

10 THINGS ABOUT RENEWABLE ENERGY IN UZBEKISTAN



LEGAL FRAMEWORK

The Republic of Uzbekistan has adopted its first statute providing comprehensive regulation of its renewable energy sector, i.e. the Renewable Energy Law (the “RE Law”), which entered into force on 22 May 2019.

The country’s previous legislation in this area mainly consisted of different Presidential resolutions, often relating to particular projects. The country’s President, Shavkat Mirziyoyev, in his Development Strategy of Uzbekistan for 2017-2021, stressed the importance of moving toward greater use of renewable energy.

The RE Law covers not only generation of electricity from renewable energy, but also the production of the equipment that generates such energy.

REGULATORY BODY

The principal government body in the electricity sector of Uzbekistan, in addition to the main legislative body (the Parliament of Uzbekistan) and the main executive body (the Cabinet of Ministers) is the Ministry of Energy of Uzbekistan. The Ministry of Energy was established in accordance with the decree and resolution of the President of Uzbekistan on 1 February 2019.

The Ministry of Energy shapes and ensures the implementation of state policy in the electricity sector, it is responsible for developing the use of renewables in Uzbekistan. In addition, as the authorized state agency, the Ministry is responsible for the implementation of a unified state policy in the use of renewable energy sources.

STATE SUPPORT

The state support for producers of renewable energy and for producers of RE facilities may be in the form of:

- tax, customs and other incentives and preferences;
- state guarantee to connect the RE facilities to the unified national electrical network;
- granting the right to enterprises of territorial electric networks, with consent from a single purchaser of electric energy and local government bodies, to conclude contracts for the purchase of RE energy from RE energy producers; and
- assistance with creation and application of innovation technologies.

According to the RE Law, the Cabinet of Ministers to be adopted in 2020 a resolution, that would establish the procedure of the state support of the RE producers and producers of the equipment that generates such energy.

While the steps to obtain these types of support should yet to be clarified, it appears that a party seeking the state support should first apply to the Ministry of Energy, which then decides whether to recommend that the Cabinet of Ministers approves the specific state support to an applicant.

The RE Law neither specifies what conditions should be satisfied by the RE producers and producers of the equipment that generates RE energy to be qualified for the state support. It is assumed that the qualification requirements will be detailed in the resolution of the Cabinet of Ministers, which is expected to be adopted shortly.

The RE Law does not specify what types of “other incentives and preferences” may be granted. While it is possible that the regulations to be adopted will provide certain guidelines, it is expected that a certain amount of discretion will rest with the Ministry of Energy which it may exercise on a case-by-case basis depending on the amount of investment, the level of production and other factors of a particular case.

TAX INCENTIVES

Producers of renewable energy are exempt from paying:

- property tax for the equipment that generates renewable energy; and
- land tax for the land plots occupied by such an equipment (with a nominal capacity at least 0.1 MW)



for 10 years from the date of commission of such an equipment. Producers of the RE equipment are exempt from payment of all taxes for 5 years from the date of state registration of their registration.

Also, tax and customs exemptions can be provided to businesses and individuals to import renewable energy installations, the use of which significantly increases energy efficiency.

Individual users of renewables in residential areas subject to the complete disconnection of existing energy networks will also be exempt from paying personal property tax and land tax for 3 years.

TARIFFS

Tariffs for electricity generated from renewables will be determined based on a competitive bidding process. All costs for purchasing electricity, including electricity from renewable energy sources, will be taken into account while setting the tariffs for end consumers.

PPA

As of today, there is no standard form of a power purchase agreement (PPA). However, it is expected that the PPA is to be drafted and approved by the Ministry of Energy by the end of 2019.

CONNECTION OF POWER PRODUCERS TO THE SINGLE ELECTRICITY SYSTEM

The government guarantees to connect power producers to the single electricity system. The government also gives territorial electricity networks the right to enter into contracts with power producers with the approval of the responsible bodies. The procedure to connect power producers to the single electricity system remains to be developed in 2020, but the RE Law provides that the cost of the creation of the infrastructure between power producers and end consumers will be borne mainly by the power producers. In addition, such energy will be subject to mandatory certification.

TECHNICAL CONDITIONS

To be connected to the grid, a developer should receive the technical conditions. To get the technical conditions, the developer should submit an application to the owner of the electric network. The owner of the electric network should then send the application to the system operator for approval and determination of a company which will perform network connection research.



After such a research is done, to the owner of the electric network agrees an optimal connection point with the developer. In general, the optimal connection point is selected by the owner of the electric networks from the proposed options in the conclusion issued based on the results of the study, taking into account the work that needs to be done to connect to the network (network expansion and / or increase in its throughput capacity).

The developer has the right to contact the owner of the electric networks in order to choose another connection point, proposed based on the results of a research or evaluation, with economic justification for such option.

In this case, the owner of their electric networks within 3 working days from the date of receipt of the application provides the the developer with the the technical conditions,taking into account the proposed optimal connection point or provides its motivated refusal to connect to the optimal connection pointproposed by the developer.

After the connection point is agreed, the owner of owner of the electric networkshould issue the developer with the technical conditions for connection of the RE facility to the single electrical network.

Obtaining of the technical conditions is not required in the following cases:

- use of all generated electric energy for own consumption and electrical installations of the manufacturer are not connected to a single electric power system, and also do not have electrical connection with the latter;
- consumption of electric energy either from its own plants for the production of electric energy, or from electric networks of a single electric power system, with the exception of the possibility of issuing electric energy to a single electric power system by installing protective devices.

Technical conditionslose their force, if,within 3 yearsfrom the date of its issuance, work on the construction of infrastructure for connecting to the single electric power system has not been started.

PROCEDURE OF THE GRID CONNECTION

Development of the power supply project

After receipt of the technical conditions, the RE developer then applies to a specialised design organization, which should develop a power supply project. The power supply projectshould be agreed with the body, that issued the technical conditions, and Uzenergoinspection.

Commissioning of the RE installations

The developer should then:



- develop the start scheme and agree it with the owner of the grid and system operator;
- carry out testing of commissioning of electrical installations for the production of electric energy after inspection and obtaining permission from Uzenergoinspection for their admission to operation;
- be responsible for the proper technical condition of electrical installations and ensuring electrical safety.

For manufacturers with an available power of up to 20 kW, approval of the electricity supply project with Uzenergoinspection and obtaining permission from the Uzenergoinspection for the admission of electrical installations to operation is not required.

Signing agreement on connection of RE facilities

The energy generating and transmitting organisations must sign contract on the renewable energy facility's connection to the grid. The energy generating organization has to sign a contract for technical dispatching after the start of comprehensive tests.

