

**10<sup>th</sup> ERRA ENERGY INVESTMENT AND REGULATION  
CONFERENCE**

**Regulation on long-term  
capacity market**

Denis Milyutin  
Deputy Director of the Department  
for regulation in electricity sector,  
FTS of Russia

St-Petersburg  
May 17, 2011



# New model of capacity market

**Law “On electric power”:** Capacity is a special commodity



Rules of the wholesale power and capacity market are set by a Decree of the Government of the Russian Federation

**01.07.08 → Transitional period**

For 1 year period

Price for capacity for generators according to the results of competitive capacity take-off (CCT) Regulated tariff  
According to free agreements >

Scope of capacity supply at free prices - the share determined by the Government

Payment for the entire capacity

**2011 → Long-term model → 2016**

For 4 years ahead

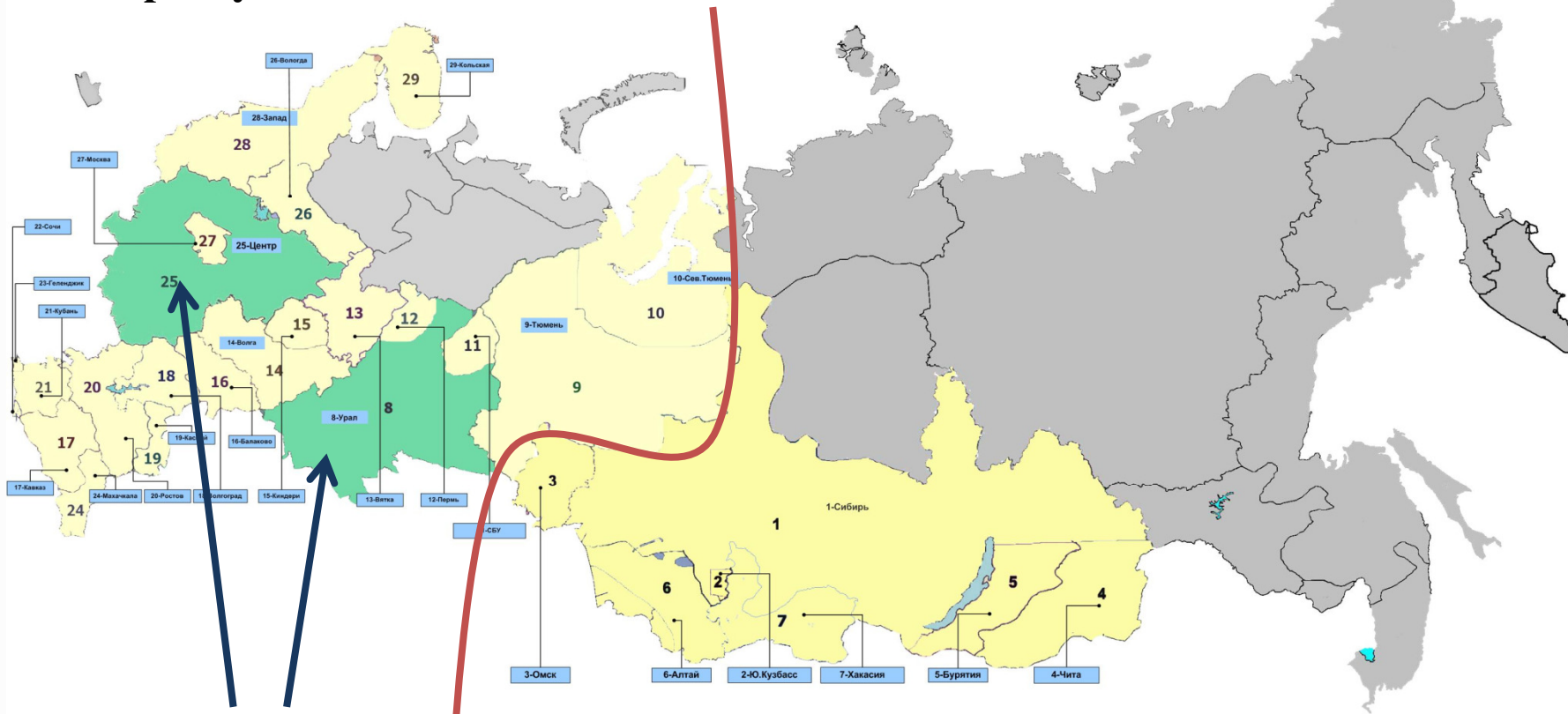
Capacity price for generators according to

