

CTF Private Sector Project

EBRD Kazakhstan District Heating Modernisation Framework

Additional questions from Germany 18 January 2011

- 1) We were pleased to see that EBRD fully supports our point about behavioral change. We would be interested to learn how EBRD intends to actually achieve this change? Without introducing meters the change might only be - if at all - a temporary and not sustainable one. Also, we would very much appreciate a commitment to introduce sub-component "(v) introduction of meters and improved control equipment allowing for institutional improvements and regulatory reforms" through all partner organisations. Should EBRD intend to start implementation without metering we would be interested in learning about concrete ideas for consumption-based tariffs and how EBRD intends to implement these.

EBRD answer:

Companies have an on-going metering programme with the objective of achieving a 100% meter-based billing by 2020. Unfortunately the individual district heating companies currently lack direct powers to force metering of existing customers but they have right to conclude individual supply agreements with new customers and in that context have the ability not to connect these customers without meters, particularly in the non-residential segment. An accelerated full roll-out of metering, covering the existing customer base, would depend on regulatory action. This is something that we will cover in the technical assistance programme.

Nevertheless, even without metering we estimate that direct energy savings (technical and non-technical) correspond to 15-20 per cent to be realised from the reduction of losses and reduced over-heating and behavioural changes following the installation of equipment allowing customers increased control over the amount of heat supplied. In addition, the expected energy savings from additional investments that the end-consumers will be incentivised to undertake (due to the installation of individual heating substations and eventually meters) could represent another 6-8 per cent. This means that in our estimation at least 2/3rds of the possible savings can be generated by the planned investments. It also needs to be pointed out that at present no financing facilities exist in Kazakhstan that would enable e.g. housing associations or individual customers to access credit to undertake actions to improve the efficiency of the building fabric. EBRD is considering what could be done in this regard, but legislative changes are going to be required, and these will take time.

- 2) Concerning non-technical losses: we are not fully with you in understanding how EBRD intends to tackle non-technical losses. The potential for energy savings would possibly be enormous. Could you please expand on your explanation.

EBRD answer:

We will tackle non-technical losses through a combination of investment and technical assistance:

a) Investment:

Introduction of individual substations is a crucial step for the modernisation strategy of the entire DH system and a very important step forward towards a complete redesign from production- to consumer controlled heat supply. By providing proper incentives for the end-consumers to save energy the installation of the substations enables and enhances incentives for the further modernisation of buildings through additional energy efficiency measures such as thermostatic

valves, replacement/weather stripping of windows and doors, roof and cold attic insulation, etc.

b) Technical Assistance

Regarding the benefits of heat demand investments, the projects will include training for the end-users and a general awareness campaign raising on the potential for further EE investments in the apartments/buildings, where this can be agreed with the district heating company and the municipality. Such a campaign would need to be organized by the district heating company with support of the local Housing Service Companies and expertise from the EBRD. The campaign would include the production and distribution of educational leaflets and other material, which would be followed up by presentations to the customers.