

THE MODEL OF REFORMING ELECTRIC POWER OF UZBEKISTAN

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Abstract

This study illustrates the main stages of the reform of the electricity sector of the Republic of Uzbekistan and, describes the experience of reforming the electric power complex in foreign countries. Study shows the basic model of electricity reform, and discussed the model adopted in our country. And, concludes that the consistent implementation of the priority areas for reforming the electric power industry at the present stage of the development of the republic's energy complex has made it possible to achieve an increase in the energy efficiency of production, transmission and distribution of electricity.

Keywords: Modelling, reform, electric power, Uzbekistan, Economic reform, Central Asian power policy, electric infrastructure

INTRODUCTION

One of the priority goals of economic reforms in the energy sector of the Republic of Uzbekistan was to improve the management system and improve the efficiency of the energy sector enterprises and ensure, on this basis, the sustainable operation of the country's energy system (Ajwad et al., 2014; Akimov & Dollery, 2006).

Since the day of independence, the state has been pursuing a purposeful policy to reform the economy, including the electric power industry. The Government of Uzbekistan has adopted a comprehensive program of economic and structural reforms to ensure the fastest possible progress towards an open and efficient market economy (Abdulkarimov B.A, 2013).

Reforming of the power industry of Uzbekistan is carried out according to the privatization model, which is based on the five principles that are the basis for the reforms that were proclaimed by the First President of Uzbekistan I. Karimov. This model is as follows:

- Privatization is subordinated to the internal logic of the reforms being implemented and is their core;

The state acts as the main reformer, therefore the privatization process is regulated;

- the rule of law, the duty of all without exception to comply with laws and regulations regardless of the form of ownership;

- address the direction of privatization, which consists of social support for the poor, the inclusion of a demographic situation, the gradual transition to a system of social guarantees;

- Privatization is carried out carefully, taking into account world experience, without revolutionary leaps, that is, by evolution.

The continuous electrification created the possibility of developing the industrial and social infrastructure of cities and rural areas of Uzbekistan, the formation of industry, the construction industry. For the competent and profound reform of the electric power industry of Uzbekistan, the experience of other countries in this direction was studied. Let's briefly consider the main ways of reforming the electric power industry abroad.

In the mid-1970s, after the oil crisis, the problems of reforming the electricity and energy sector became particularly relevant and acquired practical importance in many countries. The most notable changes in the system of regulation of the electric power industry, in the ownership structure and structure of the industry itself in many developed and some developing countries have occurred over the past decade. For example, after the European Community's decision to liberalize the electricity market, more countries are being drawn into the reform process (Asadov & Aripov, 2009).

LITERATURE REVIEW AND APPROACH OF THE STUDY

The first steps towards a large-scale reform of the energy sector abroad were made in the second half of the 1980s. With few exceptions, the power industry in most countries of the world was not only under the control of the state, but often represented vertically structured state or public monopolies.

Many countries (Great Britain, Norway, Ireland, France, Greece, Italy) consolidated and nationalized the electric power industry into state monopolies, suggesting that state companies will act in the public interest, rather than maximizing profits, as private companies (Asadov & Aripov, 2009).

The high level of state participation allowed to carry out reforms in these countries, proceeding from the tasks of forming an optimal market environment, taking into account the rights and interests of shareholders. At the same time, for a number of other countries, for example, the United States and Japan, the basis of electric power industry is private companies, regulated by the state(Kotz, 2003).

However, irrespective of the type of energy companies in most countries, the main principle of their organizational structure was vertical integration (combining the functions of generation, transmission, distribution and marketing).

Depending on how radically and consistently these transformations are carried out, several models of the electric power industry are distinguished, to which the structure of the industry is reduced in most countries of the world. It is customary to single out four such models, shown in Fig. 1.

Figure 1. Models of reforming the electric power industry

1 - positive factors, 2 - negative factors



National security in general and energy security of the country, in particular, should remain a priority in shaping the state policy in this matter. Thus, the principles of reform applied in Norway, Germany, are the most successful model for reforming the electric power industry, the operation of which is based on the administration controlling the market and the level of electricity prices (Corsi & Akhunov, 2000).

One of the most acute issues in reforming the electric power industry is the problem of regulating electricity tariffs. In spite of significant differences in the industrial and organizational structure of the electric power industry of different countries, in the principles of organizing the functioning of the electricity market and methods for regulating the activities of energy companies and electricity tariffs, in almost all advanced economies the state controls the decision-making processes of the energy companies in one form or another.

