**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 2022**

**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 2022, 347 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 November 19, 2020 No. 65-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 – 152.99 tenge / wagon-km;

- for Service - 2 – 51.06 tenge / wagon-hour.

**SERVICE-1**

**The costs of providing Service-1** With the annual plan of 27,639 thousand tenge, the actual costs of 2022 amounted to 12,463 thousand tenge.

Of these, **production costs** for 6 months amounted to 10,911 thousand tenge, including the cost elements:

- **“Materials”:** With the annual plan of 9,446 thousand tenge, the execution amounted to 1,164 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 8,200 thousand tenge, the execution for the 1st half of 2022 amounted to 4,362 thousand tenge or 53%.

- **"Social tax":** With the annual plan of 1,006 thousand tenge, the execution for 6 months amounted to 247 thousand tenge or 25%.

**- CSHI** (Compulsory social health insurance): With an annual plan of 105 thousand tenge, the execution for 6 months amounted to 131 thousand tenge.

- **"Depreciation of fixed assets":** With an annual plan of 6,347 thousand tenge, the execution for 6 months amounted to 4,002 thousand tenge or 63%.

- **"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 2,513 thousand tenge, the execution for 6 months amounted to 1,552 thousand tenge or 62%.

**Income from the provision of Service-1.** With the annual plan of 30,406 thousand tenge, actually formed in the amount of 11,410 thousand tenge for 6 months 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 74,5 thousand wagon-km or 38% due to a decrease in the volume of services provided for the passage of rolling stock on the access road.

In general, at the end of the 1st half of 2022 the loss amounted to 1,054 thousand tenge.

**SERVICE-2**

**The costs of providing Service-2** With the annual plan of 25,513 thousand tenge, the actual costs for 6 months amounted to 11,505 thousand tenge.

Of these, **production costs** for 6 months amounted to 10,072 thousand tenge. In including the cost elements:

- **“Materials”:** With the annual plan of 8,719 thousand tenge, the execution for 6 months amounted to 1,074 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 7,569 thousand tenge, the execution for 6 months amounted to 4,026 thousand tenge or 53%.

- **"Social tax":** With the annual plan of 928 thousand tenge, the execution for 6 months amounted to 1,157 thousand tenge or 25%.

**- “CSHI”** (Compulsory social health insurance): With the annual plan of 97 thousand tenge, the execution for 6 months amounted to 121 thousand tenge.

- **"Depreciation of fixed assets":** With the annual plan of 5,859 thousand tenge, the execution for 6 months amounted to 3,694 thousand tenge or 63%.

- **"Other expenses»:** The annual plan is 20 thousand tenge. The execution is expected before the end of this year.

**Period costs.** With the annual plan of 2,320 thousand tenge, the execution for 6 months amounted to 1,433 thousand tenge or 62%.

**Income from the provision of Service-2.** With the annual plan of 28,067 thousand tenge, actually formed in the amount of 21,011 thousand tenge.

**The volume of services rendered.** With the annual plan of 550 thousand wagon-hours, actually amounted to 412 thousand wagon-hours.

**On the implementation of the investment program**

The 2022 plan provides for an enhanced medium repair of the track along the station Kurort-Borovoe RSP-1, access road No.4 and station Novoishimka, access road No. 22T, 25T, 24T in the amount of 17,527 thousand tenge. The execution is planned for the second half of 2022, 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 2022, 676 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 2022 is 2.17 tenge/kWh.

**The costs of providing electric power transmission services.** In the approved tariff estimate with the annual plan of 2,209,376 thousand tenge, the execution amounted to 1,683,604 thousand tenge.

**Of these, production costs** actually amounted to 1,682,177 thousand tenge.

**- "Materials".** With the annual plan of 20,986 thousand tenge, the execution amounted to 8,070 thousand tenge or 38%. The execution is expected before the end of this year.

**- "Fuel".** With the annual plan of 14,567 thousand tenge, the execution was 7,666 thousand tenge or 53%. 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 1,280,746 thousand tenge or 70%.

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 265,953 thousand tenge, the execution amounted to 316,278 thousand tenge or 119%.

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 22,739 thousand tenge, the execution amounted to 32,057 thousand tenge, what is associated with the increase of the wage fund. With the plan of 5,319 thousand tenge the execution of CSHI (Compulsory social health insurance) in the amount of 3% of salary was 7,754 thousand tenge.

**- "Depreciation of fixed assets".** With the annual plan of 40,899 thousand tenge, the actual execution amounted to 28,530 thousand tenge.

**- "Payment for works and services"** With the annual plan of 1,076 thousand tenge, the execution was 1,903 thousand tenge or 57%. The execution is expected before the end of this year.

**The costs of the period** are fulfilled by 64%.

**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 542,943 thousand kW/h or 54%.

According to the results of work for the 1st half of 2022, a loss in the amount of 506,651 thousand tenge was received.

**On the implementation of the investment program**

The total investment in 2022 is 40,899 thousand tenge. Execution is expected in the second half of 2022, according to the delivery schedule for the contracts concluded.

**Working with service consumers in the 1st half of 2022**

**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.