

**FEDERAL LAW NO. 250-FZ OF NOVEMBER 4, 2007 ON AMENDING
SOME LEGISLATIVE ACTS OF THE RUSSIAN FEDERATION IN
CONNECTION WITH IMPLEMENTATION OF MEASURES AIMED AT
REFORMING THE UNIFIED ENERGY SYSTEM OF RUSSIA**

Adopted by the State Duma on October 18, 2007

Endorsed by the Federation Council on October 26, 2007

Article 1

The following amendments shall be made to Federal Law No. 35-FZ of March 26, 2003 on Electric Power Industry (Sobranie Zakonodatelstva Rossiyskoy Federatsii, 2003, No. 13, Article 1177; 2004, No. 35, Article 3607; 2005, No. 1, Article 37):

1) Article 3 shall be stated in the following wording:

"Article 3. Definition of Basic Concepts

For the purposes of this Federal Law the following basic concepts are used herein:

electric power industry means a sector of the Russian Federation economy, including a complex of economic relations arising in the process of electric power generation (in particular co-generation of electric power and heat), electric power transmission, operational dispatch management in electric power industry, supply and consumption of electric power using the production and other property assets, (including those of the Unified Energy System of Russia) which are owned or possessed on some other grounds, provided for by the federal legislation, by electric power entities or by other persons. The electric power industry provides the basis for functioning of the economy and for life support;

the Unified Energy System of Russia means an aggregate of production-related and other assets of electric power industry, which are linked together into a single process of electric power generation (including cogeneration of electric power and heat) and electric power transmission with the centralized operational dispatch management in electric power industry;

electric power industry entities mean persons operating in the electric power industry, including in the generation of electric and thermal energy and capacity, the supply and sale of electric energy and power, the distribution of electric energy to consumers, provision of electric power transmission services, operational dispatch in electric power industry, supply of electric energy (power) and organization of the electric energy and capacity purchase and sale;

consumers of electric and thermal energy mean entities that purchase electric and thermal energy for meeting their own household and/or industrial needs;

consumers of capacity mean persons that acquire electric capacity, in particular for their own household and/ or industrial needs and/or for further re-sale thereof, persons that sell electric energy in retail markets and persons that sell electric energy in the territories where electric power systems of foreign states are located;

wholesale electric power and capacity market (hereinafter referred to as the wholesale market) means a market place for trading a special commodity, i.e. electric power and capacity, in the Unified Energy System of Russia within the boundaries of the unified economic space of the Russian Federation, with the participation of large electric power generators and purchasers of electric energy and capacity, as well as of other persons which were awarded the status of members of the wholesale market and which act in compliance with the wholesale market rules approved by the Russian Federation Government in accordance with this Federal Law. The criteria for qualifying electric power generators and purchasers as large ones shall be established by the Russian Federation Government;

wholesale market members mean legal entities which obtained in the procedure established by this Federal Law the right of participation in the relations concerning electric power and/or capacity trading in the wholesale market, in compliance with the wholesale market rules approved by the Russian Federation Government;

electric power retail markets (hereinafter referred to as retail markets) mean a market place for electric power trading outside the wholesale market, with the participation of electric power consumers;

electric power grid facilities mean electric power transmission lines, transformer and other substations, distribution switchyards and other equipment designated for electric interconnection and electric power transmission;

electric power transmission services mean a complex of organizationally and technologically integrated actions, including those related to on-line technological management, which ensure electric power transmission via electric power grid facilities in accordance with the technological regulations;

on-line technological management means a complex of actions for exercising control of production modes of electric energy facilities and electric power receiving equipment of electric power consumers, if these facilities and equipment are not included by a subject of electric power industry operational dispatch management into the list of dispatchable facilities;

operational dispatch management in electric power industry means a complex of actions for centralized control of production modes of electric energy facilities and electric power receiving equipment of electric power consumers, if these facilities and equipment influence electric power operation mode of the electric energy system and are included by an

appropriate subject of electric power industry operational dispatch management in the list of dispatchable facilities;

operational dispatch management services in electric power industry means operational dispatch management carried out for the purpose of ensuring reliable supply and high quality of electric energy which comply with technical regulations and satisfy other obligatory requirements;

power supplying organizations mean organizations whose core activity is to sell to other entities generated or purchased electric power;

