**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 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 2023, 470 consumers used access roads.

By order of the Committee for the Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan dated August 31, 2022 No. 131-OD, from October 1, 2022 to September 30, 2023, temporary compensating tariffs for services for the provision of access roads in the absence of a competitive access route were approved.

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

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

By order of the Committee for Regulation of Natural Monopolies of National Economy of the Republic of Kazakhstan dated September 15, 2023 No.127-OD, tariffs and estimates of the joint–stock company "National Company "Kazakhstan Temir Zholy" for services of access roads in the absence of a competitive access road (hereinafter - Service -1, Service -2) for 2021-2025 were approved.

- for Service -1 – 192.90 tenge / wagon-km;

- for Service - 2 – 64.42 tenge / wagon-hour.

By Order of the Committee for Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan dated September 21, 2023 No.129-OD from November 1, 2023 to October 1, 2024, temporary compensating tariffs for regulated services were approved and are:

- for Service -1 – 150.78 tenge / wagon-km;

- for Service - 2 – 50.36 tenge / wagon-hour.

**SERVICE-1**

**The costs of providing Service-1** With the plan of 36,680 thousand tenge, the actual costs amounted to 43,711 thousand tenge, which means an increase of 7,031 thousand tenge or 19%.

Of these, **production costs** amounted to 40,385 thousand tenge, which is 6,319 thousand tenge or 19% higher than the plan. In including the cost elements:

- **“Materials”**  With the plan of 9,824 thousand tenge, the execution amounted to 10,993 thousand tenge, which means a decrease of 1,169 thousand tenge due to rising prices for materials.

- **"Salary"** With a plan of 15,371 thousand tenge, execution amounted to 16,728 thousand tenge or 109%, an increase of 1,357 thousand tenge, due to an increase in wages for production personnel.

- **"Social tax"** With a plan of 2,102 thousand tenge, execution amounted to 3,393 thousand tenge, an increase of 1,291 thousand tenge, in accordance with the wage fund.

- **"MSHI (Mandatory social health insurance)"** With the plan of 256 thousand tenge, the execution amounted to 306 thousand tenge, an increase of 50 thousand tenge, in accordance with the wage fund.

 - **"Depreciation of fixed assets"** With the plan of 6,491 thousand tenge, the execution amounted to 8,943 thousand tenge or 138%, which is 2,452 thousand tenge higher than the plan as well as due to the overhaul of the track for the investment program.

- **"Other expenses»** With the plan of 23 thousand tenge, the execution of 22 thousand tenge or 97%.

**Period costs** With the plan of 2,614 thousand tenge, the execution amounted to 3,326 thousand tenge or 127% due to a decrease in property tax expenses by 712 thousand tenge due to an increase in the costs of property taxes subject to taxation.

**Income from the provision of Service-1** With the plan of 38,338 thousand tenge, actually formed in the amount of 20,501 thousand tenge, which means a decrease of 17,837 thousand tenge or 47%, due to a decrease in volumes.

**The volume of services rendered** With the plan of 198,7 thousand wagon-km, it actually amounted to 138 thousand wagon-km, which means a decrease of 60,7 thousand wagon-km or 31%, mainly due to a decrease in volumes due to the temporary suspension of the activities of some consumers.

In general, at the end of 2023, the loss amounted to 23,209 thousand tenge.

**SERVICE-2**

**The costs of providing Service-2** With the plan of 33,858 thousand tenge, the actual costs amounted to 40,348 thousand tenge, which means an increase of 6,490 thousand tenge or 19%.

Of these, **production costs** amounted to 37,278 thousand tenge, which is 5,832 thousand tenge or 19% higher than the plan. In including the cost elements:

- **“Materials”** With the plan of 9,068 thousand tenge, the execution amounted to 10,147 thousand tenge, which means an increase of 1,079 thousand tenge due to an increase in the price of track superstructure materials.

- **"Salary"** With the plan of 14,189 thousand tenge, the execution amounted to 15,441 thousand tenge which means an increase in the amount of 1,252 thousand tenge, due to an increase in wages for production personnel during 2023.

- **"Social tax"** With the plan of 1,940 thousand tenge, the execution amounted to 3,132 thousand tenge, which means an increase of 1,192 thousand tenge in accordance with the wage fund.

- **"MSHI (Mandatory social health insurance)"** With the plan of 236 thousand tenge, the execution amounted to 282 thousand tenge, which means an increase of 46 thousand tenge in accordance with the wage fund.

- **"Depreciation of fixed assets"** With the plan of 5,991 thousand tenge, the execution amounted to 8,255 thousand tenge or 138%, which is 2,264 thousand tenge higher than the plan due to the overhaul of the track under the investment program.

