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10 QUESTIONS A LAWYER ABOUT THE ELECTRICAL ENERGY MARKET

The electrical energy market is a socially significant sphere of the Kazakhstan economy, which is strictly regulated by legislation. The industry-specific law regulating the issues of production, transmission and consumption of electrical energy is the Law No. 588-II of the Republic of Kazakhstan "On Electrical Energy Industry" dated 9 July 2004 ("Electrical Energy Industry Law").

This article considers provisions of the current legislation in the sphere of electrical energy industry in the form of 10 questions and answers to them:

1. What is the electrical energy market?
2. Specifics of the wholesale electrical energy market.
3. Specifics of the retail electrical energy market.
4. What is the balancing electrical energy market.
5. How is the state control in the sphere of electrical energy industry exercised?
6. Who is the system operator, and what powers does the system operator have?
7. What authorized agency is the single purchaser?
8. Specifics of contracts on the electrical energy markets.
9. Are there any payment mechanisms on the electrical energy markets that are inherent in foreign jurisdictions?
10. Rights and obligations of the electrical energy consumers.

1. What is the electrical energy market?

Electrical supply is implemented in Kazakhstan under conditions of functioning of the electrical energy markets, and the electrical energy is the goods on the market. The electrical energy market is the aggregate of mutual relationships in connection with the sale and purchase of electrical energy. The Kazakhstan electrical energy market consists of two levels: wholesale and retail.

2. Specifics of the wholesale electrical energy market

Recognized as the wholesale electrical energy market is the aggregate of relationships in connection with the sale and purchase of the planned volumes of electrical energy under the electrical energy sale and purchase agreements between the entities active on the wholesale electrical energy market.

The wholesale market entities are

- 1) energy producing organizations;
- 2) energy transmission organizations;

- 3) energy supply organizations;
- 4) energy producing organizations using (i) renewable energy sources (**RES**), (ii) secondary energy resources, (iii) waste-to-energy recovery;
- 5) consumers of electrical energy;
- 6) digital miners;
- 7) administrators of hybrid groups included in the list of entities of the wholesale electrical energy market formed by the system operator;
- 8) system operator;
- 9) operator of the centralized trading market, and
- 10) single purchaser of electrical energy.

The wholesale electrical energy market is composed of:

- wholesale electrical energy market connected with the sale and purchase of the planned volumes of electrical energy,
- balancing electrical energy market in the real-time mode functioning for the purpose of physical and subsequent financial settlement of hourly imbalances originating within an operating day between the actual and planned volumes of electrical energy,
- market of system and ancillary services provided by both the entities of the wholesale electrical energy market of ancillary services and the system operator in order to ensure reliable operation of the integrated power grid and quality of electrical energy established by national standards; and
- electric capacity market.

The electric capacity market is created to attract investments to support the existing and put into operation the new electric capacities in the integrated power grid of the Republic of Kazakhstan in order to satisfy the demand for electric capacity.

A daily schedule is used in the course of activities of the wholesale electrical energy market. The daily schedule of production and consumption of electrical energy is a document approved by the system operator (*KEGOC JSC; for details, please see our answer to question 6*) regulating the hourly figures of production and consumption of electrical energy for each calendar day in accordance with the electrical energy sale and purchase agreements entered into by the wholesale market participants. The law-maker obligates regional power grid companies to ensure observation of the daily schedules by all subjects of the wholesale and retail markets connected to the grid.

3. Specifics of retail electrical energy market

The retail electrical energy market is a system of mutual relationships on the basis of electrical energy supply agreements between the energy supply organizations and retail market entities.

Entities of the retail electrical energy market are energy transmission organizations not included in the list of entities of the wholesale electrical energy market and consumers of electrical energy. Consumers are individuals and legal entities consuming electrical energy in the basis of contracts.

As of 10 November 2025, 476 entities are included in the list of entities of the wholesale market formed by the system operator ([list of the wholesale market entities](#)).

4. What is the balancing electrical energy market?

The balancing electrical energy market is a system of mutual relationships between the entities of the wholesale electrical energy market and the processing center of the balancing market (KOEEMC JSC (Kazakhstan Operator of the Electrical Energy Market and Capacity)) for the purpose of physical regulation of electrical energy imbalances in the integrated power grid by way of sale and purchase of the balancing electrical energy and negative imbalances.

The balancing electrical energy market functions for the purpose of ensuring financial settlement of imbalances, stimulating the entities of the balancing electrical energy market to participate in the settlement of imbalances, as well as ensuring of targeted allocation of payment for imbalances in the integrated power grid of Kazakhstan.