bilateral electric power purchase contract means a bilateral agreement whereby the supplier undertakes to supply the purchaser with a certain amount of electric power in compliance with technical standards and other mandatory quality requirements, while the purchaser undertakes to receive the electric power and to pay for it on the terms and conditions of a contract made in accordance with the wholesale market rules and basic guidelines of retail markets' functioning;

dispatchable electric power consumers mean a category of electric power consumers whose load profile (power consumption modes) has an impact on the quality of electric power, reliability of the Unified Energy System of Russia and which therefore provide paid services for resolving emergency situations in the Unified Energy System of Russia. The said consumers may also render other services coordinated with them on a contractual basis;

co-generation of electric power and heat means an operating cycle of fossil-fuel power plants when generation of electric power is directly related to simultaneous generation of thermal power;

business accounting of electric energy (capacity) means a process of measuring the electric energy quantity and the rate of electric capacity, of collecting, keeping, processing and transfer of these measurements' results and of forming, in particular by way of estimation, data on the quantity of generated and consumed electric energy (capacity) for making mutual settlements in respect of supplied electric energy and capacity, as well as for the services related to the said supplies;

settlement period means a single time period which is used by a business operator for the purpose of fixing purchasing and selling prices of electric energy, capacity, services and other items admitted to the wholesale market and which is established in compliance with the wholesale market rules endorsed by the Government of the Russian Federation;

wholesale market zone means a territory of the Russian Federation determined by the Russian Federation Government, within which average weighted wholesale market price is formed according to the procedures stipulated by this Federal law and the wholesale market rules (hereinafter referred to as the wholesale market price zone);

free electric energy (capacity) flow zone (hereinafter referred to as nodal transfer zone) means the part of the Unified Energy System of the Russian Federation where electric energy and capacity produced or planned to be supplied by using generating facilities with certain technical characteristics, when determining the balance of demand and supply for electric energy and capacity, in particular for the purpose of long-term planning, may be replaced by electric energy and capacity produced or planned to be supplied with the use of different generating equipment which has similar generating equipment in the same nodal transfer zone, while electric energy and capacity produced by the generating equipment located in a different nodal transfer zone may be only replaced within the limits of restrictions as to the flow of electric energy and capacity between such zones. With that, the aggregate technical characteristics of generating equipment within the limits of a nodal transfer zone must satisfy the requirements which are established by the system operator and which are necessary for ensuring a normal operation mode of the appropriate part of a power grid;

guaranteeing electric power supplier (hereinafter referred to as guaranteeing supplier) means a profit-making organization, which is obligated under this Federal Law or on the basis of voluntarily assumed obligations to make contracts of electric power purchase and sale with any customer that has approached the organization or with an entity which acts on behalf and in the interests of a consumer and desires to purchase electric power;

rolling blackouts mean a curtailment (full or partial) for technological reasons of an electric power consumption mode, including the level thereof, on the grounds not related to the electric power consumer's fulfillment of its contractual obligations or to the technical status of its energy-receiving devices and/or electric power facilities (hereinafter referred to as energy-receiving facilities);

regional grid operating company means a profit-making organization providing services of electric power transmission via power grid facilities which do not belong to the unified national (all-Russia) electric power grid;

installed generating capacity means the electric capacity of electric and thermal power generating equipment at the commissioning date of the corresponding generating facility;

de-rated generating capacity means a part of the installed generating capacity of electric and thermal power generating facilities less the capacity not used for generation of electric and thermal power due to technical malfunction of such facilities;

available generating capacity means a part of de-rated electric and thermal power generating capacity, except for the capacity of electric power industry facilities shut down for planned maintenance or put out of operation, according to the established procedures;

electric power industry facilities mean the assets used directly in the process of generation, transmission, operational dispatch management in electric power industry and sale of electric power, including the electric power grid facilities;

organisations pertaining to business infrastructure mean organisations which are entrusted in the established procedure with the functions of maintaining the business infrastructure;

energy productivity of electric power industry means the ratio of electric energy supplied to consumers to the energy received from exhaustible energy sources which is spent on it;

exhaustible energy sources mean solar energy, wind energy, water energy (in particular waste water energy), except when such energy is used at water storage electric power stations, tidal power, wave energy of water bodies, including that of water reservoirs, rivers, seas, oceans, geothermal energy generating by using natural underground heat carriers, low-grade thermal energy of soil, air and water generated by using special heat carriers, biomass including plants which are specially cultivated for energy production, in particular trees, as well as industrial and consumption waste resulting from the use of hydrocarbon materials and fuel, biogas, gas extractable by industrial and consumption waste at dumps for such waste, gas extracting in coal mines.";

