilowatts/hour of electricity during winter and more than 300-400 kilowatts/hour during summer to cook food, the uniform tariff is advantageous since it enables them to save a part of their household budgets.
- At the same time whenever consumers consume less electricity (up to 150 kilowatts/hour), they now have to pay 30 Kyrgyz soms more than before. This overpayment will naturally become somewhat of a burden for the low-income population that includes retired seniors and state-benefit-subsidized individuals as provided for by the legislation of Kyrgyz Republic. Therefore, the Government of Kyrgyz Republic as represented by the Ministry of Labor and Social Protection in collaboration with the Ministry of Finance of Kyrgyz Republic budget for compensation of losses triggered by the changes in the utilities tariffs annually.

Provision of natural gas

- Kyrgyzstan does not possess large reserves of coal, gas and other energy resources and is an energy-dependent country. Particularly, natural gas is purchased from Uzbekistan while coal is mostly imported from Kazakhstan.
- At the beginning of the current year, the natural gas prices grew by 30% and the previous price of 42 USD per 1000 cubic meters is now 55 USD per 100 cubic meters which resulted in an 18% growth of tariffs charged domestically.
- Further global growth of natural gas prices will entail increases in Uzbek gas prices.