

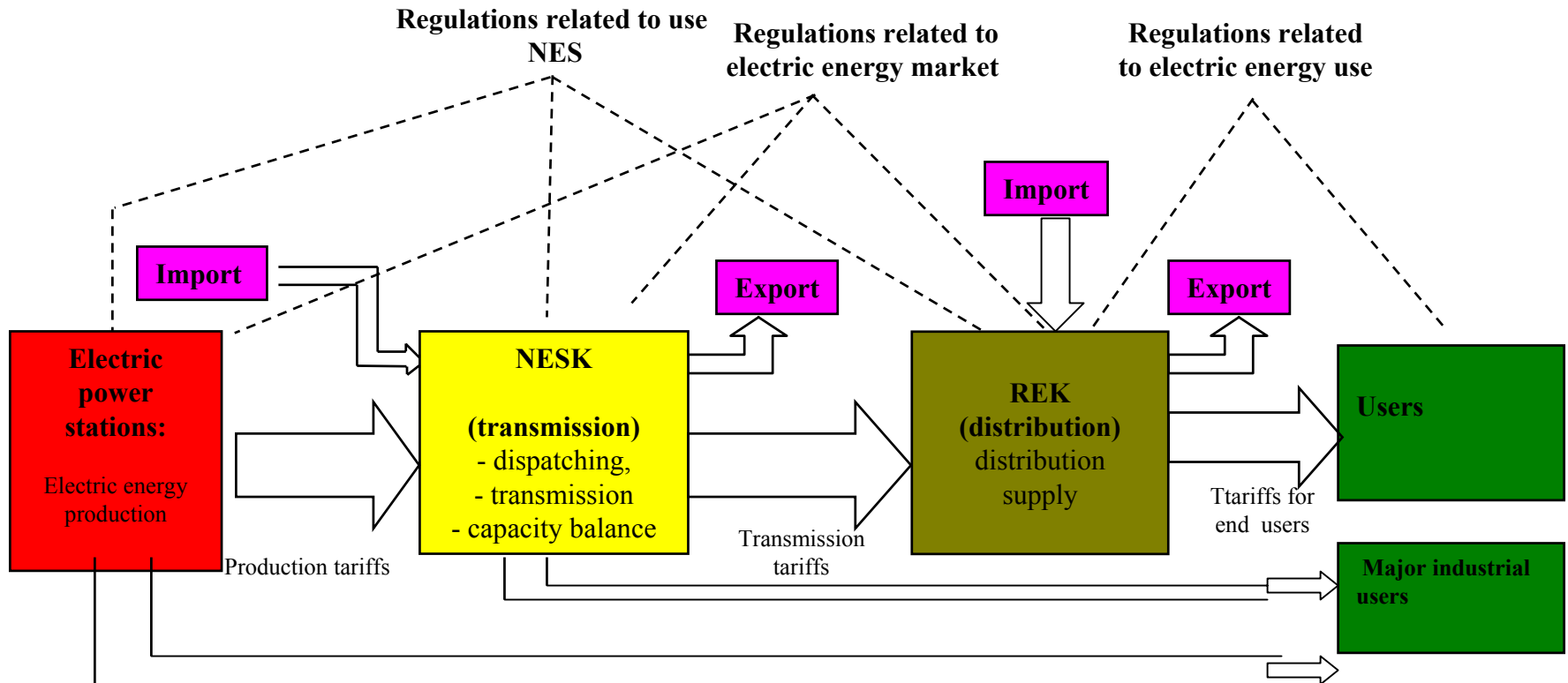
Bishkek, August 17-22, 2003
Partnership Program
The State Agency for Energy
Under the government of the Kyrgyz Republic


KYRGYZ ENERGY
The Draft of the model of the Kyrgyz energy market

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The current model of electric energy system

