

RENEWABLE ENERGY SOURCES SALE VIA KOREM JSC ELECTRONIC TRADING PLATFORM

So, how can a RE producer sell the electricity using the electronic trading platform of JSC KOREM?

Renewable energy sources (RES) have recently become one of the key focus areas in the energy saving development in Kazakhstan, where the essence is to reduce the intensity of energy consumption in the country's economy.

Now, what are renewable energy sources (RES)?

Renewable energy sources are sources of energy that are able to continuously be recovered through naturally occurring natural processes¹. In other words, RES are an alternative energy resources that are used as a substitute for traditional energy sources, such as coal, natural gas, oil and uranium.

What are the different types of renewable energy?

Renewable energy is obtained from such natural resources as:

- solar power;
- wind energy;
- water hydropower;
- geothermal power: heat from the ground, groundwater, rivers and reservoirs;
- anthropogenic sources of primary energy resources: biomass, biogas and other fuel from organic waste².

What kind of organizations produce RES?

Renewable energy producing organization refers to a legal entity that produces electricity and/or heat using renewable energy sources³.

Well, how does the wholesale electricity market work in Kazakhstan?

The Wholesale Electric Energy Market operates on the basis of electric energy purchase and sale contracts and consists of⁴:

- Decentralized market of electric energy purchase and sale;
- Centralized electric power trade market;
- Balancing electric power market;
- System and auxiliary services market.

Who can the electricity be sold to?

According to the laws, the energy producing organization that uses RES may sell the produced electric energy at its discretion using one of the two proposed ways:

- Financial Settlement Center of Renewable Energy LLP (FSC), under a power purchase agreement (PPA), to be executed following the RE auction.
- Consumers, power supply and transmission companies under bilateral agreements signed in accordance with the Law of the Republic of Kazakhstan "On Electric Power Industry" dated July 9, 2004.

¹ Sub-clause 1-4), C. 1, Article 1 of the Law of the Republic of Kazakhstan dated July 4, 2009 № 165-IV "On Support of the Use of Renewable Energy Sources" (hereinafter - the "Law")

² See 1

³ C. 1). Article 1 of the Law

⁴ C. 3 of the Rules for the organization and functioning of the wholesale electricity market (approved by the Order of the Minister of Energy of the Republic of Kazakhstan dated February 20, 2015 No. 106) (hereinafter – «Rules»)

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How to become a member of the wholesale electricity market?

The procedure of organizing the wholesale electricity market in Kazakhstan is determined by the Rules for the organization and functioning of the wholesale electricity market (Rules), approved on February 20, 2015.

The rules allow energy producing organizations that use RES to participate in the wholesale electricity market by concluding bilateral agreements through⁵:

- **Decentralized electricity trading market**, whereby the parties independently determine the terms and conditions of the agreement, the volume and cost of electricity sold.
- **Centralized electricity trading market** – "Kazakhstan operator of electricity and power market operator" Joint Stock Company (**KOREM JSC**), in the short-term (spot trading "during the operating day" and in the "one day in advance" mode), medium-term (a week, month) and long-term (a quarter, year) basis⁶.

It should be noted the sale carried out through trading on the basis of an exchange-type trading platform for spot-trading "one day in advance" does not result in the execution of the bilateral agreements. Therefore, strictly legally speaking, the RES producers may be restricted to trade through spot trading platforms.

What are the conditions for participation in the wholesale electricity market?

An energy producing organization that intends to participate in the wholesale electricity market must meet the following requirements⁷:

- To supply electricity in the amount of at least 1 MW of average annual capacity and the availability of automated commercial metering systems, telecommunications, ensuring their unification with the systems installed by the system operator.
- To provide access to the national and, if necessary, regional power grid.

In addition, when selling electricity under long-term and medium-term contracts, access to the national and/or regional power grid is provided if there are signed agreements⁸ for:

- provision of services for technical dispatching of modes of production and consumption of electric energy in the unified electric power system of the Republic of Kazakhstan;
- provision of system services for organizing balancing of production and consumption of electric energy in the unified electric power system of the Republic of Kazakhstan;
- purchase (sale) of balancing electrical energy.

⁵ C. 3 of the Rules

⁶ P. 2 C. 2 of the Rules

⁷ C. 5-2 of the Rules

⁸ C.6 of the Rules

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How to participate in centralized trading through the KOREM platform?

To participate in trading through KOREM, you must complete **the following steps**⁹:

- to conclude an agreement for participation in the centralized electricity trading market (the –“Agreement”):
 - ✓ send to KOREM a written statement of the corresponding intention and provide copies of the necessary documents;
 - ✓ KOREM checks the submitted package of documents for compliance with the requirements and sends the signed contract to the RES producer within 7 working days.
- to register a bidder in the electronic trading platform of KOREM JSC;
- to equip the workplace with technical and software tools that allow working with the database of the electronic trading system;
- to submit a list of authorized persons - trading operators who have passed the appropriate instructions for work in the electronic trading platform of KOREM JSC;
- to conclude contracts stipulated in the field of electric power industry for subjects of the wholesale electric power market.

What is the auction procedure?

Trades are held on weekdays in accordance with the trading schedule, which is approved and posted on the KOREM Internet resource¹⁰, and the trading session procedure includes the following stages¹¹:

- 1) opening a trading session;
- 2) acceptance of bids from bidders for purchase;
- 3) acceptance of bids from bidders for sale;
- 4) calculation of prices for electricity and the formation of pairs "seller-buyer";
- 5) closing the centralized trading session;
- 6) summing up.

What should a RES producer remember?

Summarizing the above, it becomes clear that in order to sell electricity through the KOREM platform, it is necessary to participate in trading on a medium-term (a week, month) and long-term (a quarter, year) basis. Moreover, the chance to participate in the wholesale electricity market through this platform is provided only to RES producers that have concluded agreements on technical dispatching and balancing. Furthermore, the legislation is silent on the requirement to execute an additional energy capacity agreement with the single off-taker.

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⁹ C. 3 of the Guidelines for conducting centralized trading in electrical energy for medium-term (week, month) and long-term (quarter, year) periods (approved by order No. 13-OD dated January 31, 2020) (hereinafter - "Guidelines")

¹⁰ C.13 of the Guidelines

¹¹ C.32 of the Guidelines