2) in Item 2 of Article 5 after the words "electric power" shall be added the words "and capacity";

3) paragraphs with the following content shall be added to Item 1 of Article 6:

"ensuring ecological safety of electric power industry;
economic feasibility of payment for the capacity of suppliers' generating facilities, as regards ensuring the generation of electric and thermal energy by them.";

4) the words ", if not otherwise established by this Federal Law" shall be added to Paragraph Five of Item 2 of Article 7;

5) in Article 8:

a) in Item 2 the words "the Federal Law on the Specifics of the Functioning of the Electric Power Industry in the Transitional Period and on Amending and Declaring Void Certain Legislative Enactments of the Russian Federation Owing to the Adoption of the Law on Electric Power Industry" shall be replaced by the words "Federal Law No. 36-FZ of March 26, 2003 on the Specifics of Functioning of the Electric Power Industry in the Transitional Period and on Amending and Declaring Void Certain Legislative Enactments of the Russian Federation Owing to the Adoption of the Federal Law on Electric Power Industry (hereinafter referred to as the Federal Law on the Specifics of Functioning of the Electric Power Industry in the Transitional Period and on Amending and Declaring Void Certain Legislative Enactments of the Russian Federation Owing to the Adoption of the Law on Electric Power Industry);

b) Paragraph One of Item 4 shall be stated in the following wording:

"4. Organisations operating the unified national (all-Russia) electric power grid and its affiliated entities, as well as groups of entities, shall be prohibited to engage in selling and purchasing of electric power and capacity (except for purchasing electric power (capacity) to meet their own (household needs) or for the purpose of compensation for their losses in electric networks and technical support for the synchronization of the Russian power system with power systems of foreign states, as well as in the cases and in the procedure determined by the Government of the Russian Federation, when exercising the functions of a guaranteeing supplier).";

c) Item 5 with the following content shall be added hereto:

"5. Before January 1, 2011 organisations operating the unified (all-Russia) electric power grid are entitled to let on lease to regional power grid operating companies electric power grid facilities by approbation of authorised federal executive bodies.";

6) Article 9 shall be stated in the following wording:

"Article 9. Services of Electric Power Transmission via the Unified National (All-Russia) Electric Power Grid

1. An organisation engaged in operation of the unified national (all-Russia) electric power grid shall provide under contracts paid electric power transmission services for electric power transmission via the unified national (all-Russia) electric power grid to wholesale market members, and to other entities that own, or possess on other ground stipulated by federal laws, electric power facilities that are technologically connected to the unified national (all-Russia) electric power grid in the established procedure, services of transmission of electric power which is purchased and sold by the wholesale market entities in the territories where electric energy systems of foreign states are located.

An organisation engaged in operation of the unified national (all-Russia) electric power grid, for the purpose of technological support to synchronization of the Russian electric power system and electric power systems of foreign states, of rendering services of electric energy transmission which is purchased and sold by the wholesale market entities in the territory of the Russian Federation and/or the territories where electric energy systems of foreign states are located shall regulate in the procedure and in the cases established by the Government of the Russian Federation relations concerning the use of electric networks of power grids of foreign states and electric energy transmission via the said networks, as well as shall render services connected with these relations.

Making of contracts for electric power transmission services via the unified national (all-Russia) electric power grid shall be mandatory for an organisation operating the unified national (all-Russia) electric power grid. An organisation engaged in operation of the unified national (All-Russia)

electric power grid shall have the right to decline such contracts if the corresponding party seeking the contract has no effective contract made with the system operator of the unified national all-Russia power grid (hereinafter referred to as the system operator) for provision to this entity of operational dispatch management services in the electric power industry.

