

Recent Amendments in the Renewable Energy Sector: New Opportunities

The number of renewable energy projects rapidly increases in Kazakhstan. As a result, legislation in the renewable energy sector is constantly being improved. Thus, several amendments to the regulations in the renewable energy sector were introduced in April 2021. In this review, we highlight the most significant of them.

1. Law on the support of the use of renewable energy sources (RES Law)

On April 1, 2021 the new amendments were introduced to the RES Law. As a result of the amendments, the RES Law started regulating not only traditional renewable energy sources, but also the use of secondary energy resources. According to the Article 1.9-2 of the RES Law, secondary energy resources (SER) are energy resources generated as a by-product in the process of metallurgical production, including ferroalloy, coke oven and blast furnace gases that are used to generate electricity. In its turn, a legal entity that produces electric energy using SER is regarded as a SER energy producing organisation.

The RES Law also determines which facilities belong to the SER facilities - technical devices intended for the production of electric energy using SER, the structures, and infrastructure associated with them. During the construction of a facility for the use of SER, qualified conditional consumers, no later than 365 days before the commissioning of the facility shall notify the authorised body and the system operator about the construction of a facility for the use of SER, indicating the type of SER, the volume of capacity and the location. At the same time, Article 7-1.6-3 provides that the SER energy producing organisation and the system operator, after commissioning the facility shall annually conclude an agreement for the provision of services for the regulation of electrical power.

In accordance with Article 9.2-2 of the RES Law, if a qualified conventional consumer commissions a facility for the use of SER, its share of electrical energy shall be calculated by the Financial settlement centre (the "FSC") in the manner approved by the authorised body. However, it cannot be lower than the minimum value, which is actually acquired by qualified conditional consumers and conditional consumers.

2. Rules for the centralised purchase and sale by the FSC of the electrical energy produced by renewable energy facilities

One of the main changes is that the Rules have two new chapters: chapter 9 "Procedure for centralized purchase by the FSC of electricity generated by waste energy disposal facilities" and chapter 10 "Procedure for centralised purchase of flood electricity by FSC". Both of these chapters determine the procedure for concluding purchase agreements between the FSC and energy producing organisations that use energy from waste disposal and flood electricity.

The main stages of the conclusion of a PPA with the FSC for electrical energy produced by energy waste disposal facilities are provided below:

- An energy producing organisation using energy waste disposal submits an application for concluding a PPA with FSC within 60 calendar days from the date of its inclusion in the register of auction winners.
- The FSC considers the application and submitted documents within 10 working days from the date of their receipt.
- The FSC concludes PPA with an energy producing organisation.

- Provision of financial security for the fulfilment of the terms of the PPA within 30 calendar days after the signing of the PPA.
- The term of the PPA is 15 years from the date of the start of the purchase of electricity generated by the waste energy facility.

Construction of an energy waste disposal facility must begin within 24 months and be completed no later than 60 months from the date of signing the PPA.

Below are the main stages of concluding PPA with flood electric energy producer:

- To conclude a PPA, flood electric energy producers shall annually submit the following documents to the FSC before January 15:
 - 1) constituent documents;
 - 2) a document confirming the authority of the person to sign the PPA.
- The PPA for flood electric energy is signed by the first executive officer of the FSC or another person authorised to sign the agreement.

Actual values of the volume of flood electric energy supplied to the FSC for the billing period are determined according to the actual balance of production and consumption of electric energy in the wholesale electric energy market of the Republic of Kazakhstan.

FSC pays to the energy producing organisation no later than 15 working days after the expiration of 30 calendar days from the end of the delivery month on the basis of the corresponding invoice.

3. FSC model contracts with the renewable energy producing organisations

Among other amendments, two new model contracts were added to the three existing contracts: a model contract for the purchase of electrical energy by the FSC from an energy producing organisation using energy waste disposal at auction prices (Appendix 4), and a model contract for the purchase of electrical energy by the FSC from an energy producing organisation that produces and supplies flood electric energy to the network at maximum tariffs (Appendix 5).

4. Rules for organising and conducting RES auctions

One of the main amendments is the addition of a new Paragraph 6 to the Rules, which regulates the procedure for organising and conducting auctions for the selection of projects for energy waste disposal.

The main stages of the auction for the selection of projects for energy waste disposal are listed below:

- The authorised body in the field of environmental protection sends a notification to the local executive bodies on the need to introduce an energy waste disposal facility in the relevant region.
- Local executive bodies allocate land plots.
- After receiving information on the construction of facilities, the organiser shall post it on its Internet resource within 3 working days.
- Participants of the auction shall send documents to the authorised body in the field of environmental protection for their inclusion in the list of energy producing organisations.

- The commission on the formation of the list of energy producing organisations considers the documents submitted by the participants.
- Conducting auctions.
- The organiser sends the results of the auction.
- The winners of the auction for the selection of projects for energy waste disposal submit an application to conclude a PPA with the FSC for each individual energy utilisation facility.

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