

The State Agency for Energy of the Kyrgyz Republic

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Department of prices and tariffs

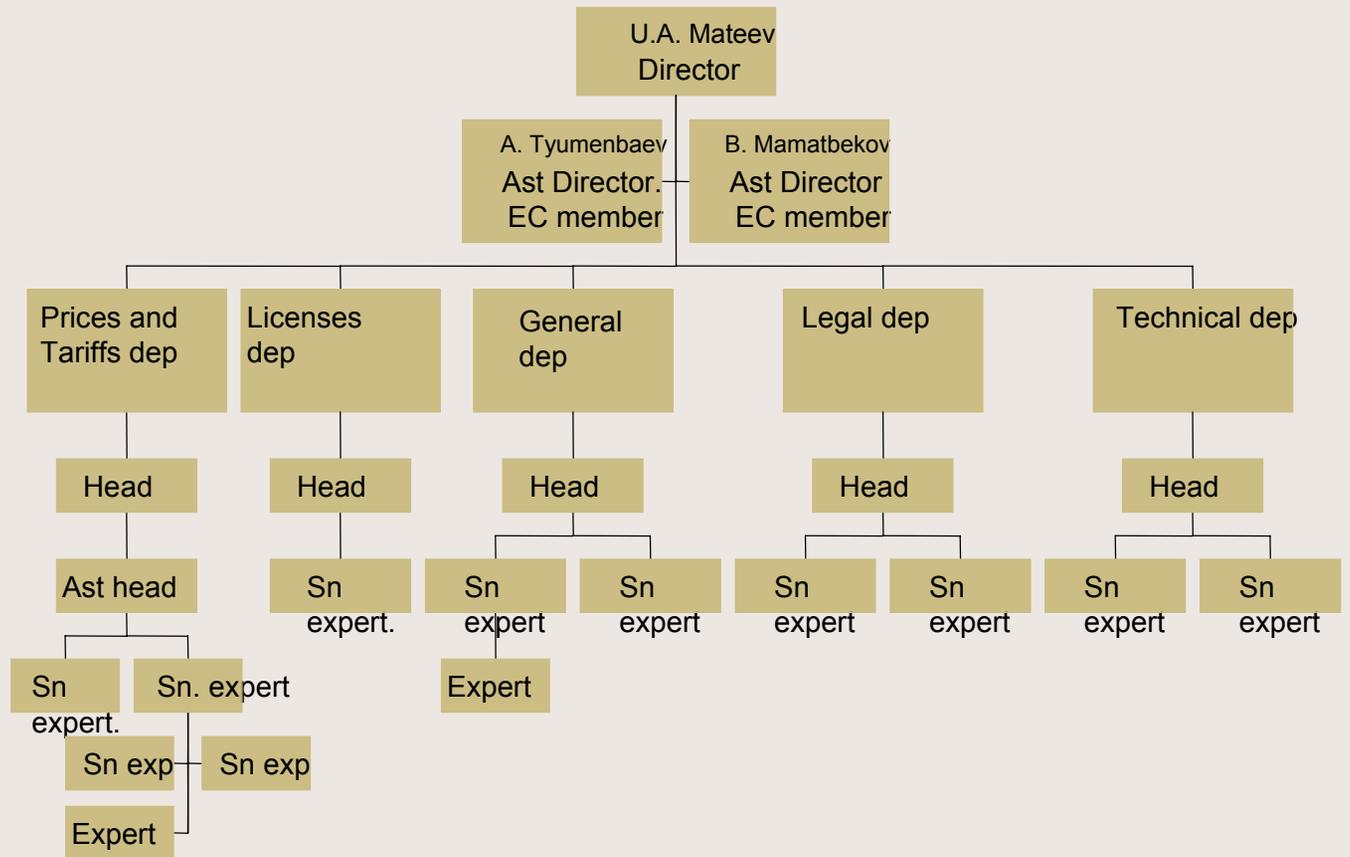


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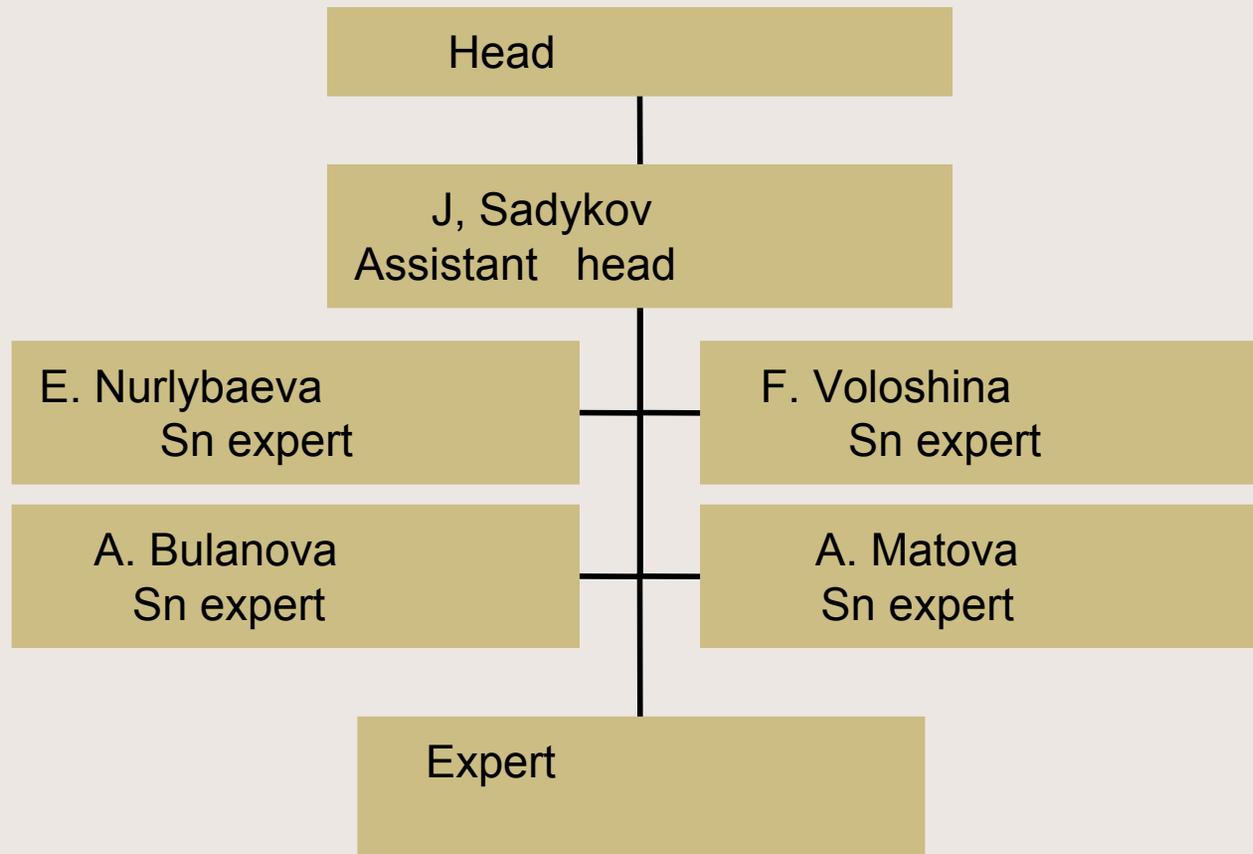
Activities of the SEA

- The activities of the agency are based on the laws of the Kyrgyz Republic
- It regulates the energy utilities through licensing and setting tariffs.
- It encourages the development of the energy market and competitive producers
- It creates the favorite climate for investors.

SEA organization



Organization of prices and tariffs dep



Rules related to prices and tariffs dep

- *The major tasks of the department:*
- Effect the division of functions and activities of the energy utilities pursuant the laws and regulations of the government of the Kyrgyz Republic
- Setting fair and non-discriminatory prices and tariffs for electric energy, heating and natural gas. Create opportunities for producers to get reasonable profits.
- Monitor financial and business activities of utilities in energy, heating and gas sector.
- Create favorable conditions for competition

Rules related to prices and tariffs department

- Regulate prices for commodities and services
- Develop mechanisms of regulating export-import and rational use of fuel and energy resources.
- Develop and approve economically reasonable prices and tariffs for electric energy and natural gas.
- Adopt and publish regulatory acts related to the energy sector.
- Request and receive data from any utilities of the energy sector .

Prices regulation

- **Setting tariffs is one of the main tasks of the department. The following methods are used in estimating tariffs:**
- **1) Rate of return regulation**
- This method provides for the receipt of reasonable level of profit or rate of return on investments. Predicting the volume of sales gives an opportunity to set the acceptable level of prices (tariffs).
- **2) Price cap**
- The prices for regulated utilities are set in such a way that will increase with inflation. Prices or the required level profits are set based on the consumer prices index.