2. The fee for the services of electric power transmission via the unified national (all-Russia) electric power grid shall include the following:

compensation of the organization's own expenses in the provision of management services of the unified national (all-Russia) electric power grid (the economically justified cost of such services, as well as the profit ensuring an economically justified return on the capital employed);

an amount ensuring the return of the revenue of owners or other lawful possessors of power grid facilities making up the unified national (all-Russia) electric power grid generated as a result of exercising by these entities of their rights, less the current operating expenses with regard to such facilities of the organisation operating the unified national (all-Russia) electric power grid.

The fee for the electric power transmission services via the unified national (all-Russia) electric power grid under a contract between the system operator and the organisation operating the unified national (All-Russia) electric power grid may also include payments for the operational dispatch management services of the system operator in the electric power industry, including payment of an insurance premium relating to insurance of the system operator's risk of liability for the damage caused to electric power industry entities.

3. The activity of providing electric power transmission services by the organisation engaged in operation of the unified national (All-Russia) electric power grid and also the aforesaid activities of owners or other lawful possessors of the power grid facilities making up the unified national (All-Russia) electric power grid shall be deemed exercised under the terms and conditions of a natural monopoly and shall be regulated in accordance with the legislation on natural monopolies, this Federal law and other federal laws.";

7) Article 10 shall be stated in the following wording:

"Article 10. Development of the Unified National (All-Russia) Electric Power Grid

1. An organisation engaged in operation of the unified national (All-Russia) electric power grid shall exercise the activity of development of this power grid and construction of new electric power grid facilities within the unified national (All-Russia) electric power grid, in accordance with the procedures specified in Article 42 of this Federal law. Such activities shall include measures to remove the technological constraints of free transfer of power between different regions of the Russian Federation and to improve the transmission capacity of electric power grids for the purpose of

accommodation of the power generated by electric power plants. These actions shall be financed from own funds of the organisation engaged in operation of the unified national (all-Russia) electric power grid, and from those raised by it, as well as from other sources not prohibited by laws.

For the purpose of developing the unified national (all-Russia) power grid an organisation engaged in operation of the unified national (all-Russia) power grid shall devise long-term schemes and programmes for development of the unified national (all-Russia) power grid to be endorsed by the Government of the Russian Federation in the procedure established by the latter. With that, it shall be stipulated that the system operator must participate in the development and coordination of the said schemes and programmes for the purpose of arranging by it the implementation of technical and engineering activities aimed at the development of the unified national (all-Russia) power grid.

The investment activities of an organisation engaged in operation of the unified national (All-Russia) electric power grid, including in the form of coordination of long-term schemes and programmes of development of the unified national (all-Russia) power grid, capital investments plans and monitoring of their implementation, shall be regulated by the federal executive agencies according to the procedures established by the Russian Federation Government.

2. In addition to an organisation engaged in operation of the unified national (All-Russia) electric power grid, any entity shall have the right to build power transmission lines, in accordance with the procedures established by Article 42 of this Federal law. The entities engaged in such construction shall have the right to technical connection of newly built lines to the existing grids in accordance with Article 26 of this Federal law.";

8) in Article 12:

a) Item 1 shall be stated in the following wording:

"1. As entities vested with operational dispatch management functions shall be deemed:

the system operator meaning a specialized entity whose sole responsibility is a centralized operational dispatch management within the Unified Energy System of Russia and which is authorised to issue binding operational dispatch management orders and instructions to all electric power entities and electric energy consumers which has an impact upon the electric energy operation mode of an electric system, including dispatchable electric energy consumers;

other operational dispatch management entities in power industry meaning organisations engaged in operational dispatch management in power industry within the limits of technologically isolated regional electric energy systems which are authorized to issue orders and instructions binding for all electric power industry entities and dispatchable electric

energy consumers within the limits of service zones of appropriate entities of operational dispatch management in electric power industry.";

b) in Item 2:

in Paragraph One the words "the wholesale market guidelines and wholesale market rules" shall be replaced by the words "the rules for operational dispatch management";

Paragraph Two shall be declared invalidated;

c) Item 3 shall be stated in the following wording:

"3. The system operator shall have the legal status of a public joint stock company. During the restructuring period of the Russian Public Joint Stock Company of Power Industry and Electrification Unified Energy System of Russia (RAO UES), the share of the Russian Federation in the authorized capital of the system operator should be at least 52%. Before completion of the restructuring, the Russian Federation should increase its stake in the authorised capital of the system operator up to 100 per cent, using for this purpose the methods provided for by the Russian Federation legislation. The specifics of establishing the system operator are specified in the Federal Law on the Specifics of Functioning of the Electric Power Industry in the Transitional Period and on Amending and Declaring Void Certain Legislative Enactments of the Russian Federation Owing to the Adoption of the Law on Electric Power Industry.";

d) Item 4 shall be stated in the following wording:

