Order of the Ministry of Energy of the Republic of Kazakhstan as of December 21st 2017
No 466
On approval of the Rules of organizing and holding auctions, including qualification requirements for auction participants, the content and procedure for submitting applications, types of financial guarantee for participation in auctions and conditions of their deposit and return, the procedure for summing up the results and determining the winners.

According to subparagraph 5-5) of Article 6 of the Law of the Republic of Kazakhstan “On Supporting the Use of Renewable Energy Sources” as of July 4th, 2009 the Government of the Republic of Kazakhstan DECRES:

1. To approve the attached Rules of organizing and holding auctions, including qualification requirements for auction participants, the content and procedure for submitting applications, types of financial guarantee for participation in auctions and conditions of their deposit and return, the procedure for summing up the results and determining the winners.

2. The Department of Renewable Energy Sources of the Ministry of Energy of the Republic of Kazakhstan in the order established by the legislation of the Republic of Kazakhstan shall:
   1) implement state registration of this order in the Ministry of Justice of the Republic of Kazakhstan;
   2) send the hard copy and electronic copy of the order in Kazakh and Russian languages to the Republican State Enterprise with the right of economic management "Republican Center for Legal Information of the Ministry of Justice of the Republic of Kazakhstan" for official publication and inclusion in The reference control bank of normative legal acts of the Republic of Kazakhstan within ten calendar days from the date of state registration of this order;
   3) send the copy of the order for official publication in periodicals within ten calendar days from the date of state registration of this order;
   4) publish this order on the official Internet resource of the Ministry of Energy of the Republic of Kazakhstan;
   5) submit to the Legal Department of the Ministry of Energy of the Republic of Kazakhstan the information on the implementation of activities provided for in subparagraphs 2), 3) and 4) of this paragraph within ten working days after the state registration of this order with the Ministry of Justice of the Republic of Kazakhstan.

3. Control over the execution of this order is entrusted to the responsible Deputy Energy Minister of the Republic of Kazakhstan.

4. This order shall come into force twenty-one calendar days after its first official publication¹.

“APPROVED”

¹ Registered in the Register for state registration of normative legal acts of the Republic of Kazakhstan on January 17, 2018 under the No. 16240
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Rules of organizing and holding auctions, including qualification requirements for auction participants, the content and procedure for submitting applications, types of financial guarantee for participation in auctions and conditions of their deposit and return, the procedure for summing up the results and determining the winners.

Chapter 1. General provisions

1. These Rules of organizing and holding auctions, including qualification requirements for auction participants, the content and procedure for submitting applications, types of financial guarantee for participation in auctions and conditions of their deposit and return, the procedure for summing up the results and determining the winners (hereinafter – the Rules) are developed in accordance with the subparagraph 5-5) of Article 6 of the Law of the Republic of Kazakhstan “On Supporting the Use of Renewable Energy Sources” as of July 4th, 2009 (hereinafter – the Law) and determine the procedure for organizing and holding auctions, including qualification requirements for auction participants, the content and procedure for submitting applications, types of financial guarantee for participation in auctions and conditions of their deposit and return, the procedure for summing up the results and determining the winners.

2. The following basic concepts are used in the Rules:

1) auction price – the price at which the financial settlement center, purchases the electric energy produced by the facilities that use renewable energy (hereinafter – the RE facilities), which is determined by the results of auction and does not exceed the corresponding ceiling auction price;

2) auction – process, organized and conducted by the organizer of auction in electronic system on the basis of auction and which is aimed at the selection of projects for the construction of the new RE facilities and determining the auction prices of electric energy produced by the RE facilities, taking into account the RE facilities location plan;

3) register of auction winners – a document compiled by the Organizer at the end of the auction and confirming the results the auction;
4) auction participant (hereinafter – the Participant) – applicant, which has been registered with the Organizer and received the status of the Participant;

5) organizer of the auction (hereinafter – the Organizer) – legal entity, determined by the authorized body, which organizes and conducts auction according to the procedure provided in the Law.