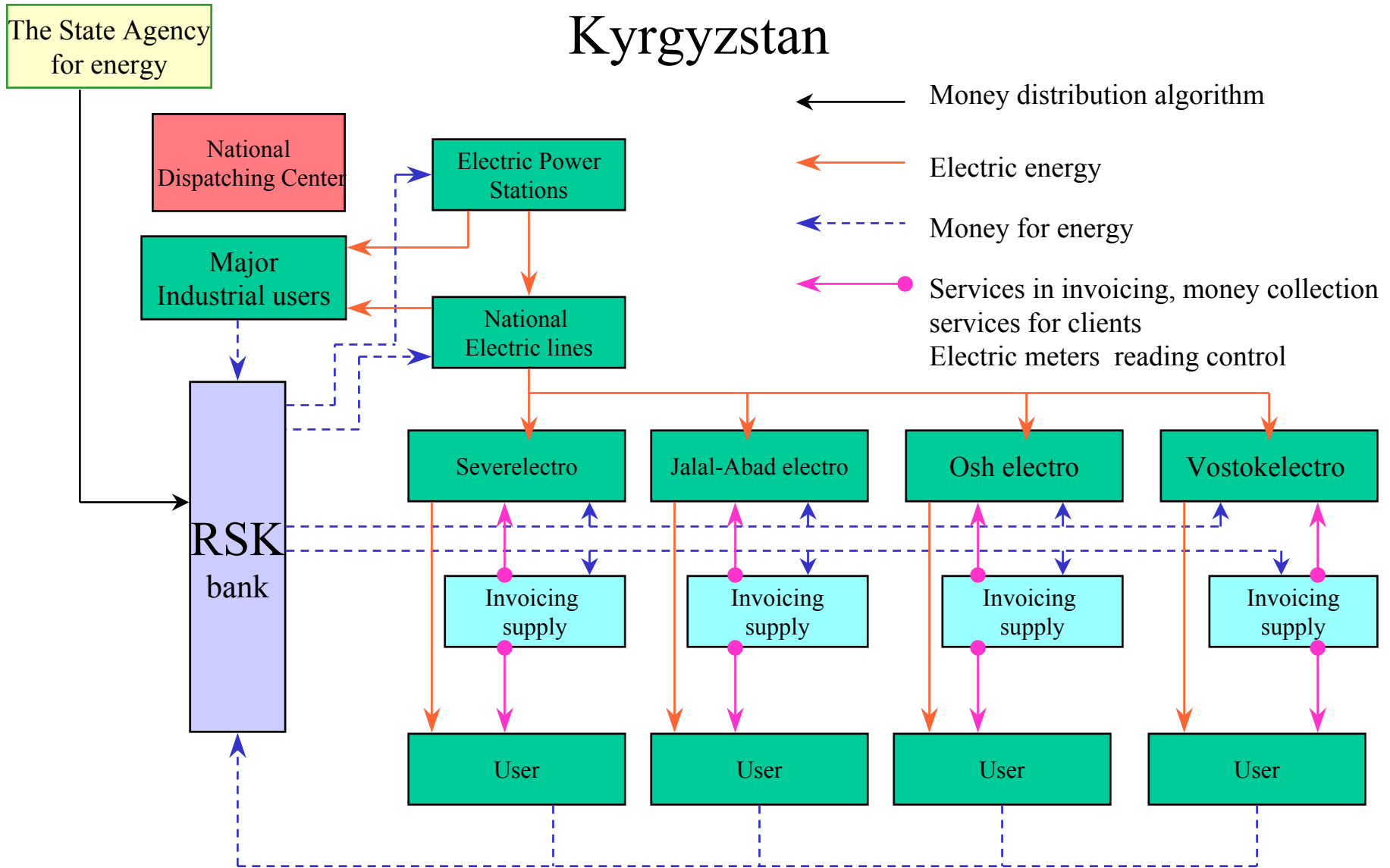



Flow
of electric energy

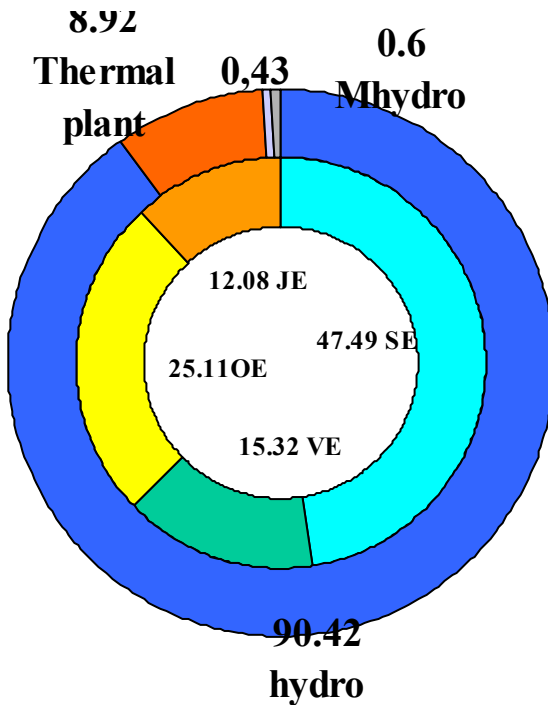
Licensing activity in the energy sector:

