

**LAW OF THE REPUBLIC OF KAZAKHSTAN # 588-II DATED JULY 9, 2004  
ON THE ELECTRIC POWER INDUSTRY**

The present Law shall regulate social relations emerging in the process of generation, transmission and usage of electric and heat energy.

**Chapter 1. General Provisions**

**Article 1. Main Terms Used in this Law**

For the purpose of this Law, the words and phrases below shall have the following meaning:

- 1) **Emergency Reserve** shall mean the minimal required electric power that is delivered to an uninterruptible electricity supply facility to provide operation of its important devices and equipment and prevent disturbance in operation of life-support entities, and also disastrous environmental, social or economic consequences of death of people;
- 2) **Emergency Disturbance** shall mean unallowable deviations of technological parameters of the electric facility or its components operation when these deviations cause the facility's putting out of operation or its damage in the course of operation;
- 3) **Balancing Electric Energy** shall mean electric energy used to eliminate the imbalances during the implementation of hourly and daily time schedule of electric energy generation and consumption approved by the system operator;
- 4) **Balancing Market of Electric Energy** shall mean a system of relationship between a system operator and power generating and power supply companies, as well as wholesale customers and other organizations who operate at the wholesale market of electric energy. This system is arranged on the basis of the system operator's physical and follow-up financial adjustment of real-time imbalances between contractual and actual values of generation and/or consumption of electric energy in the Unified Electric Power System of the Republic of Kazakhstan during the current operation day;
- 5) **Ancillary Services** shall mean services purchased by a system operator from the wholesale electricity market members to ensure availability of the required amount and structure of operating reserves, and regulation of reactive and real power in order to start the de-energized power system;
- 6) **Guaranteeing Electricity Supplier** shall mean an electricity supply organization to provide power supply for the customers in case of interruption of power supply from other suppliers not at a customer's fault;
- 7) **Electricity Imbalance** shall mean a deviation of an actual value of electricity generation and consumption from the value approved by a system operator and specified in the hourly and daily schedule of electricity generation and consumption;
- 8) **Unified Electric Power System of the Republic of Kazakhstan** shall mean the totality of generating plants, transmission lines and substations which provide reliable and no-break power supply for the customers of the Republic of Kazakhstan;

- 9) **Billing Metering of Electric and Heat Energy** shall mean the metering of electric and heat energy required to provide mutual settlements between the parties based on electricity and heat purchase/sale and transmission agreements;
- 10) **National Electric Network** shall mean the totality of 220, 500 and 1150 kV transmission lines, substations and distributing gears which are not subject either to privatization or its preliminary stages to ensure interstate and/or interregional transmission of electric energy and the generating plants' capacity output;
- 11) **Operator of Centralized Electricity Trade Market** shall mean an organization who provide centralized bids of electricity including spot bids;
- 12) **Operation Day** shall mean the current day during which the system operator provides centralized dispatch control of operations aimed at executing the electricity purchase and sale agreements concluded between the wholesale electricity market members;
- 13) **Wholesale Electricity Market** shall mean a system of relationship related to electricity purchase and sale and functioning on the basis of contracts between the wholesale electricity market members;
- 14) **Heat Energy Transmission** shall mean the service rendered by the energy transmission organization to provide the contractual transmission of heat energy;
- 15) **Electric Energy Transmission** shall mean the service rendered by the energy transmission organization to provide the contractual transmission of electricity;
- 16) **Customer** shall mean any physical or legal entity which uses electric and/or heat energy on the basis of a contract;
- 17) **Billing Meter** shall mean a technical device used for billing metering of electric power, electric and heat energy and allowed to be used in orderly manner specified in the laws of the Republic of Kazakhstan;
- 18) **Regional Electric Network Company** shall mean an energy transmission organization which operates the regional electric networks;
- 19) **Regulation of Electric Power** shall mean a service to compensate deviations of actual electric demand of any wholesale electricity market member from the subscribed electric demand if zero net electricity exchange is observed with or without energy exchange planning in the daily schedule;
- 20) **Electric Power Reserve of the Unified Electric Power System of the Republic of Kazakhstan** shall mean electric power of generating units which have the required structure, size and an appropriate level of availability to be dispatched and which meet the requirements specified in the contract;
- 21) **Retail Electricity Market** shall mean a system of relationship which is functioning on the basis of contracts (purchase and sale, transmission and consumption of electricity, and also services related to the above types of contracts) concluded between the members of the retail market of electric energy outside of the wholesale market;