6) bank guarantee – written document issued in accordance with the Rules for the issue of bank guarantees and sureties by the second level banks approved by Resolution of the Board of the National Bank of the Republic of Kazakhstan as of January 28th 2017 No. 21 (registered in the State register of normative legal acts No. 14915), which is issued by the bank to the client (a debtor) on the basis of his/her application in favor of a third person (creditor), under which the bank undertakes to pay a limited amount of money to the third person (creditor) under the conditions specified therein;

7) beneficiary – a person to whom payment and/or transfer is made;

8) debtor - – a legal entity which instructs the issuing bank to issue a bank guarantee or a standby letter of credit for the benefit of the beneficiary;

9) unilateral auction – a form of auction organization aimed to determine winners by successive selection of auction Participants bids from the ranked schedule of auction Participants.

10) renewable energy sources (hereinafter - RES) - are energy sources continuously renewed due to naturally occurring natural processes, which include the following types: solar energy, wind energy, hydrodynamic energy of water; geothermal energy: heat of soil, groundwater, rivers, reservoirs, as well as anthropogenic sources of primary energy resources: biomass, biogas and other fuels from organic waste used for the production of electrical and/or thermal energy;

11) financial settlement center for support to renewable energy sources (hereinafter – the financial settlement center) – a legal entity created by the system operator and determined by the authorized body that carries out the centralized purchase and sale of electric power produced by the RE facilities and supplied to the electric grids of the unified electric power system of the Republic of Kazakhstan according to the procedure set forth in the Law;

12) maximum permissible capacity of RE facilities– maximum permissible volume of capacity of solar and wind power stations connected to the grid, determined based on technical capabilities of electric power system;

13) RE facility – technical devices intended for production of electric and/or thermal energy using RES and associated structures and infrastructure which are technologically necessary for the operation of RE facility and are on the books of the RE facility owner;

14) applicant – a legal entity planning to participate in the auction;

15) standby letter of credit - bank's obligation to pay the beneficiary of the letter of credit a certain amount on the occurrence of the event (failure of the debtor to fulfill his/her obligations to the beneficiary). The standby letter of credit is issued through the SWIFT system;

16) ranked schedule – the list of bids of the auction Participants arranged in the ascending order of bid prices;

17) power purchase agreement (PPA) – the contract for the purchase of electricity from an energy producing organization, which uses RES, at auction
prices signed between the financial settlement center and the energy producing organization which uses RES;
18) trading system – a complex of organizational, technical and software components that enable auction via the Internet;
19) trading session – a process during which auction participants submit their bids, prices and auction volumes are determined and the register of auction winners is generated
20) authorized body – central executive body that provides management and intersectoral coordination in the field of support of the use of renewable energy sources;
21) ceiling auction price – the maximum value of the auction price for electric energy;
22) grid connection point – the place where RE facility of the energy producing organization physically connects with the electric grid of the energy transmission organization.

Other terms used in the Rules are applied in accordance with the legislation of the Republic of Kazakhstan.

Chapter 2. Procedure for organizing and holding auctions

Paragraph 1. Preparation for auction

3. The authorized body develops and publishes on its Internet resource the auction schedule for the current calendar year (hereinafter – the Schedule) according to the form specified in Appendix 1 to the Rules not later than three (3) months before the assumed date of auction. The information specified in the Schedule is not subject to adjustment.
4. The schedule contains information on the land plots planned to be allocated for the construction of the RE facility and the points of connection to the grids of the energy transmission organizations, indicating the maximum permissible capacity and the number of possible connections.
5. Local executive bodies of the oblasts, city of republican significance and the capital shall reserve land plots for the RE facilities to be constructed according to the subparagraph 3-1) of Article 7 of the Law before the auction winners are given the land title in accordance with the Land Code of the Republic of Kazakhstan as of June 20th, 2003 and shall send the relevant information to the authorized body according to the form specified in Table 1 of the Schedule.
6. Electric grid connection points recommended by energy transmission organizations to the authorized body are reserved for the RE facilities to be constructed until the auction winner concludes an agreement on connection of the RE facilities and (or) until the technical specifications for connection to the electric grid are issued and send the relevant information to the authorized body in accordance with the form specified in Table 2 of the Schedule.
7. From the moment of publication of the Schedule to the completion of all auctions planned for in the Schedule, the energy transmission organizations shall suspend the receipt of applications for obtaining technical specifications for connection to the electric grid at the reserved points of connection to the electric grid indicated in the Schedule.
8. RE facilities shall be constructed and operated in accordance with the architectural, urban planning, construction and electric power regulations of the Republic of Kazakhstan.

