

Progress report on power (capacity) market pricing reform in Russia

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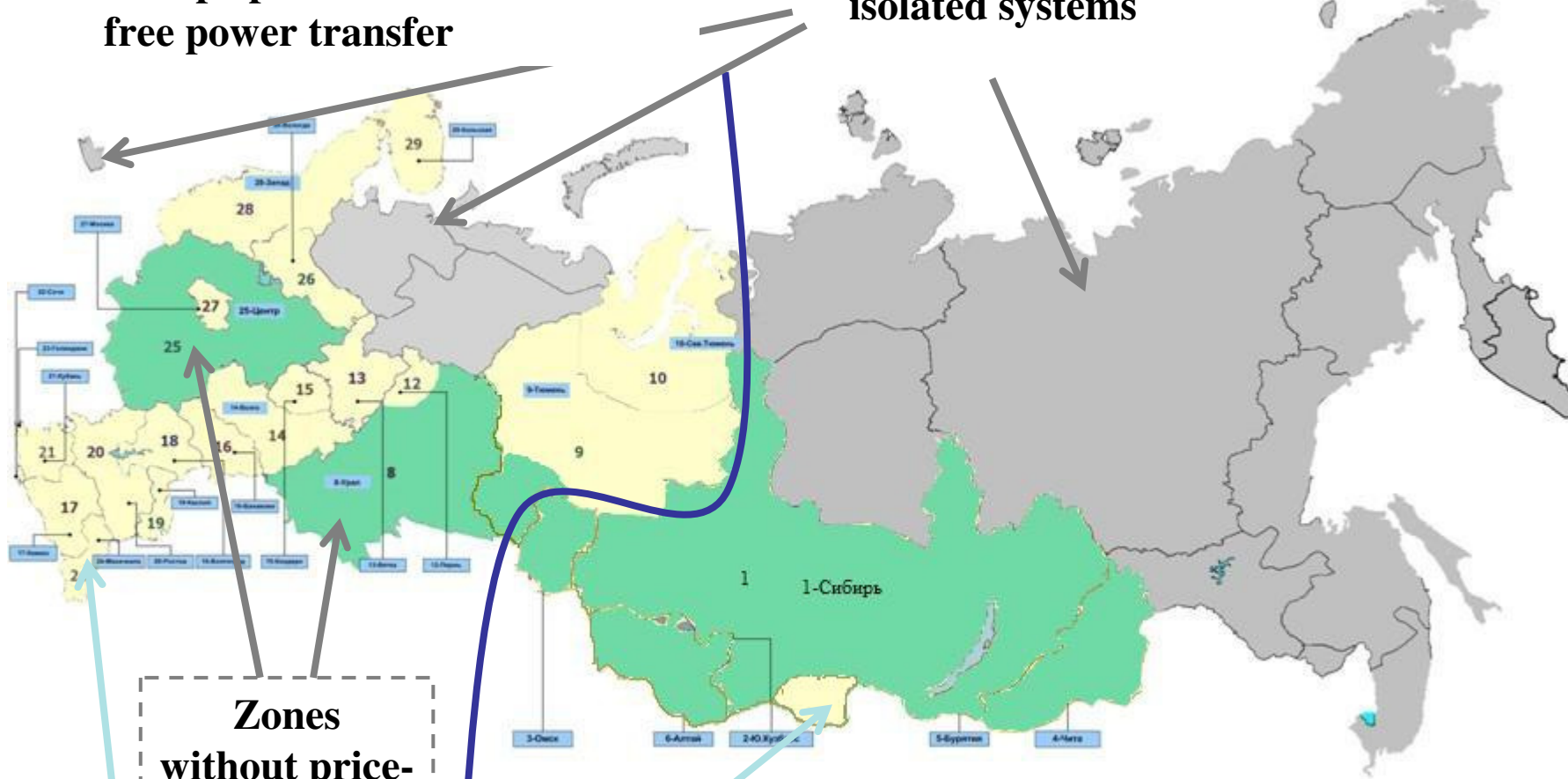
Florence, Italy
February, 6 2012