The balancing electrical energy and negative imbalances are sold and purchased on the balancing electrical energy market under the sale and purchase agreements entered into in accordance with the model form approved by the Ministry of Energy of Kazakhstan ([model form](#)).

The balancing market entities must enter into the sale and purchase agreements with the processing center of the balancing market, including the accession agreement, in accordance with the model form approved by the Ministry of Energy of Kazakhstan ([model form](#)). Volumes of the sale and purchase with the processing center are calculated separately for each balancing zone. Entities of the balancing market sell the balancing electrical energy only to the processing center, which subsequently reallocates the surpluses (negative imbalances) by further sale to other balancing market entities.

5. How is the state control in the sphere of electrical energy industry exercised?

State control in the sphere of electrical energy industry ("**State Control**") is exercised by a governmental authority for the state energy supervision and control ("**Controlling Authority**") in the form of remote control and inspection in accordance with the Electrical Energy Industry Law, as well as in the form of investigation in accordance with the Entrepreneurial Code of Kazakhstan and the Electrical Energy Industry Law as to compliance of activities carried out by the entities (objects) under control with requirements of the Kazakhstan legislation in the sphere of electrical energy industry.

The Controlling Authority is the Committee of Atomic and Energy Supervision and Control of the Ministry of Energy of Kazakhstan ([website of the Controlling Authority](#)).

State Control is exercised by the Controlling Authority in the form of an unscheduled inspection, preventive control with on-site visits to the entity/object under control in the sphere of electrical energy industry in accordance with the Entrepreneurial Code of Kazakhstan.

Subjects and objects under control are individuals or legal entities that have power engineering equipment, energy producing organizations (except for energy producing organizations using RES), energy transmission organizations, and system operator.

State Control

The Controlling Authority exercises State Control as to:

- compliance with legislation requirements in the sphere of electrical energy industry, including compliance with technical and technological norms in the course of operation of power engineering equipment;
- compliance with requirements to safe operation of power engineering equipment, power plants, power grids, consumer's electric units;

- reliability and safety of production, transmission, supply, and consumption of electrical energy;
- non-admission or suspension of employees from work at electric plants who failed to undergo the assessment of knowledge with respect to operating and maintenance rules and occupational safety rules; and
- preparation and performance of repair and renewal operations performed by energy producing organizations (except for energy producing organizations using RES), energy transmission organizations, and system operator, including during autumn and winter periods.

Preventive control without on-site visits to the subject/object under control in the sphere of electrical energy industry

Preventive control without on-site visits to the subjects/objects under control is exercised no more than twice a year with respect to energy producing organizations using RES, energy supply organizations and consumers in order to ensure safe, reliable and stable functioning of the electrical energy complex of Kazakhstan.

Preventive control without on-site visits to the subjects (objects) under control is exercised by way of analysis of:

- information and monthly reporting submitted by energy producing organizations using RES in accordance with legislation requirements in the sphere of electrical energy industry;
- information obtained upon a request from the Controlling Authority on the issues of compliance with legislation in the sphere of electrical energy industry within its competence – in case of receiving information regarding a violation; and
- documents and materials obtained when participating in the work of commissions of electrical energy enterprises on assessment of readiness of facilities and equipment to the autumn and winter periods.

In case of detecting any violations following the outcome of preventive control, the Controlling Authority executes and sends recommendations within 5 business days of the date of detecting the violations on elimination of such violations.

The recommendations to eliminate violations must be served to the inspected entity against a personal signature or by any other means confirming the facts of sending and receiving (post, email). The subject under control that received recommendations on elimination of violations must submit the plan of measures on elimination of the detected violations, specifying the exact terms of elimination, within 10 business days of the date following the date of serving the recommendations. In case of disagreement with violations, the subject under control may send objections to the authority sending the recommendations on elimination of violations within five business days of the date following the date of serving recommendations on elimination of violations.

Remote control

Remote control is exercised by the Controlling Authority on a permanent basis by analyzing the subjects and objects under control as to detection of violations, which have impact on safety, reliability and quality of production, transmission, supply and consumption of electrical energy.

In case of detecting violations following the outcome of remote control, the Controlling Authority makes and sends an opinion to the subject/object under control on the results of remote control within 5 business days of the date of detecting violations. The opinion is made in 2 copies, one of which is sent to the subject/object under control, and the other is kept by the Controlling Authority.