9. Acceptance of documents and registration of auction applicants is done by the Organizer within the timeframe specified in the Schedule approved by the authorized body.

10. To be registered in the trading system database, the applicant shall apply for online registration via official Internet resource of the Organizer and provides the Organizer documents in electronic form in accordance with subparagraphs 1) to 5) of paragraph 19 of these Rules.

11. The Applicant shall provide the financial settlement center with the original financial guarantee for participation in the auction not later than 2 (two) working days prior to the date of the auction in accordance with paragraph 4 of these Rules.

12. After applicant provides documents in accordance with subparagraphs 1) to 5) of paragraph 19 of these Rules, the Organizer shall approve the assigning of Participant status to the applicant and assign an identifier and a password to the Participant, enabling access to the trading system, within 2 (two) working days.

13. The Organizer stops accepting documents from applicants five (5) working days before the auction starts according to the Schedule of auctions approved by the authorized body.

14. The Participant shall timely notify the Organizer about changes in the company details, in the list of Participant's employees who have access to the trading system.

15. The password granting the right of access to the trading system must not be shared with third parties.

16. Tariff for the services of the Organizer are set in accordance with legislation of the Republic of Kazakhstan and are paid for in accordance with an agreement signed between the applicant and the Organizer (hereinafter – the Agreement).

17. The Agreement shall contain:

1). the scope of the Agreement, types of services provided by the Organizer, timeframes and payment procedure

2). criteria and requirements set for applicants for participation in auctions and admission to auctions;

3). methods of holding the auctions;

4) liabilities of the parties for violation of the Agreement provisions.

18. For the purposes of organizing and holding the auction the Organizer shall:

1) ensure the functioning of the auction trading system;
2) develop and approve methodological instructions and regulations for conducting the auction;
3) ensure equal auction access conditions for the Participants;
4) brief the employees of the Participants on how to operate the trading system;
5) interact with the authorized body and the financial settlement center on issues related to the organization and conducting of the auction;
6) publish The Register of auction winners on the official Internet resource.
Paragraph 2. Qualification requirements for auction Participants

19. To participate in the auction, participants shall confirm that they meet the qualification requirements for legal capacity and solvency by providing the following documents:

1) a copy of the Charter;
2) a copy of the certificate of state registration / re-registration of a legal entity;
3) a copy of the decision of the relevant body of the legal entity on the appointment of the CEO;
4) power of attorney for a representative (if the Participant is represented by someone other than the CEO);
5) details of the legal entity (bank details, address, contact numbers, e-mail);
6) document confirming the submission of the financial guarantee for participation in the auction.

Foreign legal entities shall provide similar documents in accordance with the legislation of the country in which they are registered and must attach notarized translations of each document into the state and Russian languages.

