

VI. EXPLANATION OF ASSESSMENT AND RESULTS

The analysis in this Assessment is based on international best practices, drawing in particular from best practices throughout Europe and North America, along with guidance from international financial institutions, other relevant organisations and authorities. Because this Assessment covers the EBRD countries of operations, which are at varying levels of economic and political development, the challenge is to weigh best practices against the specific conditions of the participants in the Assessment, taking into consideration the legal obligations imposed on certain EBRD countries of operations as opposed to others (e.g. as Member States of the European Union (EU) or as signatories to the Treaty establishing the Energy Community).

Overall, the Assessment expects Group A countries, all part of the EU, to perform at about a 90% level or above with respect to the various benchmarks and their indicators, as a consequence of the multitude of reform efforts and framework requirements to which these countries are bound. For Group B, Energy Community Treaty (EcT) contracting parties and observers, the Assessment expects performance levels of around 80% of the benchmarks, for the same reasons as articulated for Group A, but understanding that the requirements placed upon EcT members are more recent and reforms are still at the early to mid stages. For the EcT observers in Group B, the Assessment anticipates performance in the 75%+ range, acknowledging that reforms are not mandated for the observers, though each of the observers has indicated an interest to move in the direction of liberalisation and market reform embodied in the EcT. For Group C, expectations are lower, reflecting the absence of any binding treaty or regional commitments seen in Groups A or B, though a 60%+ performance would generally be expected in light of the many efforts toward reform that are being made among these countries. This figure is a threshold goal for all in Group C, with the understanding that the varied nature of the regulatory regimes in this grouping will determine largely diverse results, while those in Groups A and B are expected to be closer in line with each other. This section provides an overview of the structure of the country profiles, spider and bar graphs. Section VIII details weightings, benchmarks and indicators.

1. Country profile

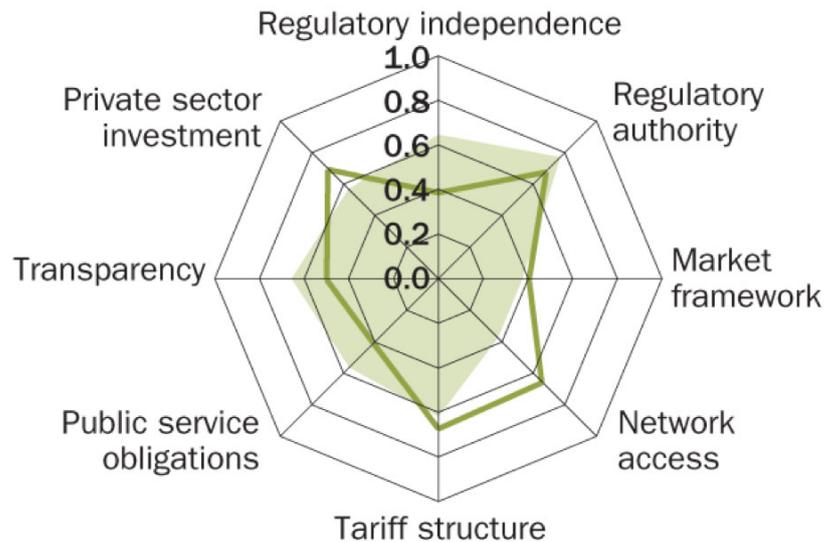
This Assessment offers a country profile for each EBRD country of operations. The country profile follows the structure of the Assessment Model and is intended to summarise the status of the energy sectors in the countries. Each profile offers insight into the applicable national regulatory regime and highlights factors that have influenced regulatory development. In addition, the country profiles are meant to serve a proactive, forward looking purpose, specifically to aid decisions of technical assistance and investment in the sectors and tailor efforts to meet the conditions characteristic of each national environment.