"4. The system operator and its affiliated entities or groups of entities shall be prohibited from being engaged in purchase and sale of electric power, except for purchase and sale of electric energy (capacity) for the purpose of rendering technological support to joint operation of the Russian electric energy system and electric energy systems of foreign states.";

9) in Item 1 of Article 13:

a) Paragraph Three shall be declared invalidated;

b) Paragraph Eleven shall be stated in the following wording:

"The implementation procedures for the above principles shall be established by this Federal law, as well as by the wholesale market rules approved by the Russian Federation Government and other regulatory legal acts endorsed by the Government of the Russian Federation.";

10) in Article 14:

a) Item 1 shall be stated in the following wording:

"1. The system operator's responsibilities shall be as follows:

to enforce the established standards of reliability in functioning of Unified Energy System of Russia and of electric energy quality;

to control the operating regimes of the electric power industry facilities according to the procedures specified in the wholesale market rules approved by the Russian Federation Government;

to participate in the arrangement of electric power supply and demand projections in electric power industry, in forecasting electric power

supply and demand in electric power industry and to participate in the process of creating the power industry capacity reserves;

to devise and introduce to the authorized federal executive body jointly with the organisation engaged in managing the united national (all-Russia) electric energy grid measures, process flow sheets and development programmes in respect of the Unified Energy System of Russia and to participate in implementation thereof;

to coordinate shutdowns for maintenance and decommissioning of electric power grid facilities and electric and thermal power generating equipment and also putting the equipment back into operation after its maintenance;

to issue to power industry entities and dispatchable consumers binding operational dispatch orders and instructions related to the performance by the system operator of its functions;

to draft optimized daily dispatch schedules for power plants and electric power grids of the Unified Energy System of Russia;

to regulate the electric current frequency, ensure the functioning of the automatic current frequency and capacity control equipment, and of the system control and automatic emergency systems;

to organize and manage the operating regimes of the synchronized operations of the Russian electric energy system and electric energy systems of foreign states, in particular electric energy (capacity) purchase and sale for the purpose of rendering technological support to joint operation of the Russian electric energy system and electric energy systems of foreign states in the procedure established by the wholesale market rules;

to participate in forming and issuing of technical requirements for the connection of electric power industry entities to the unified national (all-Russia) electric power grid or to regional distribution grids to enable their integration into the Unified Energy System of Russia.

to participate in the exercise of control by authorised federal executive bodies over the engineering status of electric energy facilities and energy-receiving devices of electric energy consumers which influence the reliability and safety of functioning of the Unified Energy System of Russia;

to arrange the selection of providers of services related to ensuring the system reliability, of services related to resolving emergency situations in the Unified Energy System of Russia, to pay for such services, as well as to make contracts and pay for the services related to creation of operating capacity reserves for the purpose of ensuring reliable functioning of the United Energy System of Russia in the procedure established by the Government of the Russian Federation.";

b) Item 2 shall be stated in the following wording:

"2. Operational dispatch management entities in technologically isolated regional electric energy systems shall carry out operational

dispatch management in electric power industry within the boundaries of their service area. Within these boundaries they are entitled to take decisions in the form of operational dispatch management orders and instructions connected with the exercise of the functions of operational dispatch management in electric power industry which are binding for electric energy entities and dispatchable consumers.";

11) in Article 15 the words "wholesale market" shall be replaced by the words "electric power industry operational dispatch management";

12) in Article 16:

a) Item 1 shall be stated in the following wording:

"1. The system operator (or an operational dispatch management entity in electric power industry identified by the Russian Federation Government in technologically isolated regional electric power systems) shall provide paid operational dispatch management services on a contractual basis to electric power industry entities and consumers.