- Production, sale distribution, transmission of electric energy
- Production, sale, distribution, transmission of thermal energy
- Construction of substations, electric power stations, electric transmission lines
- Processing of crude oil and natural gas
- Import and export of electric energy

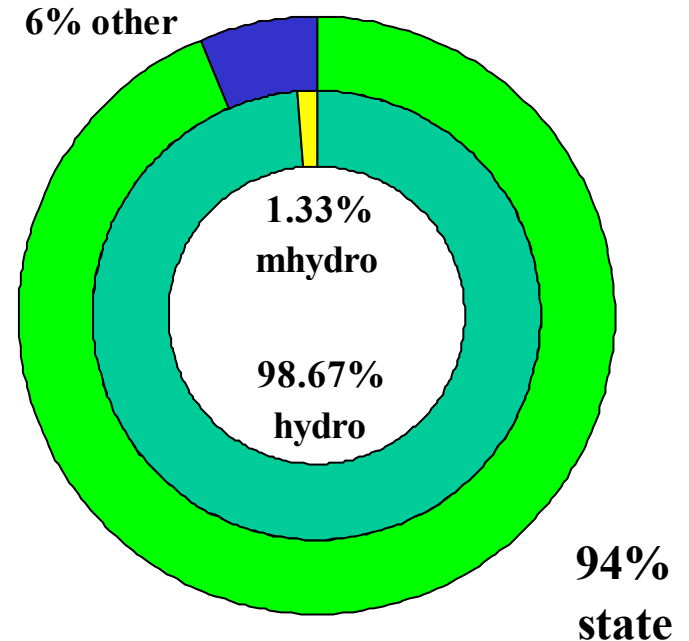
The of the structure of electric energy sector of Kyrgyzstan



MARKET STRUCTURE



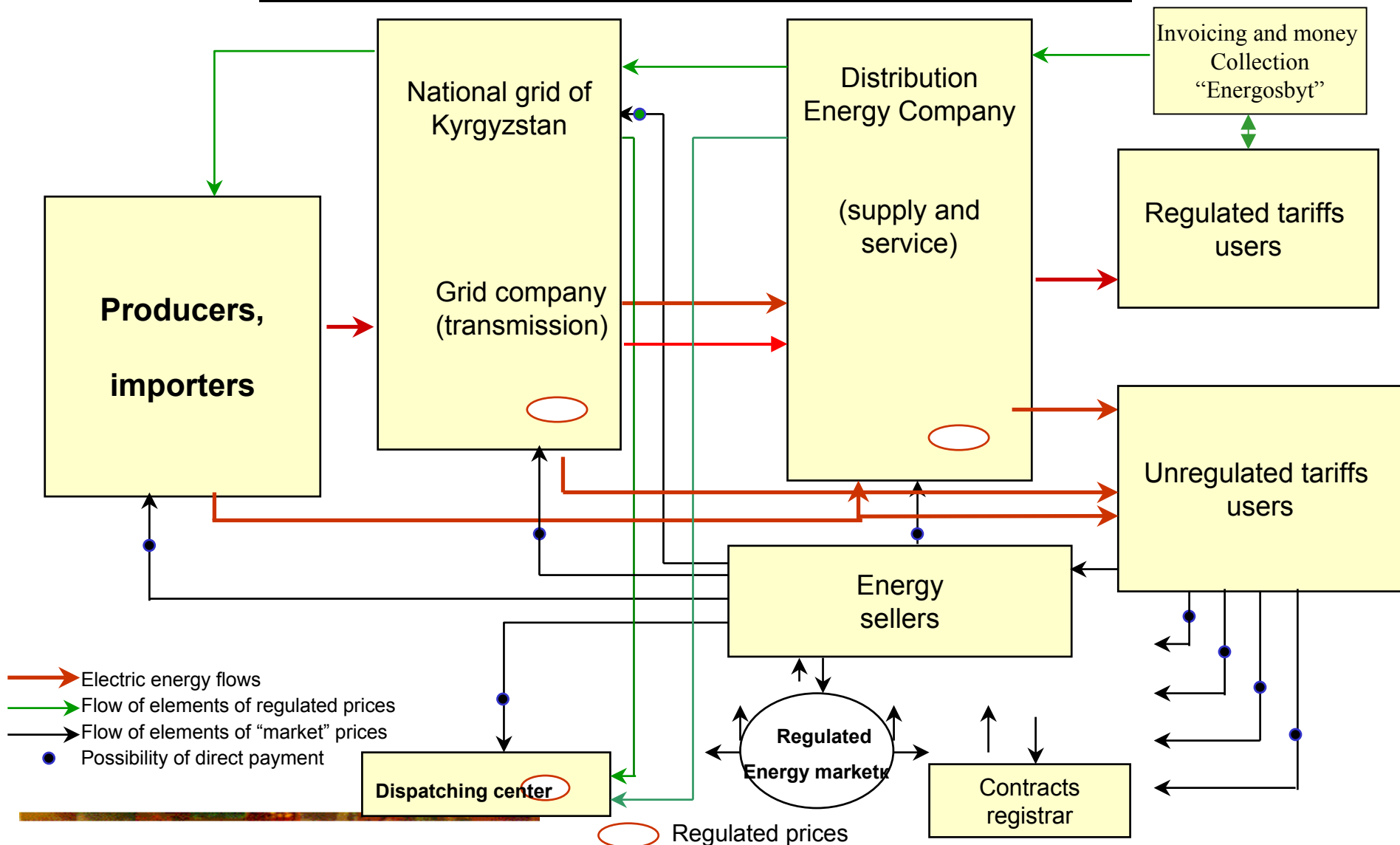
COMPANIES SUPPLIERS OF ELECTRIC ENERGY AND REGIONAL DISTRIBUTORS (RELATIVE TO SUPPLIED ENERGY VOLUME, 2001)