In general, the experience of reforming the electric power complex in other countries shows that the most important condition for the effectiveness of reforms is the preliminary adoption of an integrated legislative framework for the implementation of the planned reforms. In recent years, global energy processes are consolidating, diversifying national energy companies and strengthening the state's presence on the national energy market, which in no small measure reflects the contradictions and difficulties that accompany the formation of a single energy market (Allison, 2004).

In addition, this is due to the need for major investments in the development of the energy market infrastructure, as well as protection of consumer rights and issues of monitoring the reliability and quality of energy services. In many countries, national energy programs are implemented that envisage the development of a fuel base, optimization of the fuel and energy balance, support of non-traditional energy and modern technologies.

Increasingly, they affect the energy sector and the processes of globalization (the development of unified energy markets, the formation of transnational corporations in the electric power industry) (Akmal, 2016; Hudaykulov, Hongyi, & Galib, 2015).

Reforming the electricity sector is a complex and costly process, even for developed countries. Therefore, priority goals and means, at the initial stage of reform, are set to achieve these goals. The main goals of the reforms implemented in the electric power industry of our republic are as follows (Belkina et al., 2014; Djanibekov & others, 2008):

- Increasing the efficiency of the functioning of energy facilities and the industry as a whole by creating new, market incentives for companies and eliminating cross-subsidization;
- attraction of external investments into development of electric power industry;
- reducing the burden on the expenditure part of the state budget;
- reduction of prices for electric energy for end users.

The ultimate goal of the reform is the creation of a competitive electricity market, which allows achieving the set goals.

The first stage of reforming the electric power industry began with the transformation of 13 design, construction and installation, repair enterprises, as well as enterprises providing various services.

In connection with the sale of the state share and the absence of the share of JSC "Uzbekenergo" in the statutory funds, 6 joint-stock companies were withdrawn from the JSC "Uzbekenergo": JSC "Sredazenergosetproekt", JSC "ZhBI-1", JSC "Energokotloochistka", JSC "Karshienergomagir" JSC "Shirinenergokamir", JSC "Savdenargo"(Calhoun, 2013; Laurens et al., 2015).

Further reform of the energy system of Uzbekistan should be carried out taking into account the interests of both the energy system enterprises and consumers of electric power, taking into account the balanced social policy of the state and the accumulated experience(Ghatak, 2003; Kotz, 2003).

The second stage of reforming the electric power industry began with the adoption of the Decree of the President of the Republic of Uzbekistan "On Deepening Economic Reforms in the Energy Sector of Uzbekistan" of February 22, 2001 No. UP-2812 and in the order of its implementation of the Decree of the Cabinet of Ministers of the Republic of Uzbekistan of February 24, No. 93 "On the organization of activities of the State-Joint Stock Company" Uzbekenergo ". The main objectives of this stage in the reform of the electric power industry were:

- expansion of the scale of privatization with the inclusion of medium and large enterprises in this process;
- unbundling of monopolistic production and economic structures and creation of a competitive market environment.

Based on the above requirements, the reform of the electric power industry was initiated with the restructuring of the Ministry of Energy and Electrification of the Republic with the establishment of a financially sustainable company that provides the necessary conditions for attracting investments, increasing the capitalization of companies in the electric power industry and reliable and uninterrupted energy supply to consumers.

With a view to realizing the tasks set by the President's Decree:

- The Ministry of Energy and Electrification of the Republic of Uzbekistan was abolished and on the basis of its structural subdivisions, the State-Joint Stock Company Uzbekenergo (Uzbekenergo) was established in the form of an open joint-stock company, with the inclusion of the joint-stock association Uzbekugol with the rights of an independent legal entity.

- the main principles and priority directions for deepening economic reforms in the energy sector have been defined.

Priority directions of deepening economic reforms in the energy sector are defined:

- consistent implementation of measures to demonopolize energy sectors, reduce the level of state regulation, create a competitive environment in the sale of electricity, ensure equal opportunities and conditions for access of business entities to power transmission lines;
- stage-by-stage corporatization of large enterprises in the energy sector - thermal power plants, thermal power plants, electric grid companies, etc .;
- Accelerated denationalization and privatization of social infrastructure facilities, enterprises and organizations carrying out design, construction and installation and repair work, creating on their basis enterprises of non-state forms of ownership, including private enterprises;
- wide attraction of foreign investments in the process of corporatization of energy enterprises, reconstruction, technical re-equipment and further development of generating capacities and electric networks;
- introduction of market principles and mechanisms in the management system and economic links for the production, transportation and sale of energy;
- ensuring the conjugate and balanced development of energy capacities and the coal industry.