- 22) **System Emergency** shall mean an emergency disturbance in operation of electric power facilities that has led to the loss of stability by the Unified Electric Power System and its separation into parts;
- 23) **System Services** shall mean services provided by the system operator to the members of the wholesale electricity market on electricity transmission, power dispatching, regulation and reservation as well as electricity generation and consumption;
- 24) **System Operator** shall mean an organization that provides centralized operation and dispatch control, operation in parallel with the systems of other states, energy system balance support, system services and purchase of ancillary services from the wholesale electricity market members as well as electricity transmission throughout the national electricity network, its maintenance and operating availability;
- 25) **Spot bids of electric energy** (hereinafter called as **spot bids**) shall mean orderly electricity trade on an hourly and short-term “ahead of day” or “during an operation day” basis;
- 26) **Wholesale Electricity Market Member** shall mean energy generation, transmission and supply entities, electricity customers, system operator, centralized electricity trade operator and other organizations participating in the wholesale electricity market;
- 27) **Retail Electricity Market Members** shall mean energy generation, supply and transmission entities, electricity customers, and other organizations participating in the retail electricity market;
- 28) **Daily Schedule of Electricity Generation and Consumption** shall mean a system operator approved document that regulates hourly generation and consumption of electricity during each calendar day in accordance with electricity purchase/sale agreements made among the wholesale market members on the decentralized electricity purchase/sale markets and centralized electricity trade markets;
- 29) **System Dispatching** shall mean a service provided by a system operator in centralized operation and dispatch control of electricity generation and consumption in the Unified Electric Power System of the Republic of Kazakhstan;
- 30) **Authorized Body** is a governmental body that provides regulation and control in the electric power industry.
- 31) **Centralized Electricity Trade** shall mean electricity purchase and sale transactions made by wholesale electricity market members through electronic trading system on a voluntary basis except for cases specified by laws;
- 32) **Central Operation and Dispatch Control** shall mean continuous control by the system operator of the matched operation of the energy generation, transmission and supply entities and electricity customers, which provides standard reliability of the Unified Electric Power System of the Republic of Kazakhstan and observance of electricity quality standards;
- 33) **Electric Power Industry** is a sphere of generation, transmission, and use of electric and heat energy.

- 34) **Electric Energy Expertise** shall mean examination to be conducted in the electric power industry with regard to the existing facilities; projects of the facilities under rehabilitation, modernization and construction; investigation of technological violations and breakdown of energy facilities in electricity and heat energy networks and resulting injuries for being in complete agreement with the regulatory and legal acts of the Republic of Kazakhstan;
- 35) **Energy Transmission Organization** is an organization that provides transmission of electric or heat energy based on agreements made.
- 36) **Energy Generation Organization** is an organization that provides generation of electric and/or heat energy.
- 37) **Energy Supply Organization** is an organization that sells the generated or purchased electric and/or heat energy to customers.

## **Article 2. Laws of the Republic of Kazakhstan on the Electric Power Industry**

1. The Laws of the Republic of Kazakhstan on electric power industry are based on the Constitution of the Republic of Kazakhstan and consist of this Law and other regulatory and legal acts of the Republic of Kazakhstan.
2. If an international agreement ratified by the Republic of Kazakhstan stipulates the rules other than those included in this Law, the rules of the international agreement shall be used.

