

# Capacity market regulation

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February 6, 2012



# Capacity market

## Basic provisions

- Tasks
- Mechanisms
- Pricing principles for competitive capacity outtake (CCO)
- Macroeconomic effect

## Technology

- Overall capacity demand forecasting
- CCO procedure
- CCO results 2012

## Regulation

- «Special» consumers
- «Special» generators

# Regulating authorities

## System Operator



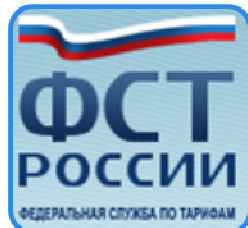
- **Organization of CCO**
- Designation of free power transfer zones
- Capacity certification

## Technological regulation



- **Normative support**
- **Determination of reserve ratio  $\approx$  demand for capacity**
- **Decision on the correcting CCO**

## Ministry of Energy



## Price regulation

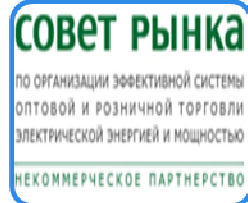
- Submitting the proposals on price-cap levels to the Government
- Setting of capacity prices
- Scope of power and capacity supply at regulated prices

## 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 CCO for those who hold dominating or exclusive position
- Determination of capacity price-gouging incidents - proposals on CCO results annulment in a zone