Market map

Europe price zone – 21 zones of free power transfer

Non-price zones, geographically isolated systems



Zones without price-cap:
Centre, the Urals

Special territories:
North Caucasus, Tyva

Siberia price zone – 6 free power transfer zones

Electricity (capacity) and its components price (tariffs) regulation

$$T = \left[\begin{array}{|c|} \hline \text{WEM} \\ \text{generation} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{REM} \\ \text{generation} \\ \hline \end{array} \right] + \begin{array}{|c|} \hline \text{WEM} \\ \text{infrastructure} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Supply by} \\ \text{regional} \\ \text{energy} \\ \text{company} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Distributio} \\ \text{n} \\ \hline \end{array}$$

Types of activities	Price zones	Special territories	Non-price zones and geographically isolated systems
Purchase on wholesale market	not regulated (>50% of total electricity cost)	regulated	regulated
Purchase on retail market	not regulated		regulated
Infrastructure costs	regulated		
Transmission services tariffs	regulated		
Distribution increment, including:			
guaranteeing suppliers	regulated		
independent distribution companies	not regulated		distribution costs are regulated
Prices/tariffs for end users	not regulated (>80% of electricity cost in price zones)	not regulated	regulated
Tariffs for households	regulated		

WEM and REM interconnection, pricing in price zones

Households



No changes

100% at regulated agreements

100% at regulated tariffs

Other consumers



2010

30% at regulated agreements

70% at free prices

30% at regulated tariffs

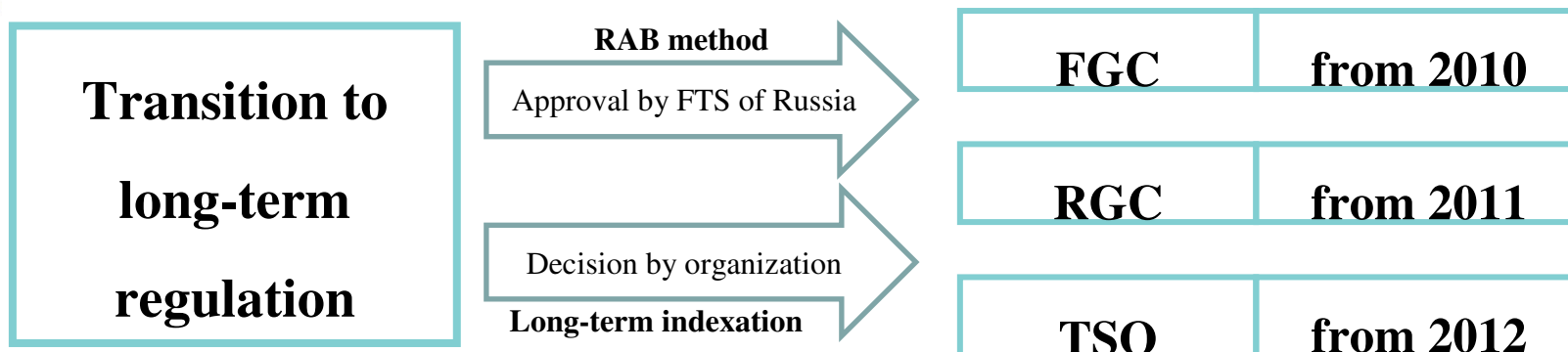
70% at free prices in frames of ultimate levels of non-regulated prices

2011-2012

100% at free prices

100% at free prices

Electric grid complex regulation



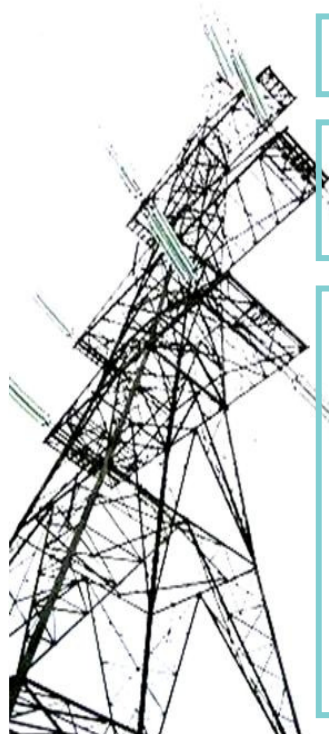
Regulation of new organizations – economically feasible expenses

