

## CIVIL-LEGAL ISSUES OF DIGITILAZITION IN NATURAL GAS SUPPLY CONTRACT

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### ABSTRACT

*The article examines the current procedure to make a contract for the supply of natural gas. Along with developing scientifically based proposals for the complete digitalization of the process of making a contract for the natural gas supply in order to improve existing practice, the research paper also analyzes the experiment of foreign countries in concluding contracts for the supply of natural gas through digital technologies and online monitoring contractual obligations. Therefore, several scientific observations have been investigated on the implementation of successful external practices in our national legislation.*

**KEYWORDS:** *Contract For The Supply Of Natural Gas, Interactive Public Services, Gasification, Digital Technologies.*

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### INTRODUCTION

As the population of the Republic of Uzbekistan grows and the production process develops, the demand for natural gas use also rises. Therefore, it would be expedient to make a contract for the supply of natural gas and simplify the procedure of connecting consumers to the natural gas system.

For this reason, according to the paragraph 21 of the New Uzbekistan Development Strategy for 2022-2026, there are exact manners for the development of natural gas supply for the population and sectors of the economy. Moreover, the paragraph 73 of current year's State Program describes main ways to attract private operators to the natural gas supply system while the paragraph 74 gives information about preparing law on natural gas [1], which would address the issues of liberalization with the establishment of guarantees of social protection.

After hearing reports by the Ministry of Energy, heads of "Uzbekneftegaz", "Uztransgaz", and "Hududgazta'minot" in the meeting on August 9, 2021, the president of the Republic of Uzbekistan gave important assignments to shape main natural gas resources and to digitalize energetic system fully.

It is important to note that, due to the activities accomplished in the framework of the Action Strategy for 2017-2021, the process of making a contract for the natural gas supply between the consumer and the gas supply company has been significantly improved. For this reason, initial steps have been taken to introduce digital technologies in the industry. Thus, in accordance with

the Decree of the President of the Republic of Uzbekistan "On measures to radically reform the national system of public services" on December 12, 2017, in order for the provision of other public services, facilitating the process of making gas contracts with consumers and to prevent corruption in this field, the practice of providing public services was expanded by the Single interactive public services portal [2].

Currently, consumers are connected to the gas network according to paragraph 8 of the "Administrative regulations for the provision of public services for the connection of legal entities and individuals to the gas network", approved by the Cabinet of Ministers on March 31, 2018 No 256, in two ways:

The first method is by arriving in the center of state services to register; The second method is via electronic registration on the Single interactive state services portal (SISSP).

Previously, the registration of documents to connect entrepreneurs to the gas network was carried out by the centers of providing public services to businesses on the principle of "single window" under the district (city) khokimiyats. However, analyzes, reveals that this old order has caused many inconveniences, in particular cases of corruption, overspending and hassle.

Paragraph 3 of the above Regulation prohibits the supply of natural gas without a gas supply contract [4], which reduces the deadlines for issuing permits for legal entities and individuals to connect to the gas network and the number of documents submitted. Then, interaction among entities involved in public services is fulfilled only via the exchange of information in electronic form. In particular, on the connection of legal entities and individuals to the gas network:

The contract period was reduced from 11 working days to 3 working days; Two documents to submit were canceled and the procedure for filling out the application was established; There is an opportunity to conclude a contract with a regional gas supply company or other design organization at the request of the consumer; Applicants can come to the district (city) public service centers or through the SISSP via online.

According to the current legislation, the connection of consumers to the gas network consists of eight main processes. In accordance with the Scheme of connection of legal entities and individuals to the gas network (Annex 1 to the Regulations):

Presenting the issuance of technical conditions for gasification to applicants as well as submission of draft commercial proposals and contracts consists of four stages and requires 2 working days; Connection of consumers to the gas network consists of six stages (development and approval of the gas supply project) within three working days; The process of filling the natural gas meter, making a gas supply contract and delivering natural gas is six-step process that requires seven working days (automatically).

As we can see, it takes at least twelve working days for a consumer to sign a gas supply contract and connect to the grid, which means that there are still aspects that are difficult for the participants in this process. Currently in our national legislation:

First, means of artificial intelligence - digital technology are insufficient for making, cancellation and modification of the contract for the supply of natural gas.

Second, to control consumers' rational use of natural gas, the work of regular monitoring and detection of contractual discipline by means of digital technologies has not yet been completed;

Third, there is no technologic automatic system to warn consumers beforehand in accordance with the terms of the contract on interruptions in the natural gas network and automatic calculation of losses incurred by consumers for the period of non-delivery of gas.

Therefore, in order to boost the process of making a contract for the supply of natural gas and to

ensure full contractual discipline in the field, the following proposals are presented:

**The first proposal** is to create an opportunity to conclude, amend and terminate the contract for the supply of natural gas through digital technologies. At the same time, it is necessary to make a contract for the supply of natural gas through the SISSP by direct platforms of JSC "Uztransgaz" for legal entities, JSC "Hududgaztaminot" for individuals and its regional branches, as the existing system implemented by SISSP has not been able to provide sufficient amenities for consumers.

Looking at foreign experience, in countries such as the UK and Germany, new subscribers can formalize, change and cancel the contract with a private operator who sells (supplies) gas directly through its official website, rather than via an intermediary. Therefore, to create necessary conveniences for consumers in our country, there must be online as well as offline form of mobile applications of a special platform, so-called "Gazta'minot.uz" in Uzbek, Russian, and English on the Internet to allow them to directly make contracts with JSC "Hududgaztaminot" and its territorial divisions, as well as JSC "Uztransgaz".