The subject under control that received an opinion on the results of remote control must submit a plan of measures to the Controlling Authority within 10 business days of the date following the date of serving, which plan must contain measures on elimination of the detected violations, specifying the exact terms required for elimination. In case of disagreement with violations, the subject under control may send objections to the authority exercising remote control within 5 business days of the date following the date of serving the opinion on the results of remote control.

6. Who is the system operator, and what powers does the system operator have?

The system operator is KEGOC (Kazakhstan Electricity Grid Operating Company) JSC.

The system operator has certain powers secured by legislation, among which it is worth mentioning as follows:

- 1) provides a system service on transmission of electrical energy via the national power grid;
- 2) ensures reliable work of the integrated power grid;
- 3) provides system services on regulation of electric capacity;
- 4) organizes functioning of the balancing electrical energy market in the real-time mode and the market of system and ancillary services, and other.

The system operator also ensures centralized operational-dispatching management of the integrated power grid of Kazakhstan.

7. What authorized agency is the single purchaser?

The single purchaser carrying out centralized purchase of the service on support of readiness of electric capacity and the service on ensuring of readiness of electric capacity for the load bearing operations is Financial Settlement Center for Renewable Energy Sources LLP ([website of the single purchaser](#)).

Among other things, in the course of its activities, the single purchaser:

- 1) enters into model agreements with the electrical energy market entities;
- 2) ensures readiness of electric capacity for the planned load bearing operations in accordance with the agreements entered into with the electrical energy market entities; and
- 3) forms and posts on its website the list of agreements entered into with the electrical energy market entities.

8. Specifics of contracts on the electrical energy markets

Sale and purchase of electrical energy, balancing electrical energy and negative imbalances, mutual offsetting on the balancing market, provision of services involving transmission of electrical energy, organization and holding of auction selling are carried out on the basis of agreements entered into in accordance with the Civil Code of Kazakhstan, Electrical Energy Industry Law, and other regulatory legal acts of Kazakhstan.

The agreements on sale and purchase of electrical energy must contain:

- daily consumption schedule;
- procedure for electric capacity redundancy by energy producing organizations.

Electrical energy is sold and purchased on the retail market on the basis of public energy supply agreements entered into by consumers with the energy supply organizations.

The energy supply organizations enter into model energy supply agreements with respect to the following groups of consumers (1) household consumers, (2) consumers using electrical energy not for domestic needs, and (3) legal entities financed out of the state budget.

The agreements on the retail market must contain equal conditions for all participants of the retail market.

9. Are there any payment mechanisms on the electrical energy markets that are inherent in foreign jurisdictions?

The Kazakhstan legislation in the sphere of electrical energy industry does not regulate different payment mechanisms that are inherent in foreign jurisdictions, including the capacity payment or take or pay, which is often used in English law. The current legislation of Kazakhstan does not contain any similar mechanisms of payment for services on the electrical energy market.

At the same time, it is worth pointing out that there is no legislative prohibition on the use of such payment mechanisms; however, lack of regulation of this issue may give rise to practical difficulties with their implementation and potential enforcement in connection with unawareness of the Kazakhstan courts of such payment methods and absence of express legislative regulation.

10. Rights and obligations of the electrical energy consumers

Consumers are individuals and legal entities purchasing electrical energy on the basis of an agreement. The electrical energy consumers are entitled to:

- 1) receive electrical energy in accordance with the executed agreements;
- 2) claim for compensation of real damages by energy producing, energy transmission and energy supply organizations caused by a failure to supply or supply of electrical energy of poor quality, in accordance with the conditions of executed agreements;
- 3) apply to court for resolution of disputable issues relating to entering into and performance of agreements; and
- 4) pay for the consumed electrical energy at the differentiated tariff accounting systems in accordance with the procedure established by legislation.

According to the regulatory legal acts of Kazakhstan in the sphere of electrical energy industry, the electrical energy consumers must:

- 1) maintain proper technical condition of electrical and energy installations and commercial accounting devices owned by consumers, fulfil requirements to their technical condition;
- 2) comply with the energy consumption regimes determined by the electrical energy sale and purchase agreement;
- 3) fulfil regulatory requirements aimed at maintenance of standard frequency of electrical energy in the integrated power grid of Kazakhstan;
- 4) timely pay for the allocated, transmitted and consumed electrical energy in accordance with the executed agreements;
- 5) grant access to the employees of energy supply and energy transmission organizations to the commercial accounting devices, as well as the employees of the agency for the state energy supervision and control, authorized representatives of local executive authorities to exercise control over technical condition and safe operation of electrical and energy installations.