**Annual report on activities for the provision of**

**regulated services (goods, works) with justifications**

**General information on the Project:**

**Objective of the project:**

Providing natural gas to the southern regions of the RK, exporting supply of gas to China, ensuring the energy security of the Republic of Kazakhstan

The Project participants:

* the Agreement between the Government of the Republic of Kazakhstan and Government of People’s Republic of China  on cooperation in construction and operation of the Kazakhstan-China Gas Pipeline has been signed on August 18,2007
* On January 18, 2011 KazTransGas JSC (50%) and Trans-Asia Gas Pipeline Co Ltd (50%) established Beineu-Shymkent Gas Pipeline LLP (hereinafter - the Partnership)

**Resource base of the Project:**

Western and Aktyubinsk group of fields

Project realization place:

Mangistau, Aktyubinsk, Kyzylorda and South-Kazakhstan oblasts

**Technical parameters of the gas pipeline:**

|  |  |  |
| --- | --- | --- |
| **Title** | **UoM** | **Value** |
| Gas pipeline length | km | 1,454 |
| Diameter of laid pipes | mm | 1067 |
| Compressor stations | pcs. | 2 |
| Gas turbine units | pcs. | 8 |
| Shift Camps | pcs. | 5 |
| Emergency-response centers | pcs. | 4 |
| Designed pressure on Beineu-Bozoy section | MPa | 7.4 |
| Designed pressure on Bozoy -Shymkent section | MPa | 9.8 |

**On work performed with consumers of regulated services for 2016:**

**During the reporting period the Partnership has performed:**

* The conclusion of the contract for the transportation of gas via the main gas pipeline with a consumer of commercial gas, in accordance with the standard contract;
* Holding a hearing of the annual report on its activities for 2015, in accordance with sub-item 7-3) of Article 7 of the Law of the Republic of Kazakhstan "On Natural Monopolies and Regulated Markets" and the Rules for performance of the Annual Report on the Activity of the Natural Monopoly Entity on the Provision of Regulated Services (Goods, Works) toward consumers and other interested parties, approved by the Order of the Minister of National Economy of the Republic of Kazakhstan dated December 18, 2014 No. 150;
* Timely brining of information to the consumer on changes in the maximum level of the tariff;
* Complaints on the quality of the services provided for the transportation of gas via the main gas pipeline were not received from the consumer.

**Execution of the investment program for 2016:**

The investment program, taking into consideration the adjustments has been approved by the joint order of the Ministry of Energy of the Republic of Kazakhstan dated December 12, 2016 No. 530 and the Department of the Committee for Regulation of Natural Monopolies and Competition Protection of the Ministry of National Economy of the Republic of Kazakhstan on October 20, 2016 No. 189-OД.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No.** | **Item name** | **Approved investment program for 2016** | **Actual execution of the investment program for 2016** | **Deviation, in %** |
|  | **Total** | **74,899,913** | **73,576,594** | **98** |
| 1 | Construction of the linear part of the main pipeline at Beineu-Bozoy section (0-311 km) | 20,146,270 | 19,775,859 | 98 |
| 2 | Construction of Bozoy compressor station (5 GTUs with a unit capacity of 1020 kW) | 43,017,063 | 43,303,736 | 101 |
| 3 | Construction of emergency-response centers (Aksuat, Shornak, Saksaulsk, Karaozek) | 278,726 | 0 | 0 |
| 4 | Construction of shift camps (Aksuat, Shornak, Saksaulsk, Karaozek, Bozoy) | 1,563,217 | 2,882,793 | 184 |
| 5 | Implementation of telemetry and automation system of the commercial gas metering unit “SCADA” | 9,894,636 | 7,614,206 | 77 |

**Scopes of provided regulated services for 2016:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No.** | **Title** | **UoM** | **In the approved tariff estimate** | **Actual execution** |
| 1 | Scope of commercial gas transportation via the main gas pipeline | thous.m3 | 1,762,510 | 2,166,495 |
| 2 | Gas for own demands and losses | thous.m3 | 22,550 | 21,640 |