- **"Other expenses»** With the plan of 21 thousand tenge, the execution amounted to 20 thousand tenge or 97%.

**Period costs** With the plan of 2,413 thousand tenge, the execution amounted to 3,070 thousand tenge or 122% which is 657 thousand tenge higher than the plan due to an increase in property tax expenses.

**Income from the provision of Service-2** With the plan of 35,408 thousand tenge, actually formed in the amount of 33,426 thousand tenge, which means an decrease of 807 thousand tenge or by 6%.

**The volume of services rendered** With the plan of 550 thousand wagon-hours actually formed in the amount of 669 thousand wagon-hours, which means an increase of 119 thousand wagon-hours or 22%.

In general, at the end of 2023, the loss amounted to 6,922 thousand tenge.

**On the implementation of the investment program**

The actual execution for the purchase of small-scale mechanization equipment amounted to 17,964 thousand tenge.

**ELECTRIC POWER TRANSMISSION SERVICES**

To provide services, 7,031 units of switchgears, transformer substations (TS) and complete transformer substations (CTS) are operated. Of these, switchgears - 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 2023, 695 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 June 26, 2023 No.88-OD, amendments were made to the order of the Committee for Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan dated November 24, 2020 No.68-OD and tariffs for electric energy transmission services for 2021-2025 were approved. The tariff for 2023:

 from January 1 – 2.18 tenge/kWh;

 from July 1 - 2.43 tenge/kWh.

**The costs of providing electric power transmission services** In the approved tariff estimate with the plan of 2,478,903 thousand tenge the execution amounted to 3,496,017 thousand tenge, which means an increase of 1,017,114 thousand tenge or 41%.

**Of these, production costs** with the plan of 2,476,827 thousand tenge actually amounted to 3,492,754 thousand tenge, which means an increase of 1,015,927 thousand tenge or 41%.

**- "Materials"** With the plan of 21,826 thousand tenge the execution amounted to 25,125 thousand tenge, which means an increase of 3,299 thousand tenge due to an increase in the price of materials.

**- "Fuel"** With the plan of 15,150 thousand tenge execution amounted to 15,337 thousand tenge.

- **“Electricity”** With the plan of 1,834,768 thousand tenge, the execution amounted to 2,483,046 thousand tenge, which means an increase of 648,279 thousand tenge or 35%.

The increase in costs for the purchase of standard technical losses is associated with an increase in marginal tariffs for electrical energy from energy producing and energy transmission organizations throughout the year.

**- "Labor costs"**

With the plan of expenses on the wage fund in the amount of 507,138 thousand tenge, the execution amounted to 802,706 thousand tenge, which is 341,019 thousand tenge higher than the plan due to an increase in wages for production personnel during 2023.

With the plan of expenses for social tax in the amount of 43,360 thousand tenge, the execution amounted to 79,944 thousand tenge, which means an increase in expenses of 36,584 thousand tenge or 84%, due to the payment of MSHI (mandatory social health insurance) in the amount of 3% in accordance with the increase in the wage fund.

 **- "Depreciation of fixed assets".** With the plan of 37,392 thousand tenge, the actual execution amounted to 60,200 thousand tenge.

Depreciation charges were higher than planned in the amount of 22,808 thousand tenge according to the list of fixed assets involved in the provision of electric energy transmission services.

 **"Payment for works and services"** With the plan of 1,979 thousand tenge, the execution was 2,314 thousand tenge which is 17% higher than the plan due to an increase in utility costs due to rising tariffs.

**The costs of the period** With a plan of 2,076 thousand tenge, the execution amounted to 3,263 tenge, which means an increase of 1,187 thousand tenge due to an increase in property tax expenses subject to tax.

**Income from the provision of services for the transmission of electric energy** Under the plan of 2,478,903 thousand tenge actually formed in the amount of 2,499,774 thousand tenge.

**The volume of services provided.** With the plan of 1,018,208 thousand kW/h, the actual volume amounted to 1,086,559 thousand kW/h.

According to the results of work for 2023, a loss in the amount of 996,242 thousand tenge was received.

**On the implementation of the investment program**

According to the approved investment program for this service with a plan of 37,367 thousand tenge, the actual execution amounted to 68,882 thousand tenge, which is 31,515 thousand tenge higher than the plan.

As part of the implementation of the investment program, the re-development is associated with the additional purchase of transformers to ensure the required level of reliability within the actual amount of depreciation.

**Working with service consumers in 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).

In addition, in order to improve the efficiency of dispatch and acceptance of goods of service consumers, an automated operational calculation was introduced for all branches of the backbone network.

**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;

- reduction of general wear of access roads;

- 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.