## **Chapter 2 – Governmental Regulation in the Electric Power Industry**

### **Article 3. Goals and Objectives of the Governmental Regulation in the Electric Power Industry**

1. Governmental regulation in Electric Power Industry shall be aimed at:
  - 1) Maximum meeting the demand of electric energy customers and protection of the rights of the electric and heat energy market members through creation of competitive conditions at the market insuring to the customers the right of choosing the electric and heat energy suppliers;
  - 2) Provision of reliable and uninterrupted operation of the electric power complex of the Republic of Kazakhstan;
  - 3) Unified control of the electric energy complex of the Republic of Kazakhstan as a system of special importance for viability support of economic and social sectors of the country.
2. Governmental regulation objectives in the Electric Power Industry shall be as follows:
  - 1) Efficient functioning and development of the electric power complex on the basis of unity of management and competition development.

- 2) Customers' right to choose an electric and/or heat energy supplier;
  - 3) Regulation of activity in the area of natural monopoly, as well as creation of conditions for protection of domestic energy producers;
  - 4) Creation and enhancement of the regulated market of electric and heat energy;
  - 5) Rational and economic use of electric and heat energy;
  - 6) Usage and development of renewable and non-conventional power sources;
  - 7) Attraction of investments in the development and re-equipment of the electric energy complex;
  - 8) Creation of conditions for implementation of measures for protection of the environment, reliability and safety of construction when using electric lines, electric facilities and power plants;
  - 9) Creation of conditions for energy supply to remote areas of the country;
  - 10) Establishment of standards for the Kazakhstan Unified Power System operation and for electric energy quality;
3. Governmental regulation in the area of electric energy includes:
- 1) Licensing;
  - 2) Governmental regulation of tariffs (prices, collection rates);
  - 3) De-monopolization and privatization of electric power industry facilities;
  - 4) Governmental supervision over reliability, safety and cost-effectiveness of electricity generation, transmission, system dispatching, and consumption;
  - 5) Development and approval of regulatory and legal acts of the Republic of Kazakhstan, normative and technical documentation containing technical and technological requirements to regulate the activities and relations in the area of generation, transmission, system dispatching and consumption of electric and heat energy, as well as norms providing for reliability, cost-effectiveness, and safety of construction and operation of power transmission lines, electric facilities and power plants.

#### **Article 4. Sphere of Competence of the Government of the Republic of Kazakhstan**

The Government of the Republic of Kazakhstan shall:

- 1) Develop the main directions of the national policy in the area of the electric power industry;
- 2) Develop governmental programs for development of the electric power industry;
- 3) Approve Regulations of the Republic of Kazakhstan on the State Energy Supervision;

- 4) Make decisions on inclusion of electric energy into the list of the acquired property (assets) to be sold at auctions in accordance with the laws of the Republic of Kazakhstan.

## **Article 5. Sphere of Competence of the Authorized Body**

The Authorized Body shall:

- 1) Implement the national policy in the area of the electric power industry;
- 2) Develop programs of electric power industry development and provide control over their fulfillment;
- 3) Participate in conduction of the national policy on standardization, metrology, and certification within the scope of its competence;
- 4) Fulfill international cooperation in the area of the electric power industry;
- 5) Develop and approve regulatory and legal acts of the Republic of Kazakhstan in the area of production, transmission, and use of electric and heat energy;
- 6) Develop and approve regulatory acts in the area of technical operation and safety measures as well as performance characteristics of the equipment, norms of electric and heat energy consumption for technological needs of energy generation, transmission and supply organizations;
- 7) Develop and approve regulatory and technical documentation for designing, construction, operation, and safety of electric power industry facilities, performance and technical and economical characteristics of equipment, standards of electric and heat energy consumption for technological needs of energy generation, transmission and supply organizations;
- 8) Provide licensing in conformity with the legislation of the Republic of Kazakhstan about licensing;
- 9) Approve the procedure of determination of a guaranteeing supplier and areas of its responsibility;
- 10) Specify methods, procedures and terms of energy expertise conduct;
- 11) Establish the procedure of making a daily schedule of electricity generation and consumption;
- 12) Determine distinctive features of functioning and arrangement of the wholesale electricity market for regions that have no electric connection with the Unified Electric Power System of the Republic of Kazakhstan throughout the country;
- 13) Fulfill other functions in accordance with the laws of the Republic of Kazakhstan.