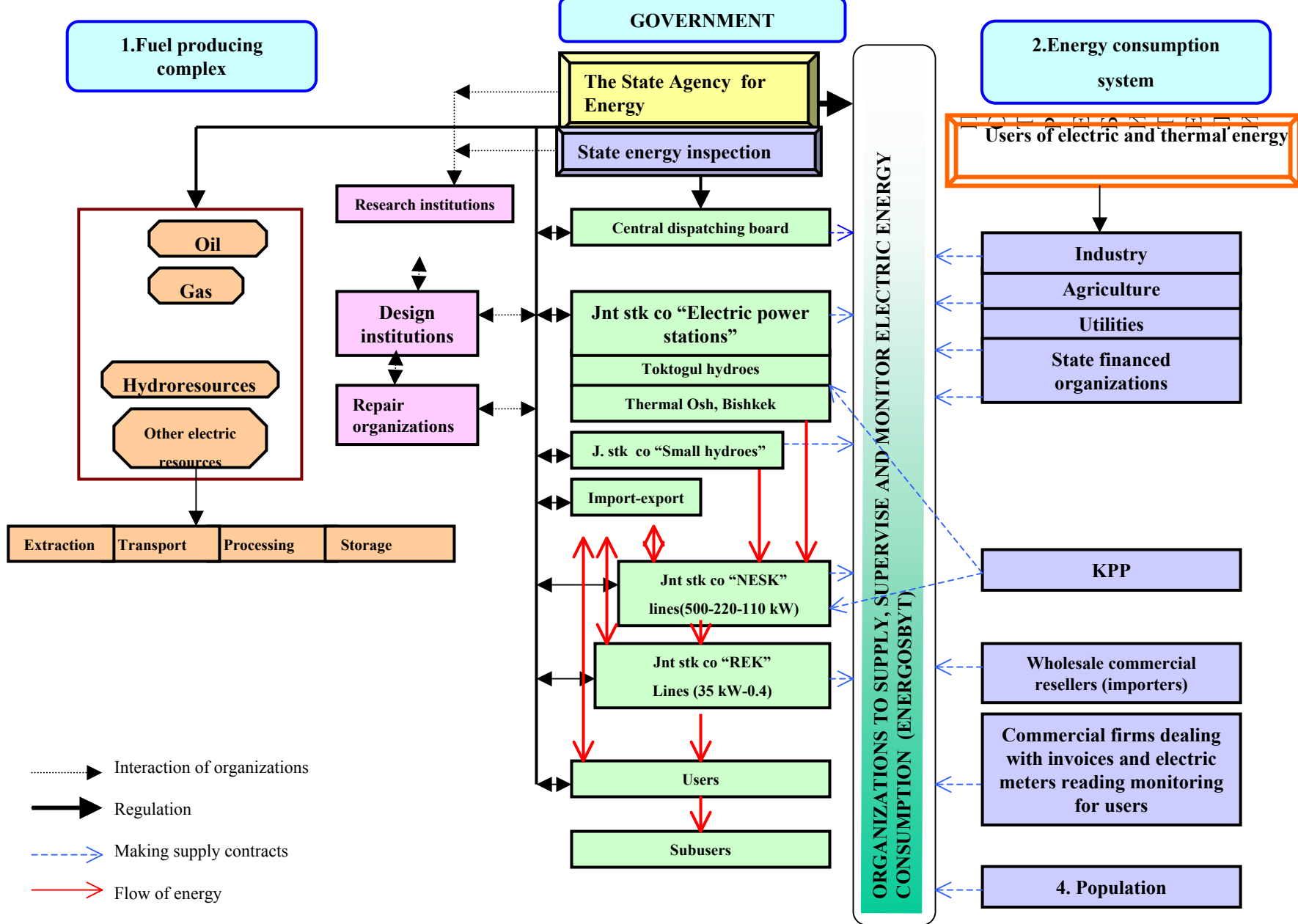


OWNERS OF LARGE ELECTRIC POWER STATIONS AND THEIR CAPACITY, 2001