20. Financial guarantee for participation in auction in the form of a bank guarantee or a standby letter of credit shall be issued for the benefit of the financial settlement center

Paragraph 3. The content and procedure for filing an application

21. Auctions shall be conducted anonymously, remotely using internet, through Internet resource of the Organizer's trading system.
22. Auctions are held in the form of a unilateral auction.
23. A trading session is conducted on a schedule approved by the authorized body according to the Schedule and lasts three (3) hours.
24. Before the opening of the trading session, the Organizer should:
1) enter the information on the installed capacity volume to be contracted and the ceiling auction price into the trading system as well as any other information according to the Schedule approved by the authorized body;
2) enter the information received from the authorized body into the trading system regarding the availability of reserved land plots for RE facilities planned for construction and the possibility of connecting to the electric grids of energy transmission organizations, specifying the maximum permissible capacity for electric grid connection points and the number of possible connections;
3) enter the information about the amounts of financial guarantees of the participants, received from financial settlement center, into the trading system
25. A trading session procedure includes:
1) The Organizer opens the trading session;
2) The Participants submit their bids through the trading system;
3) The Organizer closes the trading session;
4) The results of the auction are summed up, including determination of auction prices;
5) The Organizer compiles the register of auction winners and publishes it on its Internet resource, in accordance with the form set forth in the Appendix 2 of these Rules.

26. The bids of the Participants contain the following basic information:
   1) the name of the Participant;
   2) the price of electricity per one kilowatt-hour net of VAT, indicated in the national currency of the Republic of Kazakhstan with not more than two digits after the separating character;
   3) the volume of installed capacity, which should be not less than 100 kilowatts and multiple of 1 (one) kW;
   4) the land plot planned to be used for the construction of the RE facility and the electric grid connection point.

   Participants who have a land plot and (or) a point of connection to the electric grid, in accordance with the issued technical specifications for connection to the electric grid, shall indicate the respective data in the application.

27. Participants submit their bids to the trading system throughout the trading session, and the prices indicated in the bids must not exceed the value of the corresponding ceiling auction prices.

28. Bids submitted by the Participants during the trading session with prices that coincide with the bid prices of other Participants, are rejected.

29. The Participants are prohibited from submitting bids that indicate volume exceeding:
   1) the volume of the installed capacity auctioned by the authorized body;
   2) the maximum permissible capacity for electric grids connection points;
   3) the amount of the financial guarantee.

30. The Participants have the right to simultaneously bid for several land plots planned to be used for RE facility construction and several electric grid connection points within the limits of the financial guarantee for every single submitted bid.

31. Participant bids submitted to the trading system must not be removed.

32. Before the deadline for the submission of bids the participants can change previously submitted bids at their own discretion by submitting a new bid. However, the new bid must not indicate a price higher than the one in the previous bid and the volume indicated in the previous bid shall remain the same.

33. The date and time of submission of bids to the trading system shall be recorded by the Organizer within the accuracy of milliseconds.

Paragraph 4. Types of financial guarantees and conditions for their deposit and return

34. In order to guarantee the fulfillment of the obligations undertaken by the Participants, as well as the obligations pertaining to the winners of the auction they shall deposit a financial guarantee in accordance with the procedure and on terms and conditions specified in these Rules.

35. The financial guarantee shall be free from claims of third parties and other obligations of the Participant and/or the winner of the auction.
36. The amount received as a result of the payment under the financial guarantee or stand-by letter of credit shall be deposited to the special account of the reserve fund of the financial settlement center.

37. Conditions for depositing and refunding financial guarantee are determined in accordance with this paragraph.

38. The financial guarantee for participation in the auction is provided by the applicants to the financial settlement center, as a guarantee that in case of winning the auction on terms and within the timeframe provided by these Rules they will sign PPA with the financial settlement center and deposit performance bond;

39. The PPA performance bond shall be submitted by the auction winners along with the application for the PPA in accordance with the Rules for centralized purchase and sale of electric energy produced by facilities for the use of renewable energy sources by financial settlement center, approved by the order of the Ministry of Energy of the Republic of Kazakhstan as of March 2nd 2015 No 164 (registered in the State register of normative legal acts No 10662)

40. The financial guarantee for participation in the auction shall be issued in favor of the financial settlement center and shall be submitted to it not later than 2 (two) working days prior to the date of the auction

41. The financial settlement center shall send the Organizer a list of applicants, who have financial guarantees, with indication of amounts 2 (two) hours before the start of the auction.