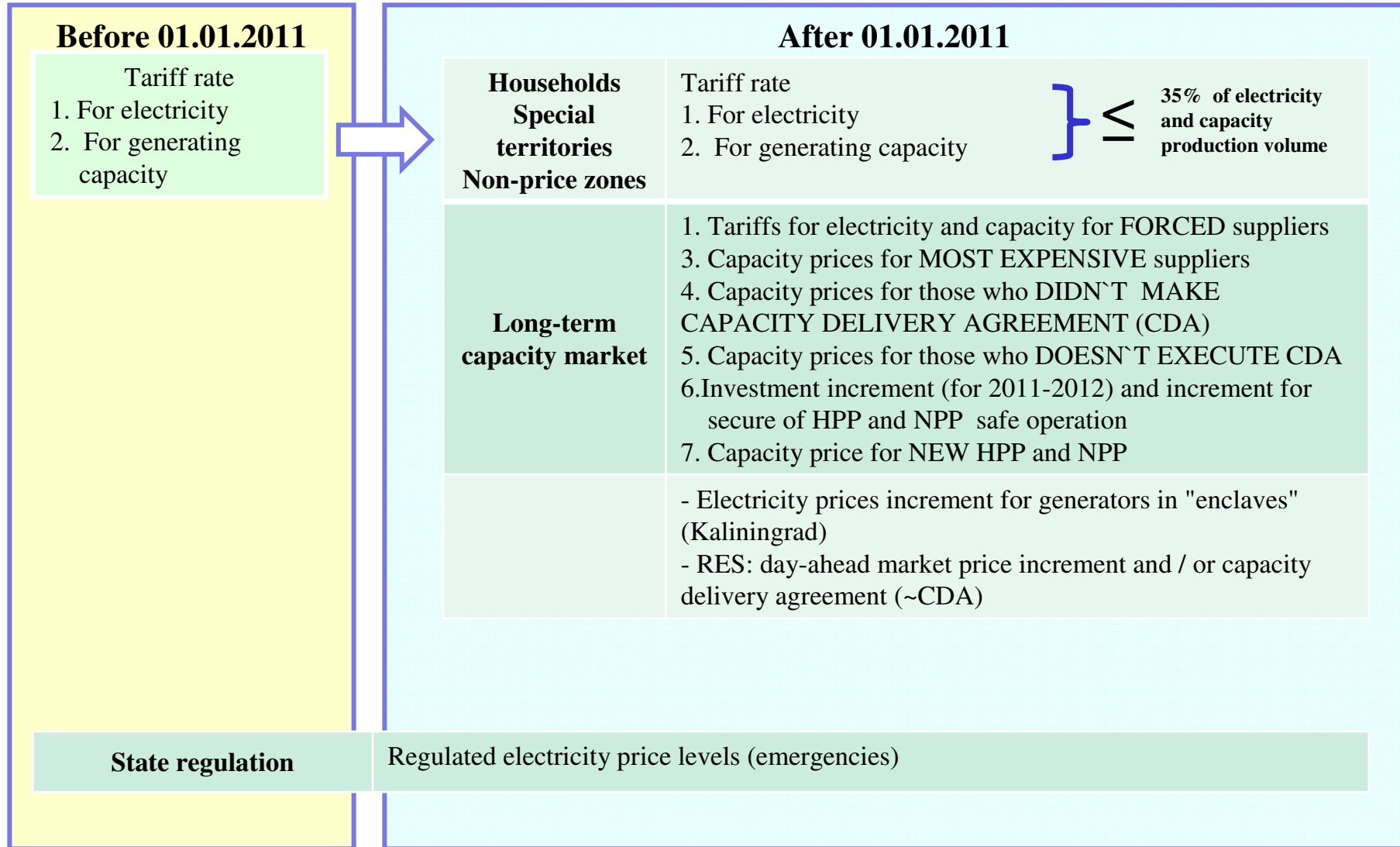


## Organization-focused regulation

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

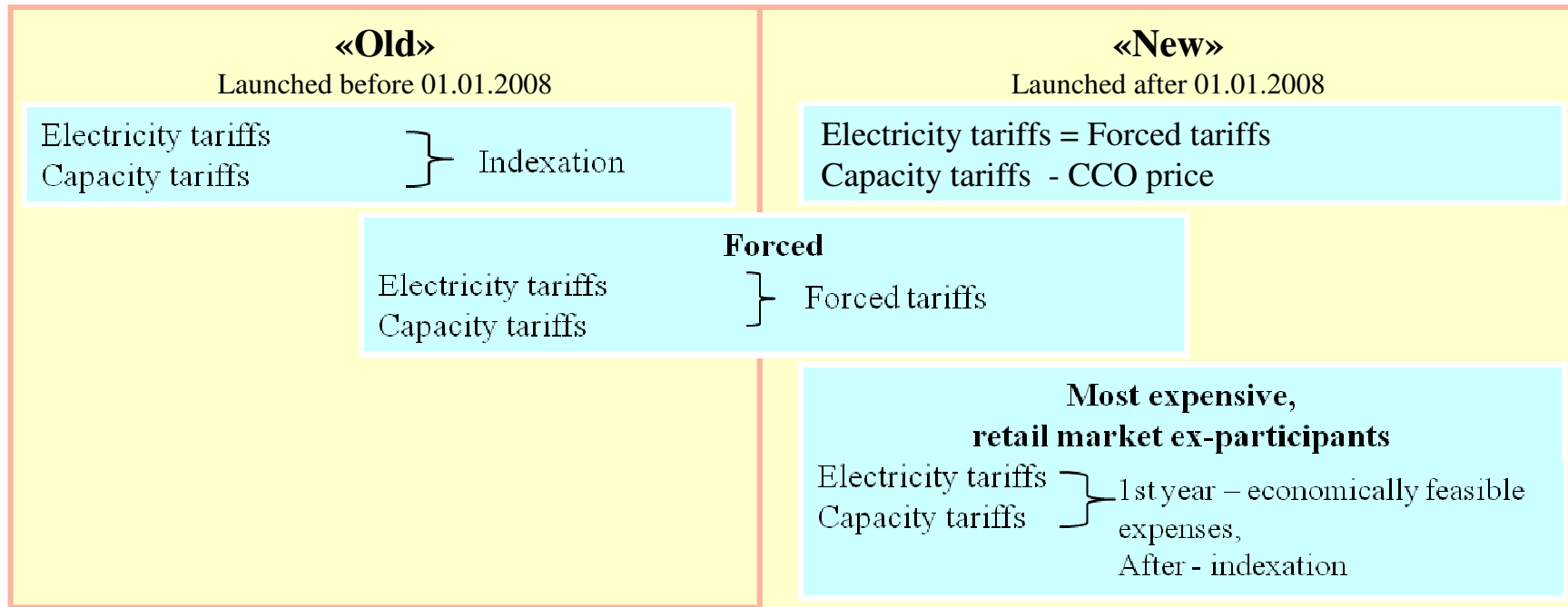
Development of wholesale market rules

# Tariff regulation on wholesale market