- the results of CCT
- the non-regulated contracts (NRC)
- capacity delivery contracts (CDC) prices
- regulated prices

Scope of capacity supply at free prices (CCT + NRC) - all except households (at regulated prices)

Only taken-off capacity payment

Europe price zone– 22 free capacity transfer zones



Zones without price-cap:  
Centre, the  
Urals

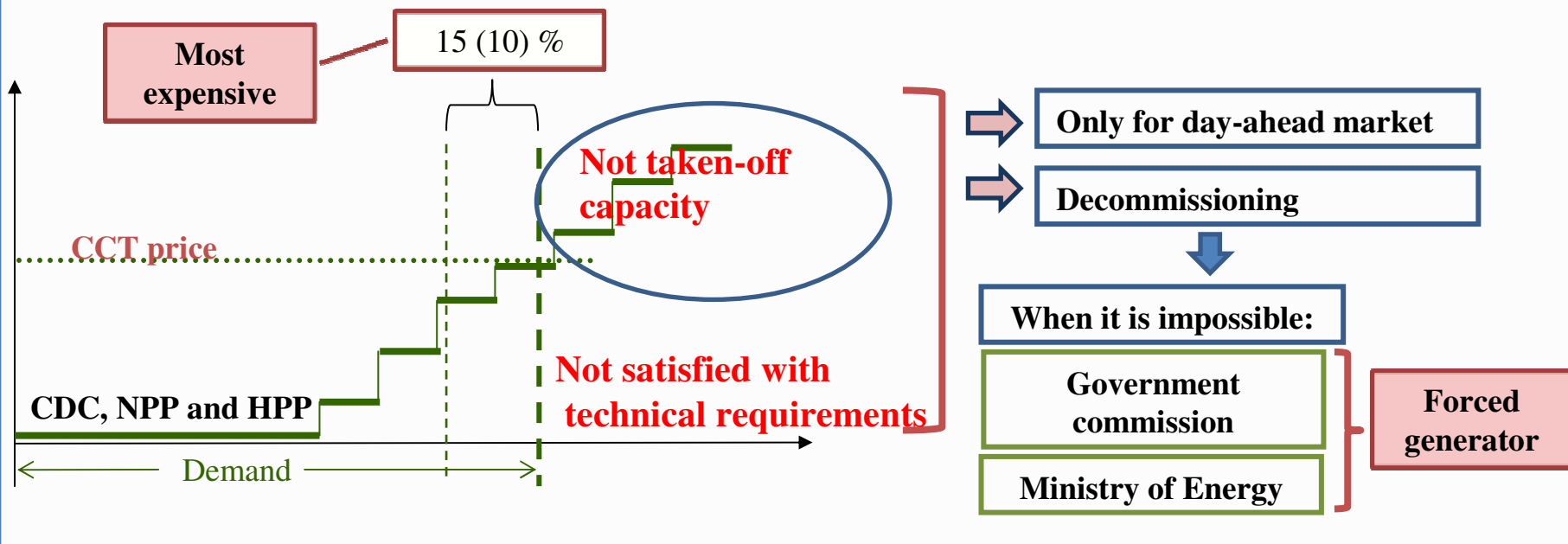
Siberia price zone– 7 free capacity transfer zones

# Types of Regulated Prices

- For supply to - household sector  
- consumers in the areas with specific pricing (until 2015)