42. The applicant shall choose one of the following types of financial guarantee, issued with the SWIFT system

1) a bank guarantee;
2) a standby letter of credit

43. The amount of financial guarantee is two thousand (2000) KZT per one (1) kW of installed capacity multiplied by the installed capacity of the RE facility indicated in the bid.

44. Financial guarantee deposited by the applicant in the form of a bank guarantee or a standby letter of credit is returned within three (3) working days from the date of submission of a written request sent by a Participant to the financial settlement center in one of the following cases:

1) the Participant did not win the auction in accordance with the results of the auction;
2) the auction winner signed the PPA.

45. If the winner of the auction has evaded the conclusion of the PPA, the financial settlement center shall issue a claim for payment under the relevant bank guarantee or a standby letter of credit.

46. Financial guarantee is valid for at least 90 (ninety) calendar days from the date of the auction and is irrevocable.

47. The financial guarantee is executed by the bank when the following documents are submitted by the financial settlement center:

1) statement of failure to fulfill obligations by the debtor issued on paper, signed by the authorized person of the financial settlement center and certified by the seal of the financial settlement center;
2) the demand for payment indicating the amount to be paid in accordance with this Rules;
48. All bank commissions and expenses related to the financial guarantee, including those of the Beneficiary's bank, are paid by the debtor.

49. The bank guarantee or the standby letter of credit is accepted:
   1) from the resident banks of the Republic of Kazakhstan with the long-term credit rating in foreign currency not lower than "B" by Standard & Poor's or "B-" by Fitch or "B3" by Moody's Investors Service or with the rating of the parent organization (which owns more than 50% of the shares of the resident bank of the Republic of Kazakhstan) not lower than the "BBB" level by Standard & Poor's or "BBB" by Fitch or "Baa2" by Moody's Investors Service;
   2) from non-resident banks in the Republic of Kazakhstan with the long-term credit rating in foreign currency not lower than "BBB" by Standard & Poor's, "BBB" by Fitch, "Baa2" according to Moody's Investors Service.

At the same time, a bank guarantee or a standby letter of credit of non-resident banks of the Republic of Kazakhstan must be confirmed by resident banks, by issuing a counter-guarantee for non-residents obligations under subparagraph 1) of this paragraph.

**Paragraph 5. The procedure for summing up the results and determining the winners**

50. During the trading session the following information is open to the participants:
   1) general information about the auction, specified in the Schedule approved by the authorized body;
   2) the bid submitted by the Participant with all its parameters (price, time of submission);
   3) the lowest price indicated in the submitted bids (without volumes specified).

51. The Organizer calculates prices when the following conditions are met:
   1) the total volume of installed capacity specified in bids amounts to more than 150% of the installed capacity demand volume;
   2) the number of participants who submitted their bids is at least three.

If the abovementioned conditions are not met, the Organizer does not calculate the prices and invalidates the auction.

52. Based on the bids submitted by the Participants the Organizer shall make a ranked schedule, arranged in the ascending order of price.

53. A preliminary list of winners is determined after the deadline for the submission of bids to the trading system expires by successive selection of winners from the ranked schedule arranged from the lowest to the highest price until the demand is fully covered.

54. If there are several pre-approved bids in the preliminary list of winners that indicate the same connection point and the total volume indicated in these bids exceeds the maximum permissible capacity at this connection point and/or the number of possible connections, then the bids will be excluded from the list in the descending order of prices until the conditions for the maximum permissible capacity of the connection point and the number of connections are met.
55. In the event that the last bid from the preliminary list of winners cannot be fully satisfied with the existing demand, then the following conditions will apply:

1) if the satisfied volume of the last bid is 50% or more of its declared volume, then such a bid shall be fully satisfied at the end of the auction. At the same time, the auctioned installed capacity volume will be increased by the amount of the unsatisfied volume of the last bid from the ranked schedule;

2) if the satisfied volume of the last bid is less than 50% of its declared volume, then such bid shall not be fully satisfied at the end of the auction. At the same time, the auctioned installed capacity volume will be reduced by the amount of the satisfied volume of the last bid from the ranked schedule.