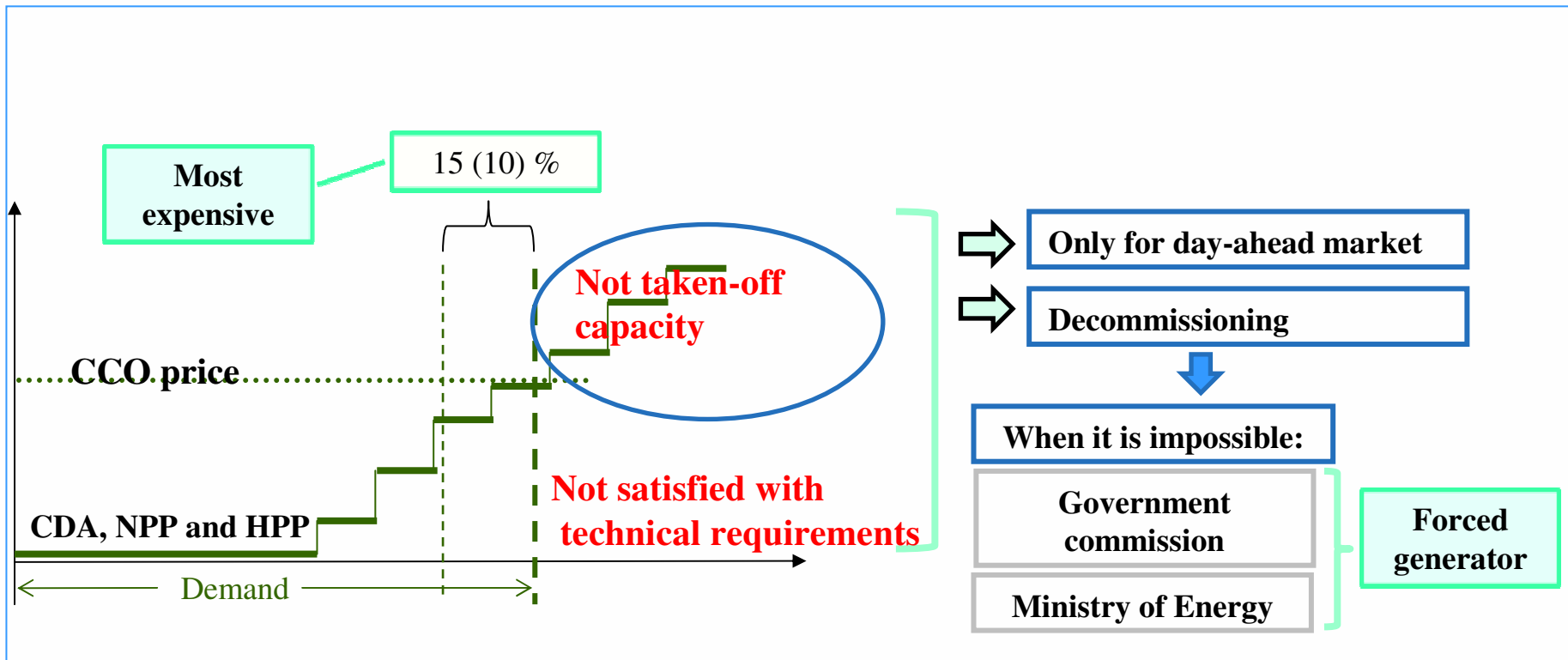


# Supply tariffs for households

<b>HOUSEHOLDS, SPECIAL TERRITORIES</b>	<b>Tariff rate/supply</b>	<b>CCO outtakes</b>	<b>Forced</b>	<b>CDA</b>	<b>DPC</b>
	1. Electricity	+	+	+	-
	2. Generating capacity	+	+/-	-	-