The Government of the Russian Federation shall establish criteria and procedures for classifying electric power industry entities and electric energy consumers as pertaining to the circle of persons which are subject to such obligatory servicing, as well as price formation basics and a procedure for paying for the said services which shall include, in particular, the following services:

managing operating modes of electric power industry facilities and energy-receiving devices of electric energy consumers, as well as ensuring the functioning of engineering infrastructure of the wholesale and retail markets;

ensuring reliable functioning of electric power industry by way of arranging the selection of providers of services related to ensuring the system reliability, of services related to resolving emergency situations in the Unified Energy System of Russia and services related to the creation of operating capacity reserves.

Electric power industry entities and electric energy consumers, whose operating mode and operating condition have an impact upon the electric power operating mode of the energy system, shall make with the system operator (with other operational dispatch management entity in electric power industry in technologically isolated regional electric energy systems) agreements on a gratuitous basis establishing a procedure for technological cooperation of the system operator or other operational dispatch management entity in electric power industry with the said electric energy entities and electric energy consumers for the purpose of ensuring reliable functioning of the Unified Energy System of Russia (of technologically isolated regional electric energy systems).";

b) in Item 2:

Paragraph One shall be stated in the following wording:

"2. Making contracts of rendering operational dispatch management services in the electric power industry between electric power industry

entities and electric energy consumers classified under Item 1 of this article as pertaining to the circle of persons, which are subject to obligatory servicing, with the system operator shall be mandatory for both parties, and the system operator shall not have the right to decline such a contract. Contracts of rendering such services shall be made between electric power industry entities and electric energy consumers before they enter contracts for rendering electric power transmission services with the organisation engaged in managing the unified national (all-Russia) electric power grid.";

in Paragraph Two after the words "Electric power industry entities" shall be added the words "and electric energy consumers";

c) Item 3 shall be declared invalidated;

13) in Article 17:

a) in Paragraph Three of Item 1 the words "the wholesale market trading system administrator" shall be replaced by the words "the market council";

b) in Item 2 the words "the trading system administrator" shall be replaced by the words "the market council";

14) in Article 18:

a) in Paragraph One of Item 2 the words "wholesale market guidelines," shall be deleted;

b) Paragraph One of Item 3 shall be stated in the following wording:

"3. With the aim of protecting the property interests of electric power industry entities and electric power consumers from the actions (inaction) specified in Item 2 of this Article the system operator and other operational dispatch management entities in technologically isolated regional electric energy systems are obligated to insure the risks of liability for causing damage to electric power industry entities and electric power consumers resulting from actions (inaction) of accordingly the system operator and other operational dispatch management entities in technologically isolated regional electric energy systems, as well as are entitled to insure the risk of liability for breaking contracts of rendering operational dispatch management services in electric power industry and agreements of engineering cooperation for the purpose of ensuring reliable functioning of the Unified Energy System of Russia and a technologically isolated regional electric energy system in compliance with the insurance legislation of the Russian Federation. The maximum amount of allocations for the said insurance shall be determined in compliance with federal laws and shall be included into payment for the services of operational dispatch management in electric power industry. These allocations shall be of strictly purposive nature and may be only spent on payment of an insurance premium in connection with insurance of the risk of liability for causing damage to electric power industry entities and electric power consumers and the risk of liability for breaking contracts of rendering the services of operational dispatch management in electric power industry and agreements of

engineering cooperation for the purpose of ensuring reliable functioning of the Unified Energy System of Russia.";

15) in Article 20:

a) in Item 1:

in Paragraph Nine the words "the wholesale market trading system administrator" shall be replaced by the words "business infrastructure organisations";

in Paragraph Ten the words "elements of" shall be deleted;

paragraphs with the following content shall be added hereto:

"ensuring ecological safety of electric power industry;

economic feasibility of payment for capacity of suppliers' generating facilities, as regards generation of electric and thermal energy.";

b) a paragraph with the following content shall be added to Item 2:

"state control (supervision) over observance by electric energy entities of the legislation on environmental protection and other normative legal acts regulating ecological safety matters.";

c) in Item 3:

in Paragraph One the words "During the transitional period of electric power industry reform" shall be replaced by the words "Pending the date of full entry into force of this Federal Law";

in Paragraph Two the words "During the transitional period of electric power industry reform" shall be replaced by the words "Pending the date of full entry into force of this Federal Law";

in Paragraph Three the words "During the transitional period of electric power industry reform" shall be replaced by the words "Pending the date of full entry into force of this Federal Law";

