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NEWSLETTER

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Amendments to the Laws on Natural Gas and Electricity

The Law Amending the Electricity Market Law and certain other laws (“**Amendment Law**”) has been published in the Official Gazette on 17 June 2016 introducing certain amendments to various Turkish energy market regulations, including notably the Natural Gas Market Law and the Electricity Market Law.

Certain highlight amendments on Natural Gas Market Law

Natural gas storage obligation

In accordance with the Amendment Law, Energy Market Regulatory Authority (“**EMRA**”) will determine the ratio of the natural gas storage obligation to be imposed on the importer companies for their annual natural gas imports. This determination will be subject to the sufficiency of the gas amount imported by the importer companies to be considered in line with ground storage obligations of the relevant importer company that need to be fulfilled. This obligation will be determined for the term of 5 years depending on the amount of gas to be imported within the said term and will not exceed 20 per cent of the gas imported considering the ground storage capacity of the country. The said percentage had been foreseen as 10 per cent under the previous rules.

Distribution regions

Together with the innovation set forth by the Amendment Law, taking into account of technical and economic requirements, EMRA is entitled to re-determine or expand the distribution regions of the natural gas companies within the provincial borders without conducting tender. If a distribution company operating in a city which is out of the territory of a distribution region does not request expansion of the distribution region to cover this city, EMRA may conduct a distribution license tender for such city. If more than one distribution license holder apply to expand their distribution regions to cover a certain city where they are already operating, EMRA will give priority to the company which has more subscribers in its distribution region. The new rule clearly outlines that EMRA may consider and evaluate the expansion applications itself within the provincial borders, or it can either conduct a tender if it finds appropriate to do so.

The Amendment Law also allows the distribution regions to be merged under a single license or de-merged into

separate license areas upon application by the distribution licensees and subject to evaluation of such by EMRA looking at viability from technical and economical perspective. The Amendment Law further envisages enactment of an implementation regulation in this respect.

Certain highlight amendments on Electricity Market Law

Regulating the Unlicensed Generation Activities

Share transfers in the legal entities that own unlicensed wind and solar power plants having maximum one megawatt installed capacity are prohibited until the provisional acceptance of the relevant power plant by the Ministry of Energy and Natural Resources.

Any transfer to the contrary will result cancellation of the legal entity's invitation letter for grid connection agreement. Furthermore, the Amendment Law provides that related parties of distribution and supply companies cannot apply for generating unlicensed activities of wind and solar energy within the relevant distribution region of their related parties.

Electricity Distribution Tariffs

With the amendment, loss and leakage amounts are described in detail as components of the distribution tariff which will be reflected to the consumers. Accordingly, EMRA is entitled to adopt decisions to determine target ratios of loss and leakage amounts for distribution companies' and regulate reflection of those amounts in the tariffs. In accordance with the Amendment Law, such provisions are also applicable to pending execution proceedings and lawsuits on loss and leakage claims.

Privatization method for EÜAŞ assets

The Amendment Law sets forth the privatization method for the shares of the EÜAŞ or its affiliates for purpose of establishment of renewable energy and local coal-fired power plants. Accordingly, there will not be a valuation study for the assets or shares to be privatized. Privatization tender will be held by means of negotiation for the purpose of determination of the electricity sale price valid for the electricity sale agreement to be executed in this respect. The negotiation will be conducted with principle of decreasing the initial electricity sale price and if it is deemed necessary by the tender commission, the tender

may be resulted by applying the open tender procedure with participation of the offerors. At the end of the tender, the

winning bidder and EÜAŞ - state owned electricity generation company - or TETAŞ - state owned electricity trading and contracting company - will sign an electricity commission, open tendering process can be conducted with

participation of all bidders. Upon completion of tender, without providing any purchase price for the shares and assets of the privatized company, the electricity sale agreement will be executed. Such agreement will be signed for purpose of sale of electricity that will be generated from the plant to be established upon privatization and based on the agreed electricity sale price in tender.

Legislative Highlights

The Regulation on Accessibility of the Banking Services has been published on 18 June 2016 (“**Regulation**”) to be in force on 1 January 2017 aiming to provide ‘most disabled-friendly banking’ which sought to assure equal service standards to disabled customers in banking services. The Regulation evidences that Banking Regulation and Supervision Agency is keen to strengthen the banking services for the purpose of complying with the disabled-friendly infrastructures upcoming in recent years and reaching out to the disabled customers properly.

The Regulation principally requires banks to consider the standards for disabled customers whilst planning their services and products. In this respect, banking services required to be offered in a disabled convenient manner. Furthermore, bank staff who will be in direct interaction with disabled people should be trained on communication skills. Rights to be informed, access, use and safety information should be provided to disabled customers considering their disabilities.

The beneficiaries of the Regulation are disabled persons who have mental capacity (power of judgement) and are able to submit the required document evidencing their disability level as 40% or more. Besides, customers over 70 and having capacity to act are also entitled to exercise the rights arising from the Regulation without any notification to be made to the bank regarding their ability status.

The Regulation requires banking service contracts to be accessible in voice and sign language on web-sites of the banks. Furthermore, the information and documents such as contracts, account statements, PIN and passwords, should be provided to disabled customers in Braille alphabet, voice message and sign language video format with a certain level of security if requested.

The minimum number of ATM to be located for disabled customers’ requirement is 2 out of each 100. For visually impaired customers, voice menu functions should be integrated in ATM machines where accessible headphone jack/ telephone handset and the option of switching the ATM screen off should be provided.

Password actions (e.g. changing) should be presented in different methods other than call centers. Banks which are also offering call center services should provide a secure online platform or video remote interpretation services in order to assist hearing of impaired customers for their inquiries on lost / stolen card.

The Regulation requires banks’ branches to provide accessibility standards which would require no need of assistance by another person whilst offering services and offer priority services to a disabled customer.

Visually impaired customers can only exercise their rights in connection with contracts related to banking services following exercising their rights of being informed regarding the content. In this context, banks are not allowed to apply discriminative procedures. Banks should also encourage their branch personnel to learn sign language.

With the Regulation, banks are required to re-design and adjust the POS devices in accordance with the principles in the Regulation since the current control keys are positioned in accordance with the standard telephone and ATM machines.

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Yours faithfully,

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