**Item-by-item execution of the tariff estimate for 2016:**

* From June 1, 2014 to February 29, 2016, the tariff was applied, approved in a simplified procedure in the amount of 11,765 KZT per thousand m3 excluding VAT.
* From March 1, 2016 the limit level of the tariff approved for 2015-2019 to the amount of 18,071 KZT per thous. m3 excluding VAT is applied.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No.** | **Title** | **UoM** | **Acting Tariff estimate** | **Actual execution** | **Deviation, in %** |
| I | Cost of production goods and services | thous. KZT | 12,841,273 | 12,282,283 | 96% |
| II | Costs for the period total: | thous. KZT | 1,362,789 | 1,782,086 | 131% |
| III. | Total expenses | thous. KZT | 14,204,062 | 14,064,370 | 99% |
| IV. | Profit | thous. KZT | 17,646,257 | 19,762,935 | 112% |
| V | Total incomes | thous. KZT | 31,850,318 | 9,931,814 | 31% |
| 23,895,491 | 75% |
| VI | Scope of provided services | thous.m3 | 1,762,510 | 844,183.077 | 48% |
| 1,322,311.47 | 75% |
| VIII | Tariff | KZT/thous. m3 | 18,071 | 11,765 | 65% |
| 18,071 | 100% |

**The main reasons for the deviation in the implementation of the tariff estimate:**

The total cost of provision of services in the Approved Tariff Estimate is - 14,204,062 thous. KZT excluding VAT, the actual performance is 14,064,370 thous. KZT excluding VAT or 99%, including:

* Costs for the production of goods and services: the plan for the Tariff estimate is 12,841,273 thous. KZT excluding VAT, the actual execution - 12,282,283 thous. KZT excluding VAT or 96%.
* Expenses of the period: the plan for the TE is 1,362,789 thous. KZTexcluding VAT, the actual execution is 1,782,086 thous. KZT excluding VAT or 131%.
* Savings of more than 5% are formed on items on the operation of the gas pipeline, business trip costs of production personnel and services of third party companies:
* The costs of the gas pipeline operation: the plan under the TE is 2,141,433 thous. KZT excluding VAT, the actual execution is 1,895,104 thous. KZT or 88%. The deviation is related to the transferring the commissioning of certain production facilities and the conclusion of contracts for smaller amounts;
* Business trip costs of production personnel: the plan under the TE – 5, 180 thous. KZT excluding VAT, actual execution – 4, 873 thous. KZT or 94%. The saving is due to the lower actual number of production personnel in comparison with the approved authorized body;
* Services of outside companies: the plan for the TE is 21,223 thous. KZT excluding VAT, the actual execution is 19,282 thous. KZT excluding VAT or 91 %. The deviation is due to the savings following the tenders results (maintenance of computer, server, telecommunication equipment).
* Over-expenditure of more than 5% was formed by salary and training of the staff:
* Salary: due to a large number of payments compared to the tariff estimate, which did not include premium payments, holiday bonuses, as well as material assistance for labor leave;
* Training of the staff: when approving the tariff estimate, the Authorized Body has excluded the training nor related to the production.

**Prospects of activity (development plan), possible change in the tariff for the service of transportation of commercial gas:**

* **Prospects of activity (development plan)**
* bringing the design throughput capacity of Beineu-Bozoy-Shymkent main gas pipeline up to 10 bln. m3 of gas per year as part of the implementation of the agreement between the Government of the Republic of Kazakhstan and the People's Republic of China on cooperation in the construction and operation of Kazakhstan-China Gas Pipeline dated August 18, 2007;
* ensuring reliable and safe transportation of commercial gas;
* ensuring the established level of transportation of commercial gas;
* to ensure the absence of accidents at the gas pipeline facilities, emergency situations that caused the suspension of the production and cause environmental damage;
* to increase the efficiency of the gas pipeline operation;
* to increase the efficiency of the use of energy resources (process gas, electricity, water, etc.);
* to ensure the maintenance of high labor productivity and advanced training of the staff.
* **Possible change in the tariff for a regulated gas transportation service**
* The Department of the Committee for Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of the Republic of Kazakhstan of Almaty approved the maximum level of tariff and the tariff estimates for a regulated service for transportation of commercial gas via the main gas pipeline for 2015-2019 to the amount of 18,071 KZT per 1000 m3 excluding VAT putting into effect from March 1, 2016.