} ≤ 35% of power and capacity generation scope

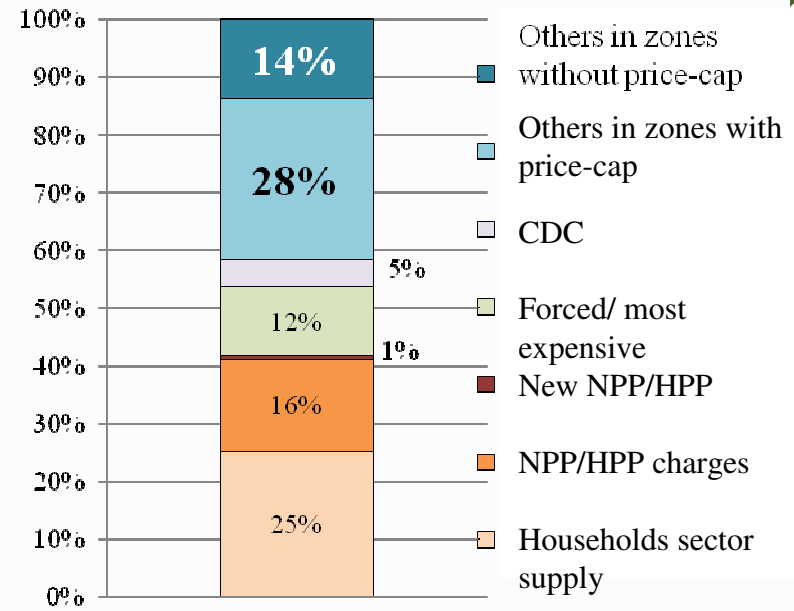
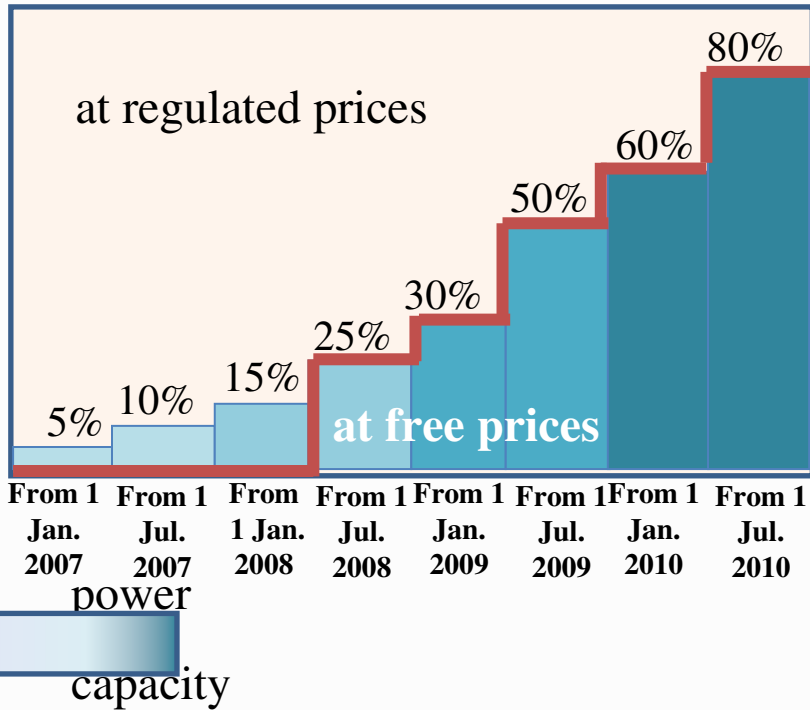
- Forced/most expensive



- NPP/HPP: security charge;  
investments charge;  
new plants

The structure of the physical scope of the capacity supplied by the generators

2011



# Regulating authorities

## System Operator



## Technological regulation

- **Organization of CCT**
  - Designation of the zones
  - Capacity certification
- ↔
- Normative support
  - Determination of reserve ratio  $\approx$  demand for capacity
  - Decision on the correcting CCT

## Ministry of Energy



## Price regulation

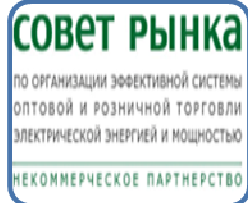
- Submit the proposals on price-cap levels to the Government
- Setting price on capacity
- Scope of power and capacity supply at regulated prices

## FAS of Russia



## Antimonopoly regulation

- Designation of the zones where the price-cap is being introduced (no competition)
- Determination of the conditions (constraints) for participation in CCT for those who hold dominating or exclusive position
- Determination of capacity price-gouging incidents - proposals on CCT results annulment in a zone



## Organization-focused regulation

- Market rules and procedures
- Standard contracts forms development
- Capacity pricing according to CDC
- Decision on cancellation of CCT results in a zone

Development of wholesale market rules

# Thank You for Your attention!

FTS of Russia  
7, Kitaigorodsky proezd  
109074 Moscow  
Russia  
Tel. +7(495)710-61-97  
Fax +7(495)710-65-29  
[www.fstrf.ru](http://www.fstrf.ru)  
[dmilyutin@fstrf.ru](mailto:dmilyutin@fstrf.ru)