PARTICIPANTS IN THE NEW ENERGY MARKET OF KYRGYZSTAN

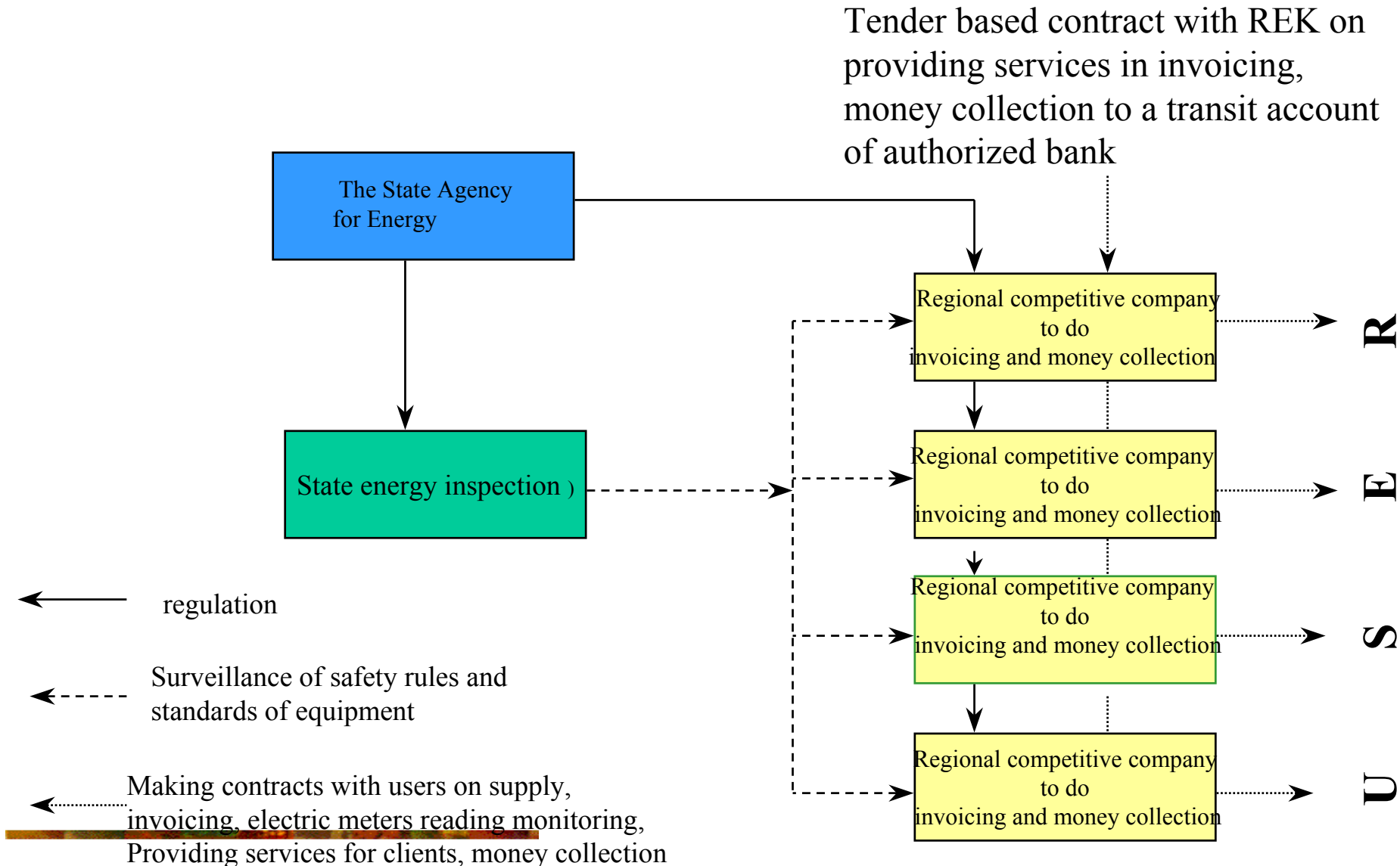
(FLOW OF ELECTRIC ENERGY AND MONEY)