2. Spider graphs

A spider diagram presents the main results of the Assessment, in accordance with the benchmarks and indicators identified in the Assessment Model. This type of diagram is useful because it provides a summary of the Assessment at a glance. The diagram displaying the results for the electricity sector in Kazakhstan is set below as an example. The extreme outer rim of the spider graphs represents full compliance with international best practices, with each spoke representing one of the eight indicators (namely: #1 regulatory independence; #2 regulatory authority; #3 market framework; #4 network access; #5 tariff structure; #6 public service obligation; #7 transparency; and #8 private sector investment). For each indicator, the diagram presents the scores as percentages of the maximum achievable score. The scores begin at zero at the centre of the chart and reach 1.00 at the outside, so that in the overall chart, the wider the web, the better the score in the Assessment. The results for individual countries are represented by the thick bold line in the diagram, as below. For example, Kazakhstan scores 0.4 for regulatory independence with 1.0 representing international best practice with respect to regulatory independence. The light shaded area represents the average score for the group as a whole. In the Kazakhstan example, below, the shaded area represents the average for Group C. Each participant country has two spider graphs, one for electricity and one for gas, except in the cases of countries with no or a minimal gas sector. The results are seen in comparison to the regional average of the group to which each country belongs.

Electricity spider graph – Kazakhstan

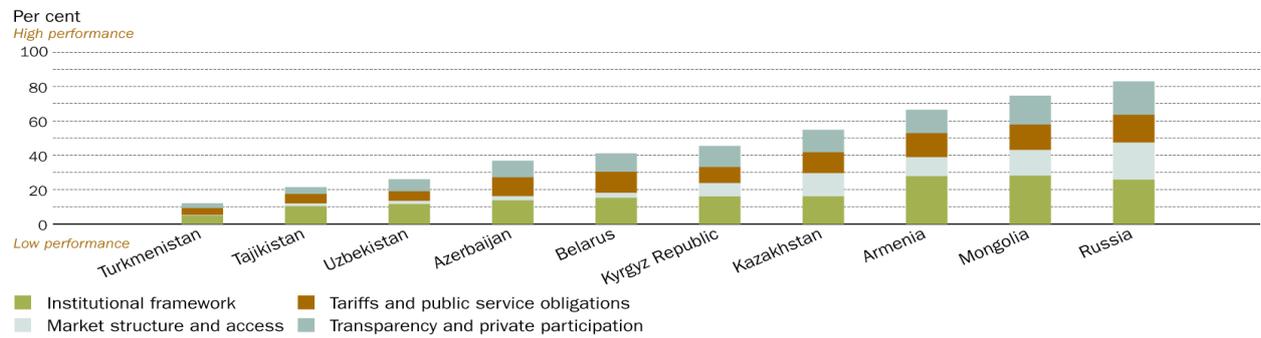
Kazakhstan



3. Bar graphs

The bar graphs, also known as histograms, show the total score assigned to each sector participant (to a maximum of 100) and its components. The bar graphs also allow immediate comparison between participants of a given group. The bar graph displaying the comparative results for the electricity sector in Group C countries is set below as an example. For graphical reasons, the eight aforementioned indicators have been coupled as follows: “institutional framework”, which is made up of indicators 1 and 2 and comprises 30% of the point-scoring potential; “market structure and access”, which is made up of indicators 3 and 4 and comprises 26%; “tariffs and public service obligations”, which is made up of indicators 5 and 6 and comprises 22%; and “transparency and private sector participation”, which is made up of indicators 7 and 8 and comprises 22%.

Electricity Sector - Comparative bar chart view of Group C countries



VII. COUNTRY PROFILES, SEPARATED BY REGION

This section offers individual country profiles of each EBRD country of operations, dividing the countries into the groups noted above. The structure of the country profiles is the following:

- Institutional Structure (including sections on regulatory autonomy and regulatory authority)
- Electricity Sector
 - Market framework (including sections on market participants, level of unbundling and level of market development)
 - Network Access and Tariffs (including sections on Third Party Access, tariff and pricing, and licensing)
 - Operational Environment (including security of supply, public service obligations and transparency)
- Gas Sector
 - Market framework (including sections on market participants, level of unbundling and level of market development)
 - Network Access and Tariffs (including sections on Third Party Access, tariff and pricing, and licensing)
 - Operational Environment (including security of supply, public service obligations and transparency)
- Renewable Energy and Energy Efficiency
 - Policy status
 - Regulatory role
 - Participation in international agreements and country's commitments resulting from such agreements
- Conclusion