



Power Industry Licensing Rules

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1. INTRODUCTION

On February 13, 2025, the Regulation on the Procedures for Licensing Power Sector Activities was approved by the Resolution of Cabinet of Ministers No. 91. (the "**Regulation**"). Taking effect on May 13, 2025, the Regulation introduces detailed requirements and procedures governing the issuance, maintenance, and revocation of licenses for entities operating within the power sector. While it provides significant clarifications over the existing Law "On the Electric Power Industry" No. ZRU-939 dated 07 August 2024 (the "**Electricity Law**"), certain gaps and ambiguities remain. This highlight reviews the key provisions of the Regulation and examines their potential implications for market players.

2. SCOPE OF APPLICATION

A. Licensed Activities

Under the Regulation, licensing is required for the following activities in the electricity sector:

- electricity market operator;
- generation of electric energy;
- storage of electric energy;
- transmission of electric energy;
- single off-taker;
- distribution of electric energy;
- supply of electric energy;
- electric energy trading.

Notably, a power producer operating multiple power plants must obtain a separate license for each facility.

Licensing is administered by the Energy Market Development and Regulation Agency (the **Regulator**) via the "License" IT system of the Ministry of Justice.

B. Exclusions

The Regulation does not apply to:

- electricity producers and storage systems that are not connected to the Unified Power Grid;
- individuals using the electricity storage systems for personal use; and
- power stations with a capacity below 5 MW.

3. LICENSING REQUIREMENTS AND PROCESS

A. Application Submission and Required Documentation

Applications for a license may be submitted in person at the Centre of Public Services or online via the Unified Portal of Public Services or the “License” IT platform

Applicants must submit a comprehensive set of documents, including:

- technical and environmental documentation, including facility specifications, a single-line diagram, and a state ecological expertise conclusion.
- financial documentation, including three years of financial statements and a business plan.
- a financial guarantee (bank guarantee) confirming the ability to pay licensing payments.
- technical conditions and a grid connection agreement (for new producers).

All documents must be in Uzbek or translated to Uzbek with notarized certification.

B. Processing Timelines and Approvals

A license shall be issued within 15 business days from the date of application. If deficiencies are identified in the application, the applicant is granted an additional 10 days to correct them, extending the total review period to 25 business days. During this period, the Regulator may conduct an on-site inspection of the relevant facilities.

Depending on the licensing category, issuance may be subject to obtaining a positive conclusion from various third-party agencies. For example, for power producers, approvals may be required from:

- the Ministry of Energy;
- the Ministry of Ecology;
- the Ministry of Construction and Housing and Communal Services;
- the Ministry of Water Resources (as applicable);
- the Committee for Industrial, Radiation, and Nuclear Safety;
- the Competition Committee;
- the Inspection for Control in the Power Industry, Oil Products, and Gas Usage

Under the Electricity Law, a power generation license is required prior to commencing construction works. However, this requirement is practically unfeasible, as the licensing criteria outlined in the Electricity Law presuppose that the power generation facility is already constructed at the time of application for a license. For example, applicants seeking a license must provide documents verifying ownership or usage rights for power industry facilities, including a permit for commissioning such facilities. These documents cannot be obtained prior to the completion of construction works.

It was anticipated that this internal inconsistency would be addressed by the Regulation. Regrettably, the Regulation does not clarify the timing for obtaining a license for new power producers, leaving the issue unresolved.

Moreover, unlike the Electricity Law, the Regulation does not specify the stage at which a license must be obtained. Yet, the license passport, a document that details the procedure and documents required for the issuance of the license, indicates that if an applicant has existing obligations under power purchase or battery storage service agreements, a grace period of up to 6 months is available for obtaining the license. The precise starting point for this grace period is unclear—it is presumed to commence from the Regulation's effectiveness date. During this period, the applicant is entitled to generate and sell electricity or provide battery storage services under the relevant agreements.

This situation raises further uncertainty regarding how the grace period aligns with the Electricity Law's requirement that a license must be secured before construction begins. Clarification from the Regulator is necessary to resolve this inconsistency and provide a clear framework for market participants.

As per the Regulation, power producers with ongoing obligations under power purchase agreements are entitled to generate and sell electricity without obtaining a license for up to 6 months [*assumingly from the effective date of the Regulation*].

C. License Fees

Licensees shall be subject to three distinct payment obligations for the issuance and maintenance of the relevant licenses:

- (i) **Application Fee:** a one-time state fee of 2 Basic Calculation Units (BCU¹) (approx. USD 50) payable at the submission of the license application;
- (ii) **Issuance Fee:** a one-time state fee of 30 BCU (approx. USD 870) payable at the time the license is issued;

¹ 1 BCU is equal to UZS 375,000 at the date of this legal alert.

(iii) **Annual License Fee:** Licensees must prepay an annual license fee based on their forecasted revenue for the upcoming year. The annual license payment (LF) is calculated as follows:

$$LF = \text{projected annual electricity/services volume (kWh)} \times \text{license payment rate for the relevant type of license (UZS/kWh)}.$$

The license payment rate will be determined by the Government and is currently unspecified. Yet, the total license payment must not exceed 2% of the licensee's turnover. Given that the licensees are required to make the annual license fee payment upfront, potential cash flow constraints shall be carefully considered.

It is also noted that the annual license payment is assessed separately for each licensed activity. However, the Regulation does not clarify whether the 2% turnover cap applies on an aggregate basis for licensees involved in multiple licensed activities (e.g., power generation and battery storage services) or operating multiple power plants.