General structure of energy sector of Kyrgyzstan.
draft

Draft of the Structure of Energosbyt organizations



Methods and problems of market economy in the energy sector of Kyrgyzstan

- *Privatization and development of competitive market*
opening of electric energy and gas market while attracting potential strategic investors in the process of designing the market.
- *Resolving the problem of market costs and non-profitability of investments.*
- *Creating a market large enough to implement the tasks of economy.*
- *Opening a market with a considerable difference in the production cost of electric energy .*
- *The need to optimize tariffs taking into account the cost of services, cross subsidies and other non government privileges, which are not based on costs, must be eliminated prior to opening the market.*
- *Optimization of money flow and its distribution among the subjects of the sector.*
- *Ensuring reliability of energy and gas supply.*
- *Ensuring protection of the rights of users with the help of competitive market mechanisms. Providing target assistance to socially disadvantaged sections of the population.*
- *Securing additional services needed for the functioning of the energy sector*
- *Introduction of administrative and market methods and forms of stimulating market competition.*

Major legislative acts in need of amendments and additions to develop the energy market

- The Civil Code of the Kyrgyz Republic
- Law on Energy
- Law on Electric Energy
- Conception of restructuring and privatization of electric energy
- Conception of restructuring and privatization of gas based energy
- Law on licensing
- Regulations of electric energy market
- Regulations of electric energy use

Major legislative acts needed to develop the energy market

- Law on electric energy market
- Law on natural gas
- Regulations on mutual settlement
- Regulations on National Dispatching Center
- Regulations on Energosbyt organization

Major features of new law on electric energy market. Introduction of the regime of free access to the grid and competition

- *Access to the grid: regulated access of “the :third party”.*
- *Competition in the production of electric energy (new participants):*
- *The participants in the market are determined through legislation.*
- *Functional division of different kinds of activity: dispatching, transmission, distribution, sale of electric energy and invoicing, investors, licensed by the State Agency for Energy. Legal separation is needed to carry out activity in the regulated sector and in the free market.*

Major features of new law on electric energy market. Introduction of the regime of free access to the grid and competition

- *Separation of functions in NESK: independent system operator (National dispatching Center) controls the unified system of energy transmission and also the national electric energy system of Kyrgyzstan.*
- *Tariff: The State Agency for Energy prepares and approves tariffs for the use of high and low voltage lines by producers and end users.*
- *Services for users by Energosbyt: invoicing, money collection, monitoring electric meters reading, making contracts for the supply of electric energy.*

PROVIDING ADDITIONAL SERVICES

National Dispatching Center carries out the following additional services :

- **Monitoring of the load:**
 - Controlling the load;
 - Major reserves;
 - Additional reserves
- **Monitoring of voltage and frequencies:**
- **Emergency services:**
 - Starting generators;
 - Stabilizing the energy system;
 - Operations deviating from established standards

PROVIDING ADDITIONAL SERVICES

The major part of additional services can be acquired in the following way:

- **Under the current contracts of sale-purchase of electric energy with payment agreed with wholesalers;**
- **As a component of a system of payment through the collection of fees for the use of the system;**
- **When the terms of contracts of purchase and sale are changed, additional services are acquired as needed in accordance with new regulations.**

CHARGES FOR THE USE OF THE SYSTEM

- Charges for the use of the system must compensate**
 - Costs related to the restrictions of transmitting capacities;**
 - Grid losses;**
 - Costs of additional services (related to capacity);**
 - Costs related to ensuring the operation of the system;**
 - Misbalance in connecting lines;**
- Charges for the use of the system are payable one time irrespective of the demand.**

Thank you