## **Article 6. State Energy Supervision**

1. The supervision over the fulfillment of technical requirements of the regulatory and legal acts of the Republic of Kazakhstan and requirements to the types of activities subject to

licensing in the area of the electric power industry, as well as control over observation of the rules on electric and heat energy usage shall be carried out by the state body to provide state supervision in the power sector (hereinafter – Gosenergonadzor).

2. Gosenergonadzor, according to the procedure specified by the laws of the Republic of Kazakhstan, shall have the right to:

- 1) Issue instructions to the companies involved in the activity of the electric power industry in case they violate the requirements of the regulatory and legal acts of the Republic of Kazakhstan in the area of electric power industry;
- 2) Have access to electric facilities and power plants;
- 3) Inspect the technical conditions and operational safety of electric facilities and power plants.

#### **Article 7. Governmental Regulation of Tariffs (prices, rates of collection) in the Electric Power Industry**

1. Governmental regulation of tariffs (prices, rates of collection) for products and services provided by the natural monopoly entities shall be provided by the state body, responsible for control and regulation of natural monopolies entities' activities according to the procedure set forth in the laws of the Republic of Kazakhstan.

2. Electricity transmission cost accounting in the energy transmission organizations shall be separated from costs of the other kinds of activities in the orderly manner set forth by the state body, responsible for control and regulation of natural monopolies entities' activities.

#### **Article 8. Impermissibility of Interference with Production and Technological Activities**

Central executive bodies as well as local representative and executive bodies shall not have the right to interfere with production and technological activities of organizations related to generation or transmission of electric and heat energy or with technological management of these processes except for cases stipulated in the laws of the Republic of Kazakhstan.

#### **Article 9. Designing and Construction of Backup (Bypass) Electricity Transmission Lines and Substations**

Designing and construction of backup (bypass) transmission lines and substations shall be performed after advance notification of and coordination with the authorized body, the state body, responsible for control and regulation of natural monopolies entities' activities, and the system operator.



### **Chapter 3. System Operator and Relations between the Parties Involved in Generation, Transmission, Distribution and Consumption of Energy on the electricity market**

#### **Article 10. System Operator**

1. System operator shall perform the following functions:

1) Provide system services for transmission of electricity through the national electric power grid in accordance with the agreement, and also ensures its maintenance and operational availability;

2) Provide system dispatching services, centralized operation and dispatch control of the Unified Electric Power System of the Republic of Kazakhstan according to the agreement concluded including making up actual balances and daily schedules of electric energy production and consumption;

3) Ensure reliable operation of the Unified Electric Power System of the Republic of Kazakhstan;

*Subparagraph 4 shall be valid till December 31, 2005*

4) Provide system services in regulation of electric capacity;

5) Provide system services in physical adjustment of electricity imbalances;

6) Ensure financial settlement of electricity imbalances in orderly manner specified in the laws of the Republic of Kazakhstan;

7) Determine volume, structure, distribution of capacity reserves among the energy generation organizations and usage of capacity reserves in the Unified Electric Power System of the Republic of Kazakhstan;

8) Ensure real time functioning of the balancing market of electricity and market of system and ancillary services;

9) Interact with the energy systems of neighboring states to provide control and stability of their parallel operation schedules;

10) Provide technical and methodological management in creation of the unified information system, automated system of electricity billing metering, conjugated relaying and emergency control schemes of all members on the wholesale electricity market;

11) Ensure equal opportunities for access to the unified electric power grid for all members of the wholesale electricity market;

12) Provide the wholesale electricity market members with information and data, which are not a commercial secret and not subject to protection by the laws of the Republic of Kazakhstan;



- 13) Coordinate repair and operation availability of major equipment of electric power plants, substations, transmission lines, relaying and emergency control schemes, and systems of process control;
- 14) Participate in development of hydroelectric power plants operational regimes taking into account their water and economic balances, and also participates in the development of operational schemes of the Unified Electric Power System of the Republic of Kazakhstan;
- 15) Develop long-term forecasts of electric energy balances.

