**Rationale for the report on the activities of the NC KTZ JSC on services to provide access roads and services for the transmission of electric energy**

 **in 1st half of 2023**

**ACCESS ROAD SERVICES**

Access road services include:

- Service-1 - for the passage of rolling stock.

- Service-2- for shunting, loading unloading, as well as for parking of rolling stock, not provided for by technological operations of the transportation process.

The balance of the branches of the Company includes 170 units of access roads with a total length of 86.3 km.

In the 1st half of 2023, 360 consumers used services of access roads.

By order of the Committee for Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of the Republic of Kazakhstan dated August 31, 2022 No. 131-OD, tariff estimates and limit levels of tariffs for services of access roads for 2021-2025 were approved.

The approved tariffs for 2022 are:

- for Service -1 – 142.83 tenge / wagon-km;

- for Service - 2 – 47.67 tenge / wagon-hour.

**SERVICE-1**

**The costs of providing Service-1** With the annual plan of 28,635 thousand tenge, the actual costs for the 1st half of 2023 amounted to 16,885 thousand tenge.

Of these, **production costs** for 6 months amounted to 15,210 thousand tenge, including the cost elements:

- **“Materials”:** With the annual plan of 9,824 thousand tenge, the execution amounted to 3,658 thousand tenge. Planned indicators will be achieved by the end of this year according to the schedule of track works on laying materials of the upper structure of the track for the current maintance of the access roads.

- **"Salary":** With the annual plan of 8,528 thousand tenge, the execution for the 1st half of 2023 amounted to 5,639 thousand tenge or 66%.

- **"Social tax":** With the annual plan of 1,047 thousand tenge, the execution for 6 months amounted to 1,363 thousand tenge, an increase of 316 thousand tenge or 30%, due to an increase in salary expenses and an increase in the actual percentage of social tax for enterprises located in the territory of the Russian Federation *(social tax in the Russian Federation is calculated at the rate of 30.4%, in the approved tariff estimate the rate 11% is provided)*.

**- CSHI** (Compulsory social health insurance): With an annual plan of 62 thousand tenge in accordance with the increase in wage costs.

- **"Depreciation of fixed assets":** With an annual plan of 6,491 thousand tenge, the execution for 6 months amounted to 4,487 thousand tenge or 69%.

- **"Other expenses»:** The annual plan is 23 thousand tenge. The execution is expected before the end of this year.

**Period costs.** With the annual plan of 2,614 thousand tenge, the execution for 6 months amounted to 1,676 thousand tenge or 64%.

**Income from the provision of Service-1.** With the annual plan of 31,450 thousand tenge, actually formed in the amount of 8,167 thousand tenge due to a decrease in volumes.

**The volume of services rendered.** With the annual plan of 198.7 thousand wagon-km, it actually amounted to 57.2 thousand wagon-km or 29% due to a decrease in the volume of services provided for the passage of rolling stock on the access road.

*For reference:*

*1. due to a decrease in the number of consumers of services and a decrease in the volume of branch users due to the temporary suspension of the activities of some consumers.*

*2. NZHS-1 reduction in the use of tracks for their own needs by rail welding enterprises (RSP-1) due to a decrease in the supply of old-year rails, the supply of rails has also been reduced due to the absence of an ARVZ at the plant;*

*3. NZHS-8 reduction in the volume of travel (turnover) of the rail train from the Aktobe Rail-block Plant LLP according to the RSP-2 Lugovaya station.*

*In general, according to the results of the 1st half of 2023, the loss amounted to 8,718 thousand tenge.*

**SERVICE-2**

**The costs of providing Service-2** With the annual plan of 26,432 thousand tenge, the actual costs for 6 months amounted to 15,587 thousand tenge.

Of these, **production costs** for 6 months amounted to 14,040 thousand tenge. In including the cost elements:

- **“Materials”:** With the annual plan of 9,068 thousand tenge, the execution for 6 months amounted to 3,377 thousand tenge. Planned indicators will be achieved by the end of this year according to the schedule of track works on laying materials of the upper structure of the track for the current maintenance of the access roads.

- **"Salary":** With the annual plan of 7,872 thousand tenge, the execution for 6 months amounted to 5,205 thousand tenge or 66%.

- **"Social tax":** With the annual plan of 966 thousand tenge, the execution for 6 months amounted to 1,258 thousand tenge an increase of 292 thousand tenge or 30% due to an increase in salary expenses and an increase in the actual percentage of social tax for enterprises located in the territory of the Russian Federation (social tax in the Russian Federation is calculated at a rate of 30.4%, the approved tariff estimate provides for 11%).

**- “CSHI”** (Compulsory social health insurance): With the annual plan of 101 thousand tenge, the execution for 6 months amounted to 57 thousand tenge.

- **"Depreciation of fixed assets":** With the annual plan of 5,991 thousand tenge, the execution for 6 months amounted to 4,142 thousand tenge or 69%.

- **"Other expenses»:** The annual plan is 21 thousand tenge. The execution is expected before the end of this year.

**Period costs.** With the annual plan of 2,413 thousand tenge, the execution for 6 months amounted to 1,547 thousand tenge or 64%.