Rules related to prices and tariffs

- **3) Sliding scale**

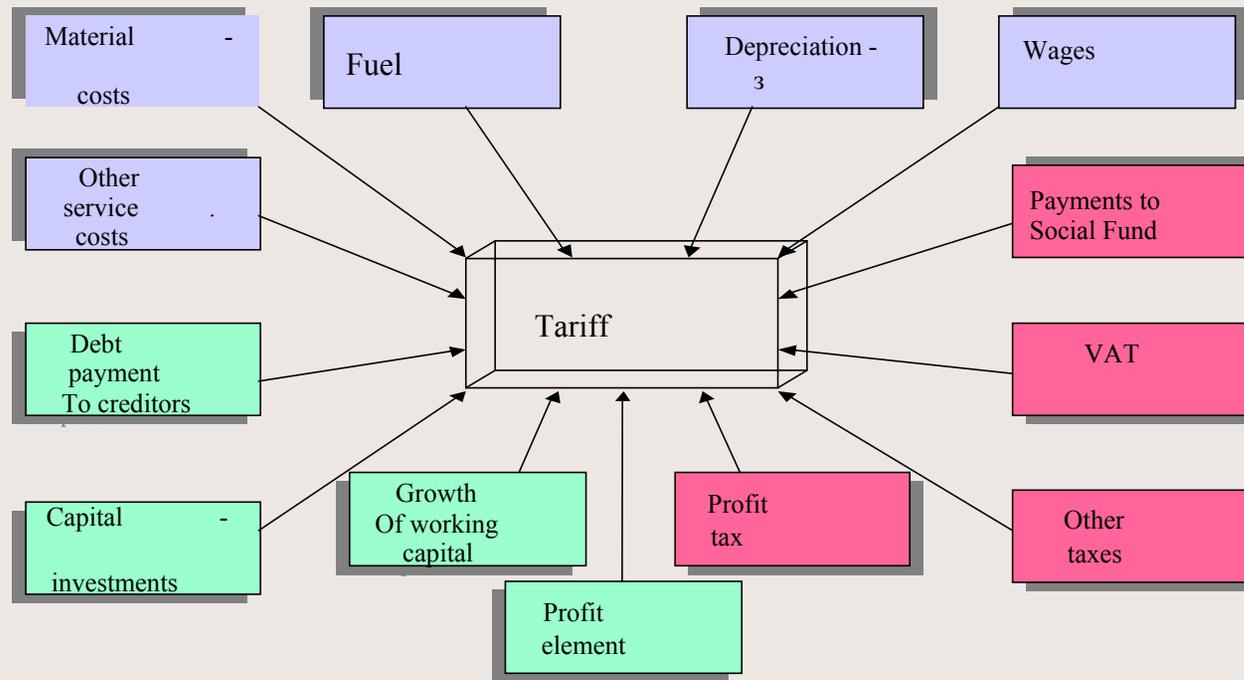
- In this case the price cap is set, but if the utility profit exceeds this level, the utility will decrease the prices (tariffs) for consumers immediately.

- **4) Government prices**

- This method is used for utilities owned by the state. The regulator or the government body sets the prices after consultations with the utility.
- The most optimal method of price setting for Kyrgyzstan is rate of return regulation as the state (government) owns 93% of shares.

Financial elements of the tariff

- When estimating the electric energy and gas tariffs, the following parameters are taken into account:



Current prices for residential users

		USD	som
Electric energy	less 150kw	0,009	0,43
Electric energy	more 150kw	0,017	0,8
Natural gas	per 1000m ³	61,2	2876,4
Heating	1gcal	8,30	390

Medium-term tariff policy

- To further the reforms in the fuel and energy sector, a tariff policy was developed and adopted for electric energy for 2003-2006; such policy is being developed for natural gas.
- Besides, the department is in close contact with the government of the Kyrgyz republic, consumers and electric energy producers.

Supply of natural gas

- Natural gas is supplied from Uzbekistan pursuant the intergovernmental agreement
- Currently the transportation and distribution of natural gas is in the hands of one monopoly – Joint stock company “Kyrgyzgas”

Conclusion

- The documents and records used for this presentation are in the prices and tariffs department of the SEA, and you are welcome to get acquainted with them on your arrival.
- We look forward to seeing you in Kyrgyzstan.