2. System operator shall have the right to purchase and sell electric energy in the following cases:

- 1) For technological and production needs;

Subparagraph 2) shall be valid till December 31, 2005

2) For ensuring contractual volumes of electricity flows among the power systems of the neighboring states;

3. System operator shall provide centralized operation and dispatch control of the Unified Electric Power System of the Republic of Kazakhstan.

4. Centralized operation and dispatch control of the Unified Electric Power System of the Republic of Kazakhstan shall include:

1) Control of electricity generation, transmission and consumption regimes within the Unified Electric Power System of the Republic of Kazakhstan in pursuance of the agreements for electricity purchase/sale and transmission, electric power regulation, and balancing of electricity production and consumption;

2) Interstate electricity flows control;

3) Prevention, detection and elimination of system disfunction in the Unified Electric Power System of the Republic of Kazakhstan;

4) Operational control of capacity reserves in the Unified Electric Power System of the Republic of Kazakhstan;

5) Determination of structure, principles, locations, volumes and set values for relaying, emergency control and secure operation schemes to ensure reliable and stable operation of the Unified Electric Power System of the Republic of Kazakhstan;

6) Formation and approval of daily schedules of generation and consumption of electricity in the Unified Electric Power System of the Republic of Kazakhstan;

7) Formation of actual balances of generation and consumption of electricity at the wholesale electricity market.

5. Centralized operation and dispatch control of generation, transmission and consumption of electricity in the Unified Electric Power System of the Republic of

Kazakhstan and issue of the relevant orders shall be based on the current values of qualitative characteristics of electric energy and power, frequency and voltage.

#### **Article 11. Orders Concerning Electric Power Generation, Transmission and Consumption Conditions in the Course of Centralized Operation and Dispatch Control**

1. Orders of the system operator concerning electric power generation, transmission and consumption conditions in the course of centralized operation and dispatch control shall be binding for all members of the wholesale electricity market.
2. In case of noncompliance with the operative orders concerning electric power generation, transmission and consumption conditions, system operator shall have the right to disconnect electric power units of the wholesale electricity market members from electric networks subject to the centralized operational and dispatch control.

#### **Article 12. Rights and Obligations of the Parties Involved in Electricity Generation and Transmission**

1. The parties involved in electricity generation and transmission shall have the right to:
  - 1) Use system services based on the agreements entered in;
  - 2) Receive from the system operator technical information required for electricity generation and transmission;
2. The parties involved in electricity generation and transmission shall be obliged to:
  - 1) Provide the system operator with technical information required for centralized operation and dispatch control of the Unified Electric Power System of the Republic of Kazakhstan and with actual technical and economic data on power plant operation (generation, busbar output, internal needs, and specific busbar electricity output costs).
  - 2) Provide access of the system operator to the Billing Meters.
  - 3) Ensure electric energy quality in accordance with the requirements specified in the state standards and other normative standardization regulations of the Republic of Kazakhstan.
  - 4) Jointly with the system operator regulate and maintain the standard frequency level in the Unified Electric Power System of the Republic of Kazakhstan on the basis of the agreements made.
  - 5) Maintain operational conditions of main and auxiliary equipment, relaying, emergency control and secure operation schemes and dispatch and technological control in accordance with the requirements of normative technical documentation.
  - 6) Install new and improve existing relaying and emergency control devices at the own facilities in volumes determined by the authorized body.

### **Article 13. Requirements to the Parties Involved in Electricity Generation and Transmission**

1. Regional electricity companies shall ensure compliance with daily schedules of electricity generation and consumption by the retail electricity market members connected to their networks. Also, they shall provide compliance with net electricity flows between networks of regional electricity companies and the national electric power grid as agreed upon with the system operator.