**Income from the provision of Service-2.** With the annual plan of 29,031 thousand tenge, actually formed in the amount of 14,942 thousand tenge.

**The volume of services rendered.** With the annual plan of 550 thousand wagon-hours, actually amounted to 313 thousand wagon-hours.

*(For reference: due to the use of tracks for their own needs by rail welding enterprises (RSP-2)).*

**On the implementation of the investment program**

The 2023 plan provides for an enhanced medium repair of the track along the Oskemen station access road No.53, Semey station access roads No.142,44,146, Shar station access road No.18, Ayagoz station access road 129A, Shieli station access roads No.19,20 in the amount of 23,380 thousand tenge. The execution is planned for the second half of 2023, according to the schedule of enhanced medium repairs.

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**ELECTRIC POWER TRANSMISSION SERVICES**

7,031 units of switchgears, transformer substations (TS) and complete transformer substations (CTS) are operated to provide services. Of these, switchgears are 2,449 units, TS and CTS - 4,582 units.

The balance sheet of the Company's branches includes power grid facilities of power transmission lines with a length of 12,314.8 km, the installed capacity of TS and CTS is 1,164.6 thousand kW.

In the 1st half of 2023, 661 consumers used electric power transmission services.

Based on the order of the Committee for Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan dated September 23, 2021 No. 101-OD, amendments were made to the order dated November 24, 2020 No. 68-OD and tariffs for electric power transmission services for 2021-2025 were approved. The approved tariff for 2023 is **2.18 tenge/kWh**.

**The costs of providing electric power transmission services.** In the approved tariff estimate with the annual plan of 2,478,903 thousand tenge, the execution amounted to 1,818,200 thousand tenge.

**Of these, production costs** actually amounted to 1,816,024 thousand tenge.

**- "Materials".** With the annual plan of 21,826 thousand tenge, the execution amounted to 10,847 thousand tenge or 50%. The execution is expected before the end of this year.

**- "Fuel".** With the annual plan of 15,150 thousand tenge, the execution was 7,396 thousand tenge or 49%. The execution is expected before the end of this year.

- **“Electricity”** With the annual plan of 1,834,768 thousand tenge, the execution amounted to 1,306.977 thousand tenge or 71%.

The main reason for the increase in electricity costs is associated with an increase in the cost of electricity for the purchase of standard technical losses.

**- "Labor costs"**

With the annual plan of expenses on the wage fund in the amount of 507,138 thousand tenge, the execution amounted to 408/749 thousand tenge or 81%.

The tariff estimate does not provide for the costs of paying surcharges and allowances included in the permanent part of the salary.

 With the plan of expenses for social tax in the amount of 43,360 thousand tenge, the execution amounted to 38,784 thousand tenge, what is associated with the increase of the wage fund. With the plan of 15,214 thousand tenge the execution of CSHI (Compulsory social health insurance) in the amount of 3% of salary was 12,238 thousand tenge.

 **- "Depreciation of fixed assets".** With the annual plan of 37,392 thousand tenge, the actual execution amounted to 29,690 thousand tenge.

**- "Payment for works and services"** With the annual plan of 1,903 thousand tenge, the execution was 1,076 thousand tenge or 79%.

**The costs of the period** are fulfilled by 105%.

**Income from the provision of services for the transmission of electric energy.** Under the annual plan of 2,209,376 thousand tenge actually formed in the amount of 1,176,953 thousand tenge or 53%.

**The volume of services provided.** With the plan of 1,018,208 thousand kW/h, the actual volume amounted to 562,990 thousand kW/h or 50%.

*According to the results of work for the 1st half of 2023, a loss in the amount of 589,914 thousand tenge was received.*

 **On the implementation of the investment program**

The total investment in 2023 is 37,367 thousand tenge. For the first half of the year, the execution amounted to 16,722 thousand tenge. Execution is expected in the second half of the year according to the delivery schedule.

**Working with service consumers in the 1st half of 2023**

**On access roads:**

To improve the quality of the services provided and to ensure efficient work with consumers of services, the Company carried out work to accelerate the registration procedure, i.e. the principle of one window (acceptance of an application, drawing up a list of submission and cleaning of wagons, issuance of a signed contract, settlement (taxation of services), as well as acceptance of payment for services).

**Electricity transmission:**

To improve the quality of services provided and increase the reliability of power supply to consumers of services, the Company on an ongoing basis carries out organizational and technical measures:

- carrying out measurements of the load along the lines of 0.4 kV and ensuring uniform phase-by-phase distribution of the load of the lines ;

- the use of switchgears with vacuum circuit breakers, modern protections and automation devices that increase the reliability of power supply by selectively disconnecting the damaged section of the line and automatically turning on the reserve or automatically re-activating the section of the line with unstable short-term damage to the line;

**Current and future challenges**

Moving on to current and future tasks, it should be noted that the priority tasks for the provision of access road services and the transmission of electrical energy are:

- implementation of the planned investment programs of the Company;

- modernization of power supply devices;

- increasing the reliability of the Company's distribution networks;

- further implementation of measures for the current maintenance of access roads, to increase the level of train traffic safety;

- ensuring quality provision of regulated services.