56. After checking the conditions specified in subparagraphs 54 and 55 of these Rules, the Organizer determines the winner(s) of the auction and includes them in the register of auction winners. Wherein, auction prices are determined based on the prices indicated in the submitted bids.

57. Based on the results of the auction, the Organizer sends to the Participants notifications about the results of the auction in electronic form within one (1) hour after the closing of the trading session. Written notifications are sent to the Participants not later than 6 pm Astana time on the next working day.

58. The register of auction winners is published on the Organizer's website within one (1) hour after the closing of the trading session, with indication of auction prices and installed capacity volume of RE facilities selected during the auction.

59. The Organizer shall write and send the authorized body a summary of the auction results with an explanation of the auction procedure and full information about all of the bids submitted to the trading system as well as the Register of auction winners not later than one (1) working day after the closing of the trading session.

60. The authorized body shall include the winners of the auction in the RE facilities location plan and in the list of energy producing organizations that use RES within five (5) working days from the date of receipt of the Register of auction winners from the Organizer.

At the same time, the winners of the auction shall apply for a Power Purchasing Agreement with the financial settlement center within sixty (60) calendar days after being included in the list of energy producing organizations that use RES.

Chapter 3. Final provisions

61. The auction can be suspended for up to 30 minutes, in the following events:

1) technical problems on the server equipment or failures in the electronic system leading to the inoperability of the trading system;

2) technical malfunctions of the equipment or Internet communication channels preventing access to the trading system.
62. In case of suspension of the auction, the Organizer promptly informs the Participants through available technical means of communication about the reason for the suspension of the auction, specifying the time during which the auction process will be renewed.

63. The auction can be canceled if the following circumstances occur:
1) elimination of technical problems specified in subparagraph 61 of these Rules will take longer than 30 minutes;
2) a long (more than two hours) break in the power supply of the trading hall and/or server equipment of the trading system;

64. In the event of cancellation of the auction for the reasons specified in subparagraph 63 of these Rules, another auction is held on the next working day after the date of the cancelled auction.

65. Disputes arising during organization and conducting of auctions shall be settled according to procedures set forth in the civil legislation of the Republic of Kazakhstan.
Appendix 1 to the Rules of organizing and holding auctions, including qualification requirements for auction participants, the content and procedure for filing an application, types of financial guarantee for participation in auctions and conditions of their deposit and return, the procedure for summing up the results and determining the winners

Auction schedule

Table 1. (Information on the reserved land plots)

<table>
<thead>
<tr>
<th>№</th>
<th>Region</th>
<th>District</th>
<th>Location</th>
<th>Land area, ha.</th>
<th>Land category</th>
</tr>
</thead>
</table>

Table 2. (Information on the possibility of connecting to the electricity grids of power transmission organizations with the indication of the maximum permissible capacity for electrical grids connection points and the number of possible connections)

<table>
<thead>
<tr>
<th>Energy transmission organization</th>
<th>Region</th>
<th>District</th>
<th>Power transmission line</th>
<th>Substation</th>
<th>Limitation on the connected capacity (maximum permissible volume of installed capacity), MW</th>
<th>Limitation on number of new connections</th>
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Appendix 2
to the Rules of organizing and holding auctions,
including qualification requirements for auction participants,
the content and procedure for filing an application,
types of financial guarantee for participation in auctions
and conditions of their deposit and return,
the procedure for summing up the
results and determining the winners

Register of auction winners as of “__” _______20___y. No.____

<table>
<thead>
<tr>
<th>№</th>
<th>Date of auction</th>
<th>Number of transaction</th>
<th>Type of RES</th>
<th>Name of the winner</th>
<th>Land plot</th>
<th>Connection point</th>
<th>The auction price KZT/kWh (net of VAT)</th>
<th>Installed capacity, kW</th>
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<tr>
<td>1</td>
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**TOTAL:**