*Paragraph 2 shall be effective from October 1, 2004*

2. In case power supply disconnection resulted from no customer's fault, a power supply organization, which is a guaranteeing electricity supplier, shall provide power supply to the customers on a contractual basis.

3. To supply energy to the customers, power suppliers shall purchase electric power from power generation organizations.

4. Power generation organizations shall ensure maintenance of capacity reserves, volumes, structure and distribution in accordance to the procedure specified by the rules of creation and functioning of the market of system and ancillary services.

5. Parties involved in electricity generation, transmission and consumption shall bear mutual responsibilities for financial settlements at the balancing electricity market between contractual and actual values of electricity generation and consumption based on the calculated volumes of balancing electric energy provided by the system operator as a result of physical adjustment of electricity imbalances.

*Paragraph 6 shall be effective from January 1, 2006*

6. The wholesale electricity market members irrespective of the form of ownership shall be obliged to participate in a real time balancing mechanism (market).

7. Power generation organizations – hydroelectric plants shall be obliged to sell electric energy generated in the period of environmental release of stored water at the centralized auctions.

## **Chapter 4 – Power Supply Based on the Functioning of the Electricity Market**

### **Article 14. Market of Electric and Heat Energy**

1. Energy supply in the Republic of Kazakhstan shall be carried out in the conditions of functioning of electric and heat energy markets.

2. Electric and heat energy shall be commodities at the market.

3. The market of electric energy shall consist of two levels – wholesale and retail electricity markets, and heat energy market shall consist of one level – a retail market.

*Paragraph 4 shall be effective from October 1, 2004.*

4. Energy generation and energy supply organizations – guaranteeing suppliers of electricity are to participate in the centralized trade of electric energy in the orderly manner established by the authorized body.
5. System operator, regional electricity companies and other organizations, which own electric networks, shall provide all market members with fee access to the electricity market in the orderly manner specified by the authorized body.
6. Energy transmission organization shall not have any right to refuse connection of energy generation and energy supply organizations and customers to electric and heat networks and transmission of electric or heat energy, provided that all the requirements set forth in the regulatory and legal acts of the Republic of Kazakhstan are observed.
7. Relations that emerge in the course of energy generation, transmission and consumption at the market of electric and heat energy shall be regulated in the electric power industry by appropriate agreements.

#### **Article 15. Wholesale Market of Electricity**

1. Wholesale market of electricity shall consist of:
  - 1) Market of decentralized purchase/sale of electric energy, that functions on the basis of agreements, made between the market members, for electricity purchase/sale at the prices and supply conditions contractually specified by the parties;
  - 2) Market of centralized trade of electric energy, that is the organized trading facilities for electricity purchase/sale on a short-term (spot bids), mid-term (week, month) and long-term (quarter, year) basis;
  - 3) Real time balancing market that functions for the purpose of physical and followed up financial adjustment of hourly imbalances which emerge during the operation days between actual and contractual values of electricity generation and consumption in the Unified Electric Power System of the Republic of Kazakhstan based on the daily schedule of electricity generation and consumption approved by the system operator;
  - 4) Market of system and ancillary services that functions on the basis of both electricity purchase from the wholesale electricity market members and providing relevant services to the wholesale electricity market members by the system operator to provide reliable operation of the Unified Electric Power System of the Republic of Kazakhstan and electric energy quality established by the state standards.
2. The market operator of the centralized trade of electricity shall:
  - 1) Arrange and conduct spot bids;
  - 2) Provide arrangement and conduct of the centralized trade of electric energy for mid-term (week, month) and long-term (quarter, year) periods;

- 3) Provide the wholesale electricity market members with equal rights of access to the centralized trade of electric energy;
- 4) Determine the conformity of the wholesale electricity market members with the requirements specified by the rules for centralized trade of electric energy;
- 5) Provide registration and records keeping of electricity purchase/sale transactions at the centralized trade of the electric energy;
- 6) Provide the wholesale electricity market members with market information on indicative prices of electric energy formed at the centralized bids and by other market information within its terms of reference.