16) Article 21 shall be stated in the following wording:

"Article 21. Competence of the Russian Federation Government and Federal Executive Bodies, of Executive Bodies of Subjects of the Russian Federation in the Area of Electric Power Industry Regulation and Control

1. According to the electric power industry legislation, the Russian Federation Government shall:

establish criteria and procedures for classifying electric power grid facilities as elements of the unified national (all-Russia) electric power grid;

approve the wholesale market rules and retail market functioning guidelines;

specify the procedures, terms and conditions for the construction and financing of electric power facilities, and procedures for shutdowns for maintenance and decommissioning of the electric power facilities;

establish procedures for technical connection of electric power receiving equipment of legal entities and natural persons to power grids;

approve rules for non-discriminatory access to electric power transmission services, operational dispatch management services in the

electric power industry and services rendered by trading infrastructure organisations and rules for rendering such services;

establish procedures for cooperation of operational dispatch management entities in electric power industry with power grid operating companies engaged in operational engineering management;

establish rules for rendering services related to ensuring the system reliability, services of resolving emergency situations in the Unified Energy System of Russia and services related to creation of operating capacity reserves;

establish criteria and procedures for classifying electric power industry entities and electric energy consumers as pertaining to the circle of persons which are subject to mandatory servicing when rendering services of operational dispatch management in electric power industry;

establish criteria for classifying electric power industry entities in whose authorized capital is the State's share and power grid operating companies as pertaining to the number of entities whose investment programmes (including determination of their financing sources) are endorsed by the authorised federal executive body and/or executive bodies of constituent entities of the Russian Federation and a procedure for endorsement (in particular a procedure for coordination with executive bodies of constituent entities of the Russian Federation) of their investment programmes and for exercise of control over implementation of such programmes;

endorse the rules for antimonopoly regulation and control in electric power industry;

determine the specifics of compulsory separation of economic agents engaged in monopolistic activities in electric power industry;

approve the model contracts of electric power purchase and sale (supply) to be made with consumers;

determine essential terms and conditions of agreements concerning a procedure for using by the organisation engaged in management of the unified national (all-Russia) electric power grid of electric power grid facilities held by owners or other legal possessors thereof and forming part of the unified national (all-Russia) electric power grid;

approve procedures for full and/or partial curtailment of the electric power consumption mode, including its level, should electric power consumers default on their contractual obligations (including with regard to certain categories of consumers which may be covered by a special procedure for providing a security of electric power payment), and also when urgent actions are required to remedy or prevent an emergency;

approve rules for operational dispatch management in electric power industry, in particular a list of technologically isolated regional electric power systems, a list of operational dispatch management entities in the said systems and a procedure for operational dispatch management therein;

approve rules for making and executing public contracts in the wholesale and retail markets;

take social protection measures for certain categories of citizens, including in the form of approval of procedures for granting such citizens electric power payment guarantees, in accordance with the Russian Federation budget legislation;

approve pricing guidelines for regulated prices (tariffs) in electric power industry defining principles and methodology for calculating prices (tariffs) in electric power industry, including criteria for evaluating economically justified costs included in the said prices (tariffs), for determining the rate of return on investment capital employed in the areas of operations of the electric power industry entities where the State regulates prices (tariffs), and procedures for accounting the performance of electric power industry entities at the end of each period of application of previously approved prices (tariffs) ;

approve the rules for governmental regulation (revision and application) of prices (tariffs) in the electric power industry, including the time-frames for considering rate cases, the exhaustive list of supporting documents, procedures for mandatory expert review of the proposals and procedures for collective decision-making;

set a procedure for settling disputes relating to fixing and application of payment rates as regards technical connections and/or tariff rates established by agencies engaged in the state regulation of prices (tariffs) for the purpose of determining such payment rate (standardized tariff rates);

set the bidding procedures for wholesale market members, procedures for selecting the bids and determining the wholesale average weighted market price, with regard to the specifics of its price zones;

approve rules and operating procedures for guaranteeing suppliers;

approve procedures for provision of inter-system electric power transmission services, including the methodology for making mutual settlements related to regulation of relations connected with electric power transmission;

approve procedures for establishing and functioning of headquarters for ensuring electric power supply safety for the purpose of preventing interruptions of power supply for reasons which are not related to actions of electric power industry entities and are caused, along with other reasons, by hazardous acts of nature or other emergency situations;