Additionally, licensees must provide a financial guarantee - in the form of a bank guarantee - equivalent to the calculated annual license fee at the time of application. Failure to make the required payment will result in enforcement of the financial guarantee; moreover, non-payment may lead to revocation of the license by the Regulator.

4. LICENSE SUSPENSION AND REVOCATION

Under the Regulation, failure to comply with licensing requirements may result in suspension or revocation of the license, with strict procedures in place to enforce compliance. Licensees must ensure prompt remediation of any violations and maintain both financial and legal readiness to prevent operational disruptions.

A license may be suspended by the Regulator or state court if the licensee violates licensing requirements or fails to remedy identified violations. The Regulator may suspend a license for up to 10 days, while a court may impose a suspension for up to 6 months.

The Regulator or court must provide the licensee a reasonable period (between 5 business days and 6 months) to eliminate the cause of suspension. If the licensee does not correct the violations within the specified period, the Regulator must file a lawsuit with the court to revoke the license.

The Regulator may revoke a license in the following cases:

- the licensee voluntarily applies for cancellation;
- the licensee's state registration certificate has been revoked;

- the legal entity is liquidated or restructured, except when the newly formed entity retains a license for the same activity;
- the licensee is declared legally incapacitated, and
- the licensee fails to pay the annual licensing fee within the required timeframe.

The court may revoke a license in the following cases:

- the licensee fails to rectify violations that led to a suspension;
- the licensee repeatedly violates licensing conditions (two or more times within a year);
- a serious violation results in harm to citizens, legal entities, public safety, the environment, or state interests or poses a security threat, and
- the license was obtained through falsified documents.

Under the Regulation, the Regulator may impose fines for violations in the electric power sector, including for breach of licensing terms. Fines are levied in accordance with the legislation, and violators may face court-imposed financial penalties. However, the Regulation and relevant regulatory documents do not currently specify the amount of fines or the methodology for their calculation.

5. CHANGE OF OWNERSHIP AND DISPOSAL OF ASSETS

The Regulation imposes stringent restrictions on asset disposal and changes in ownership. Specifically:

A. Asset Disposal and Pledge

Any disposal (sale or transfer) or pledge of assets *used in undertaking licensed activities* requires prior written approval from the Regulator. This requirement, absent under the Electricity Law, may limit financing options, particularly in project finance for IPP projects where asset collateralization is critical. Market participants anticipating third-party financing should engage with the Regulator at an early stage.

The Regulation does not clarify what assets qualify as '*assets used in undertaking licensed activities*.' It, therefore, should be clarified with the Regulator whether the prior approval requirement applies to the pledge/disposal of any assets of the licensees or only to those transactions that involve material assets (such as the plant, transmission line, batteries, and etc.).

B. Change of Ownership

Under the Electricity Law, any reorganization or direct or indirect acquisition of more than 25% of a power sector licensee's voting shares requires the Regulator's consent. However, the Regulation diverges from this requirement. Particularly:

- a. No prior approval is required for a general reorganization of the licensee;
- b. The Regulator's approval for share acquisitions applies only to the power generators and power distribution network operators;
- c. For power generators, the 25% ownership change threshold has been removed, meaning that even minor ownership changes may trigger the need for the Regulator's approval.

Any change in ownership of a power producer requires prior approval from the Regulator, regardless of the size of the ownership change.

The Regulation lacks sufficient details regarding the procedure for applying and obtaining the Regulator's approval for the acquisition of a licensee's shares. Another unresolved issue is whether the Regulator's approval is required for the pledge of a licensee's shares. The absence of rules regarding share pledges creates uncertainty for the sponsors and lenders in IPP projects.

C. Reorganization

Any reorganization of the licensee, including ownership changes or changes in shareholding participation, requires a full re-issuance of the license, following the same process as obtaining a new license. This requirement could delay business transactions such as M&A, corporate restructuring, and joint ventures, as regulatory approval should be sought well in advance of any restructuring.

6. Conclusion

The adoption of Regulation No. 91 marks a significant development in the regulation of Uzbekistan's power sector, introducing certain procedural clarity and enhanced regulatory oversight. With that said, several key ambiguities and administrative challenges remain, particularly regarding the timing of license acquisition, asset disposals, ownership changes, financial obligations, and penalty mechanisms.

In light of the foregoing, the following are advisable for the power market participants:

- *Early engagement with the Regulator.* The Regulation becomes effective three months after its issuance. Sponsors and operators should use this period to seek formal clarifications from the Regulator on licensing timelines, asset/share disposal restrictions, and financial obligations.

- *Considering the regulatory approval.* Given the rigorous ownership change, reorganisation and asset transfer rules, market participants should factor in regulatory approval timelines when structuring investments, restructurings, acquisitions, or financing deals.
- *Developing strong compliance mechanisms.* With the strict suspension and revocation provisions, licensees must ensure full regulatory compliance to avoid disruptions. This includes timely license fee payments, adherence to licensing terms and requirements, and prompt remediation of violations.
- *Monitoring future regulatory updates.* Since certain key aspects (such as fine calculations and license payment rates) remain unspecified, businesses should actively track regulatory developments and be prepared for potential amendments to the Regulation.

This Legal Highlight is intended for informational purposes only and does not constitute legal advice. Market participants should consult qualified legal counsel to address specific legal and regulatory issues.

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40a Mustaqillik str., Tashkent, 100000, Uzbekistan

Tel.: (998 71) 209 0240

Web site: www.kostalegal.com

Email: info@kostalegal.com