In 2012 – RAB will start from July, 1

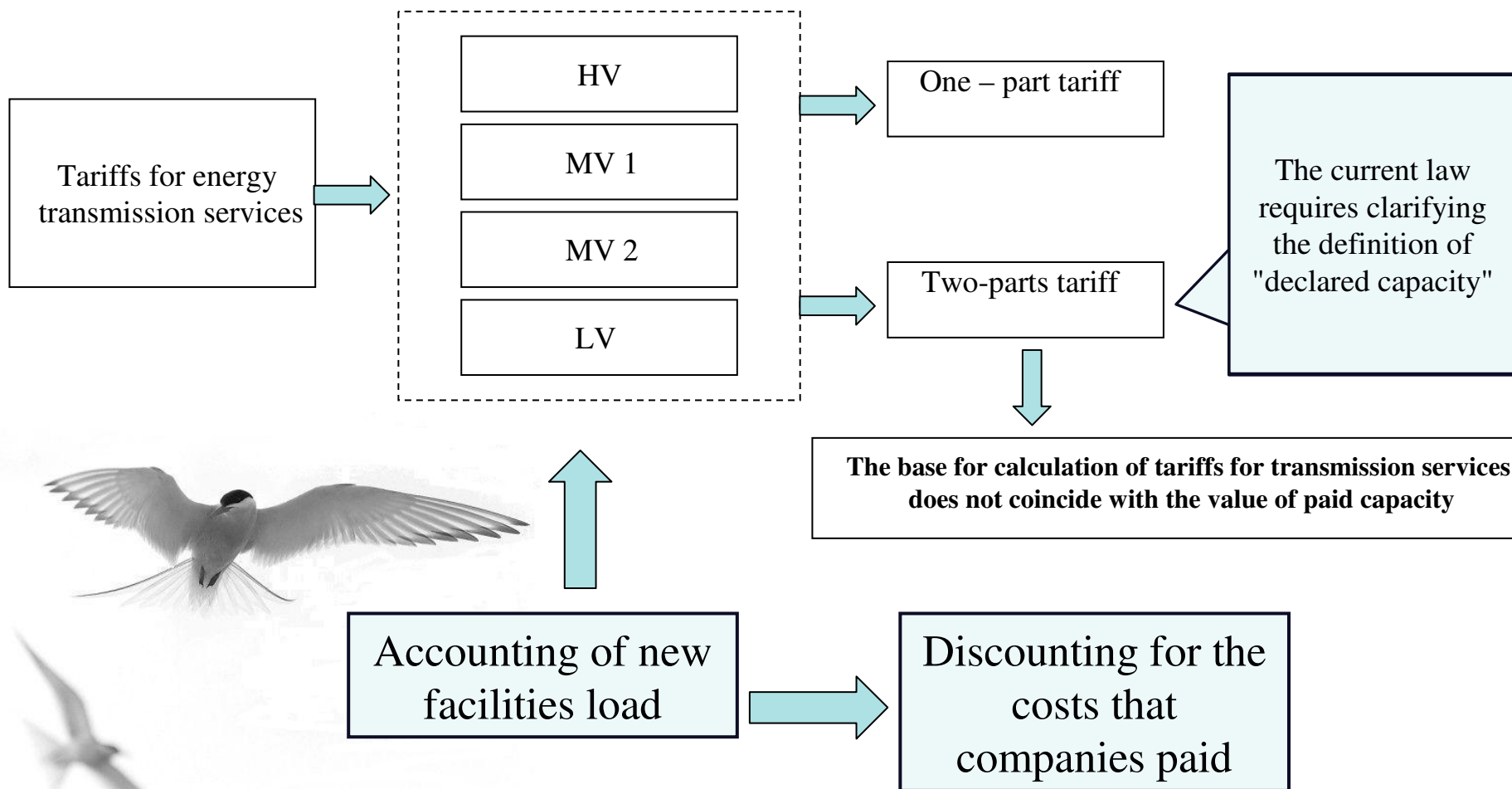
FTS of Russia authorities expansion:
+approval of long-term RAB parameters

Reliability and quality:

- adoption of planned targets for long-term period:
 - based on proposals of organizations;
 - in case of absence of proposals - according to expert assessment of the regulator: the most stringent requirements;
- on the basis of parameters maintenance - correction of gross revenue requirement of organization.



Prospects for regulation of tariffs for transmission services



THANK YOU FOR YOUR ATTENTION!