# Forced/most expensive prices



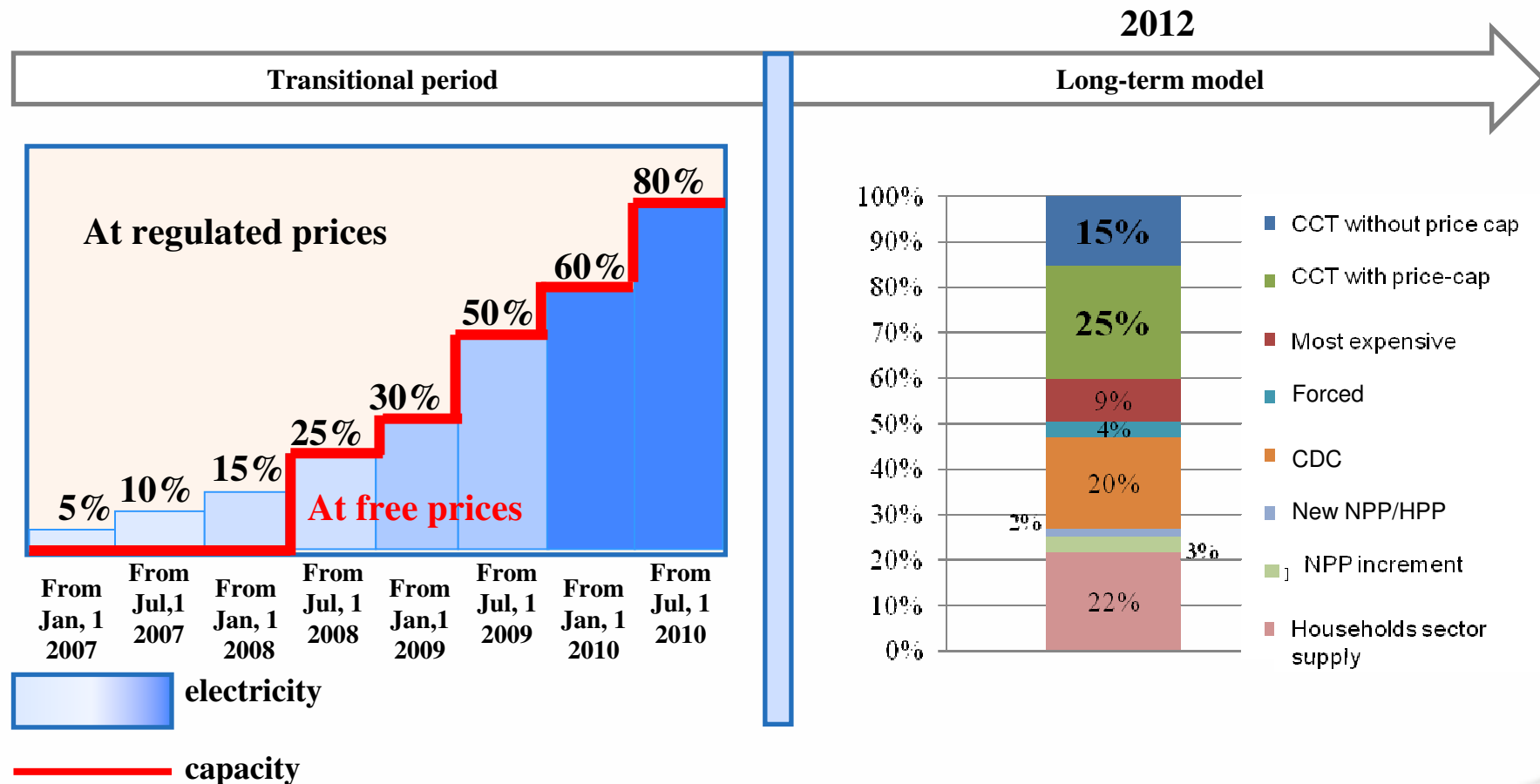
## Methodology for suppliers

Indicators taken into account when calculating tariffs	Forced electricity/capacity prices	The most expensive capacity prices	Secure increment	
			NPP	HPP
Fuel costs	+		+	
Depreciation	+		+	
Wage pool	+			
Taxes	+		+	
Security costs	+		+	
Expenses on System Operator of Unified Power System and Distribution Network Administrator	+		+	
Start-up			+	
Electricity purchase costs (Hydroelectric pumped storage power plant)				+
Technical re-equipment investment income	≤30.000 RUB		+	
Cross-subsidization	+			
“Lost” capacities	+			
Income from day-ahead market	+ (in 2011-2012 – in whole company)	+	+	
Other typical operating costs	Plan for 2007 x actual index		Actual in 2009 x actual index.	

Capacity price  $\geq$  CCO price

# Liberalization and price regulation

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





Thank You for Your  
attention!

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