#### **Article 16. Retail Market of Electricity**

1. The procedure of access to the retail electricity market shall be determined by the authorized body.
2. Regional electricity companies shall provide electricity transmission through electric networks owned by them.

*Paragraph 3 shall be effective from January 1, 2006.*

3. One regional electricity company should function within one administrative-territorial unit (oblast) in order to provide reliable centralized operation and dispatch control of the Unified Electric Power System of the Republic of Kazakhstan.
4. When operating, the guaranteeing suppliers of electricity cannot be provided with any advantages as compared to the other power supply organizations.

#### **Article 17. Agreements on the Wholesale Electricity Market**

1. Electricity purchase and sale, providing services on electricity transmission, system dispatching, electric capacity regulation, generation and consumption balancing on the wholesale electricity market shall be implemented on the basis of agreements concluded in accordance with the Civil Code of the Republic of Kazakhstan, the present Law and other regulatory and legal acts of the Republic of Kazakhstan.
2. Electricity purchase and sale agreements should contain:
  - 1) Daily schedule of electricity consumption;
  - 2) The procedure for reserving electric capacity by energy generation organizations;
  - 3) Agreements for electricity purchase and sale, providing electricity transmission services, system dispatching, electric capacity regulation, electricity generation and consumption balancing on the wholesale electricity market shall include terms and conditions as well as procedure for electricity supply disconnection or providing relevant services in case of untimely payment made under the agreement.

## **Article 18. Agreements on the Retail Electricity and Heat Market**

1. Electric and heat energy purchase and sale on the retail market shall be implemented on the basis of energy supply agreements concluded between customers and energy supply organizations.
2. Agreements concluded by energy supply and energy transmission organizations on the retail market shall have equal terms and conditions for all members of the retail electricity and heat energy market.
3. Prices and conditions of electricity deliveries from electric energy supply organizations shall be set in accordance with the purchase and sale agreement as agreed upon among the parties taking into account the tariff of the energy transmission organization.
4. Electric energy shall be transmitted through regional electric networks based on the agreement for providing electricity transmission services concluded between the energy supply organization or customer and the regional electricity company according to a model form established by the Government of the Republic of Kazakhstan.
5. Energy supply agreement between the guaranteeing electricity suppliers and electric energy customers shall be open for public.

## **Article 19. Rights and Responsibilities of the Electric and Heat Energy Customers**

1. Electric and heat energy customers shall have the right to:
  - 1) Receive electric and heat energy in accordance with the agreements made;
  - 2) Require that energy generation, energy transmission and energy supply organizations shall compensate actual damage caused by the electric and heat energy short supply or supply of low-quality electric and heat energy in accordance with the terms and conditions of the agreements made;
  - 3) Apply to the court to settle disputes related to conclusion and implementation of agreements made;
  - 4) Make payments for the consumed electricity based on **differentiated tariff metering systems** according to the procedure established by the laws of the Republic of Kazakhstan.
2. Electric and heat energy consumers shall be obliged to:
  - 1) Maintain an adequate technical state of electric facilities and power plants and billing meters, meet the requirements to their technical condition in compliance with the rules of use of electric and heat energy;
  - 2) Adhere to the energy consumption schedules specified by the agreement for electric and heat energy purchase and sale;
  - 3) Observe standard requirements on the maintenance of the electric energy standard frequency within the Unified Electric Power System of the Republic of Kazakhstan;

- 4) Timely pay for the generated, transmitted and consumed electric and (or) heat energy according to the agreements made;
- 5) Provide employees of energy supply and energy transmission organizations as well as employees of the state body to provide state supervision in the power sector – “Gosenergonadzor” with access to the billing meters to control technical condition and safe operation of the electric facilities and power plants;
- 6) Connect additional electric energy capacities and compensate for the costs on their reconstruction and expansion according to the procedure established by the Government of the Republic of Kazakhstan.