The main tasks and activities of SJSC "Uzbekenergo" were identified:

- sustainable provision of the economy and population of the republic with electric energy, regulation and coordination of the operating modes of the power system;
- development of short-term and long-term forecasts and target programs for the development of the electric power industry, formation of production and consumption balance sheets;
- Realization of reconstruction, modernization, technical re-equipment and further development of generating capacities and electric grids on the basis of modern equipment and advanced technologies, including through foreign investments;
- the primary use of coal in the production of electricity and heat, the development and implementation of renewable, including non-traditional sources of energy;
- organization of development and implementation of measures for saving, rational use and reduction of losses of electric energy in cooperation with enterprises.

The decree provided for the creation of an independent State Agency for Supervision in the Electric Power Industry - Uzgosenergonadzor, accountable to the Cabinet of Ministers of the Republic of Uzbekistan. The main tasks of the State Agency for Supervision in the Electric Power Industry are defined (Corsi & Akhunov, 2000): development, approval and monitoring of the implementation of regulatory

The resolution of the Cabinet of Ministers of the Republic of Uzbekistan "On the organization of activities of the State-Joint Stock Company" Uzbekenergo "dated February 24, 2001 No. 93, envisaged the transformation of 25 subsidiaries of the company, including 10 enterprises producing electricity and heat for individual projects and 15 enterprises of electrical networks (Hudaykulov et al., 2015).

Resolution of the Cabinet of Ministers of the Republic of Uzbekistan from April 17, 2003, No. 185 "On the program of denationalization and privatization for 2003-2004" provided for the sale of state assets of 37 enterprises. At present, state-owned assets of 10 energy enterprises are realized, including 3 socio-economic trends.

At the second stage of the reform:

- Separation of functions of production, transportation, distribution and sale of electric energy;
- Heat supplying enterprises of the branch were transferred to the authorities of local authorities;
- Through free trades, social infrastructure facilities are fully implemented.

From the tasks set by the President of the Republic of Uzbekistan, the prerequisites for the development and improvement of corporate governance in Uzbekistan are defined, which are as follows (Djanibekov & others, 2008):

- change in the management structure of joint-stock companies with a large state shareholding;
- increasing the role and importance of minority shareholders and attracting them to the management of joint-stock companies;
- the need to change the role and importance of the directorate corps, which currently exercises unilateral management of joint-stock companies;
- activation of the processes of attracting foreign investors to the management of joint-stock companies;
- the need to introduce positions in joint-stock companies such as commercial director, financial director, project manager, etc., which contributes to the development of corporate relations in joint-stock companies;
- Advanced training of management personnel in the field of corporate governance in accordance with international requirements and standards.

The transition to the third stage of the electricity sector reform began with the adoption by the President of the Republic of Uzbekistan I. Karimov of the Decree "On measures to introduce modern corporate governance practices in joint-stock companies" dated April 24, 2015 No. UP-4720, according to which the State Joint Stock Company " Uzbekenergo "was transformed into a joint-stock company (Akmal, 2016; Djanibekov & others, 2008; Kaplan & Haenlein, 2011).

The document is an additional impetus for reform and aims to create favorable conditions for the broad attraction of foreign direct investment, a radical increase in the efficiency of joint-stock companies, ensuring their openness and attractiveness to potential investors, introducing modern corporate governance practices, and strengthening the role of shareholders in the strategic management of enterprises.

The adopted Resolution of the President of the Republic of Uzbekistan from on December 21, 2015, No. PP-2454 "On additional measures to attract foreign investors to joint-stock companies" will give a significant impetus for a dramatic increase in the share and importance of the private sector (foreign companies) in the economy of our country and serves as a basis for attracting foreign investors Reforming the country's electric power industry.

CONCLUSION

In conclusion, the consistent implementation of the priority areas for reforming the electric power industry at the present stage of the development of the republic's energy complex has made it possible to achieve an increase in the energy efficiency of production, transmission and distribution of electricity.

And also, to ensure for the period until 2030 and beyond, sustainable energy supply of economic growth and improvement of the quality of life of the population on the basis of the most effective use of the existing production and scientific and technical potential of the industry.

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