**The second proposal** is that the fulfillment of the terms of the natural gas supply contract depends directly on the contractual discipline of the parties. However, for this, the parties (especially the consumer) must be well aware of the content of the terms of the contract, the legislation in this regard. Therefore, it is proposed to introduce the practice of providing relevant and detailed legal explanations by the authorized persons of the gas supply company at the time of making the contract.

The study reveals that the standard contracts for the supply of natural gas to consumers do not contain a norm to explain its content by a representative of the gas supply company. The rational and purposeful use of gas by consumers, the formation of a contractual culture in them depends directly on the work of legal advocacy and explanation. Accordingly, it is proposed to include the following rule in the model agreements in this regard:

**First**, to add a following new eighth paragraph to paragraph 7.1 of the Model Agreement on the supply of natural gas to wholesale consumers and the supply of natural gas to automobile gas filling compressor stations:

**"Explain to the consumer the essence of this contract and the legislation on the supply and use of natural gas";**

**Second**, introducing the above norm in the form of the eleventh paragraph of paragraph 4.4 of the standard about natural gas supply for the retail consumer;

**The third proposition** is that although the concept of "gasification" is used thirty nine times in the Rules approved by the Cabinet of Ministers and four times in the model contracts, the legal definition of this concept has not been developed and such situation has led to various misunderstandings in this area. In order to prevent such condition and to regulate the gasification process, the following author's definition of the term "gasification" has been developed:

**"Gasification** - an activity involving the use of gas for equipment, devices and domestic gas pipelines, the use of gas for domestic, communal and industrial purposes on the basis of technical conditions of gasification by project organizations that have the right to engage in this activity."

When studying the legislation of foreign countries in this regard, it becomes clear that the concept of "gasification" is given a legal definition. In particular, Article 2 of the Law of the Russian Federation "On Gas Supply" [3] and Article 2 of the Law of the Republic of Moldova "On Natural Gas" define "gasification" as one of the basic concepts: activities aimed at increasing the performance of construction and installation work, the use of gas as a source of fuel and energy in housing and communal services, industry and other facilities "[4].

The rules for the use of natural gas reflect mainly technical norms, which do not specify the

necessary legal mechanisms. That is, the norms that require the rational use of gas when connecting household and consumers to the gas network, in particular, the assessment of the level of rational use of gas in different modes of operation of gas equipment, norms that provide rational and efficient use of natural gas. The assessment of the results of construction and installation work does not specify the conditions under which the project can provide the consumer with the rational and efficient use of natural gas.

In most cases, we also see that the norms controlling the process of making a contract for the supply of natural gas are not implemented in law enforcement practice. In particular:

First, it is noticeable that the technical staff of the district gas supply company issue the contract for the supply of natural gas to domestic consumers. That is, there are many cases when the power of attorney is not issued or the authority to exercise the right to sign the contract to another party is not specified in any document, signing contracts in the gas supply system and carrying draft contracts;

**Secondly**, it can be observed that the contract for the supply of natural gas is sewn into the Gas Instructions (brochure) provided to the consumer. This situation also causes the contract to be overlooked on the back of the booklet. We are witnessing this situation mainly, when technical staff connects the population to the gas network.

It should be noted that this is against the law. According to Article 134 of the current Civil Code, "A power of attorney is a written power of attorney granted by one person (principal) to another person (trustee) to represent him in front of third parties. The trustee will act within the powers granted to him by power of attorney.

**Thirdly**, we can see that new consumers are waiting in line at the premises of the gas supply companies in their district, although the contract for the supply of natural gas is scheduled to be made through the SISSP. The study has found several reasons for such conditions:

**First**, insufficient knowledge of the population on the use of information and communication technologies;

**Second**, dissatisfaction of the population with the level of public services;

**Third**, the achievement of the results of public services (under gas supply contracts) in the old ways, despite the introduction of electronic systems;

**Fourth**, the lack of adequate advocacy works on the opportunities created by the competent public authorities in the field of public services.

Even though Clause 6.1 of the Model Contract for the Supply of Natural Gas for Gas Filling Companies to Vehicles sets out the conditions for disconnecting consumers from the gas network, it does not explicitly state that gas is not being used wisely. As a result of the analysis, it is clear that the situation of irrational use of natural gas in law enforcement practice is not a sufficient reason to disconnect the consumer from the network. Therefore, it is proposed to supplement the second paragraph of this clause with the words "and improper use of gas" after the sentence "contractual obligations are not fulfilled due to the fault of the consumer."

It should be noted that in accordance with the energy supply contract, if a citizen who uses energy in the home is a subscriber, he has the right to unilaterally terminate the contract, if he notifies the energy supply organization and pays for energy in full.

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Additionally, according to Article 476 of the Civil Code, if a citizen who uses energy in household is a subscriber, the energy supply organization has the right to unilaterally refuse to perform the contract due to non-payment of the energy used by the subscriber. This rule is clearly stated in paragraph 13.1 of the Model Contract for the supply of natural gas to gas filling compressor stations. However, this paragraph does not provide for "irrational use of gas. Therefore, in the third paragraph of this paragraph, after the words "in violation of the rules of use of natural gas by the consumer," it is proposed to include the words "including improper use of gas."

Implementation of these proposals will help to digitize natural gas supply contracts and simplify the process.

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