## **Chapter 5. Operation of the Electric Energy Facilities under Emergencies in the Unified Electric Power System of the Republic of Kazakhstan**

### **Article 20. Measures to Prevent and Eliminate Emergency Disturbances**

1. Classification of emergency disturbances within the Unified Electric Power System of the Republic of Kazakhstan and procedure for implementing actions to prevent and eliminate them shall be determined by the authorized body.
2. To eliminate system emergencies, the system operator shall use reserve capacity of any energy generation organizations, irrespective of their form of ownership, and autonomous sources of energy to supply customers.
3. When the available capacity is insufficient to eliminate emergency disturbances, the system operator shall have the right to promptly incorporate changes in the approved schedules of water consumption through waterworks facilities in order to use emergency reserves of the hydroelectric plants.
4. When the imbalance occurs that is not covered by the electricity balancing market, the system operator shall have the right to purchase and sell electric energy to maintain the standard frequency of electric current in the Unified Electric Power System of the Republic of Kazakhstan.

### **Article 21. Energy Supply in accordance with the Emergency Reserve**

1. In case of emergency, the energy supply of customers shall be provided according to the schemes developed by the energy transmission organizations, which are supplying electricity in the volumes of emergency reserve to industrial organizations that need uninterruptible energy supply for technical reasons. Interruption of their operation could lead to a threat to life and the environment and to social and economic disasters.
2. The procedure and conditions of energy supply to the customers that have emergency reserves shall be approved by the Government of the Republic of Kazakhstan.



3. The emergency reserve shall be provided to the state institutions, financed from the budget, within the funds assigned for energy consumption by the state institutions and only if such organization has a relevant bank guarantee executed according to the procedure specified in the laws of the Republic of Kazakhstan for state enterprises and other organizations.

## **Article 22. Provision of Safety and Integrity of Power Industry Facilities**

1. Protection of the most important power industry facilities shall be provided by a special armed guard service or by divisions of the Ministry of Internal Affairs of the Republic of Kazakhstan. Lists of these facilities shall be determined by the Government of the Republic of Kazakhstan.

2. Rules of protection of electricity and heating networks shall be approved by the Government of the Republic of Kazakhstan.

3. The property of energy generation and energy transmission organizations involved in the joint technological process of generation and transmission of electric and (or) heat energy shall be indivisible.

4. Purchase and sale, lend-lease and holding in trust of the power industry facilities or (and) its separate parts irrespective of the form of ownership shall be provided after advance notification and coordination with the authorized body and the state body responsible for control and regulation of natural monopolies entities' activities.

## **Article 23. Responsibility for Violation of the Laws of the Republic of Kazakhstan on Electric Power Industry**

Persons and entities that violate the laws of the Republic of Kazakhstan on the electric power industry shall bear responsibility according to the procedure specified in the laws of the Republic of Kazakhstan.

## **Chapter 6. Final and Phase-in Provisions**

### **Article 24. Putting the Law into Affect**

1. This Law shall be operative from the moment of its official publishing except for:

1) Article 13, paragraph 2, and Article 14, paragraph 4, which shall come into force on October 1, 2004;

2) Article 13, paragraph 6, and Article 16, paragraph 3, which shall come into force on January 1, 2006

2. Regulations prescribed by subparagraph 4 of paragraph 1, subparagraph 3) of paragraph 2, Article 10 shall be effective up to December 31, 2005.

3. The Law of the Republic of Kazakhstan as of July 16, 1999 “On Electric Power Industry” shall be declared invalid (Vedomosti Parlamenta of the Republic of Kazakhstan 1999, # 20, p.792).

### **Chapter 25. Final and Phase-in Provisions**

1. Energy transmission organizations should unbundled activities related to electric and (or) heat energy transmission from the power supply activities before October 1, 2004.

2. Regional electricity companies shall unbundle electricity transmission activities and energy supply activities by creation of energy supply organizations before October 1, 2004.

President

Of the Republic of Kazakhstan

N. Nazarbayev