determine and change the boundaries of wholesale market price zones subject to technological and transmission constrains of the Unified Energy System of Russia;

set rules for mandatory separate accounting subject to kinds of activity in electric power industry;

define a procedure for setting long-term parameters for regulation of activities of organisations in the electric power industry sectors which are

classified in compliance with the legislation of the Russian Federation as pertaining to the scope of activities of natural monopoly entities and/or prices (tariffs) of certain kinds of products (services) which are subject to regulation in compliance with the list determined by federal laws;

formulate the guidelines of the state energy saving policy;

endorse basic guidelines of the state policy in respect of enhancement of energy efficiency of electric power industry setting target indices of electric energy generation and consumption volume with the use of renewable energy sources in the aggregate balance sheet of electric energy generation and consumption, a plan or programme of measures aimed at achieving the said target indices;

establish rules, criteria and procedure for classifying a generating facility operating on the basis of renewable energy sources as satisfying the target indices set in compliance with basic guidelines of the state policy aimed at enhancing energy output of electric power industry (hereinafter referred to as classified generating facilities functioning on the basis of reusable energy sources). Generating facilities functioning on the basis of using renewable energy sources shall also include facilities engaged in co-generation of electric and thermal power, provided that the said facilities use renewable energy sources for generation of electric and thermal power;

shall render assistance to the use of renewable energy sources and encourage the use of efficient energy technologies in compliance with the budget legislation of the Russian Federation;

endorse criteria for granting subsidies from the federal budget by way of compensation for the cost of technical connection of generating facilities with the installed generating capacity of 25 megawatt at most recognized as classified facilities in compliance with the provisions of Item 3 of Article 33 of this Federal Law, which function on the basis of renewable energy sources, to persons that have such facilities in their ownership or on some other legal ground.

The Russian Federation Government shall distribute electric power industry regulation and control responsibilities to federal executive bodies, as provided for in Item 2 of this Article.

2. The Russian Federation Government, or federal executive bodies authorized by it, shall be responsible for the following:

drafting of long-term development programs for electric power industry, including its municipal sector, subject to the Russian Federation security requirements and on the basis of the forecast of its social and economic development;

developing and ensuring the functioning of the state system of long-term projections for demand and supply in the wholesale and retail markets, including the fuel-and-power balance projection, and drafting of a plan of activities to meet the national economy demand for electric and thermal power;

state regulation and control over the activities of natural monopoly entities in electric power industry, including regulation, according to the established procedures, of access to electric power industry natural monopoly services, and setting of information disclosure standards for electric power industry natural monopoly entities;

state regulation of prices (tariffs) in electric power industry, including setting of their limit (minimum and/or maximum) levels, except for prices (tariffs) that, in accordance with federal laws, are subject to regulation by executive bodies of constituent entities of the Russian Federation;

control over the application of state-controlled prices (tariffs) in electric power industry, inspections of business operations of organizations exercising activities in the area of controlled price formation, as regards the justified level and appropriateness of application of the said prices (tariffs);

establishment of a procedure for determining the cost of and for paying for operational dispatch management services rendered in electric power industry;

establishment of a procedure for fixing the rate of payment for technical connection to electric networks, including a set of standardized tariff rates applied for determination of payment for technical connection and a procedure for determination of tariffs of electric energy transmission services, including differentiation criteria and/or specifics of price formation for certain categories of electric and thermal energy consumers;

fixing payment for technical connection to the united national (all-Russia) electric network and/or standardized tariff rates which determine its rate;

anti-monopoly regulation and control;

management of state-owned assets in electric power industry;

licensing of certain types of activities in electric power industry;

enforcement of compliance with the Russian Federation legislation by participants in the wholesale and retail markets;

approval of uniform requirements and procedures for certification of entities engaged in professional activities connected to operational dispatch management in electric power industry and carrying out of such certification;

exercise of control over electric power industry operational dispatch management system, including the development and approval of the procedures for determining insurance risks of operational dispatch management entities in electric power industry;

exercise of control over the activities of business infrastructure organisations;;

determining the terms and procedures for maintaining capacity reserves, and also mechanisms for compensating the corresponding costs to owners of such capacity;

determining the sources and methods for attracting investments for development of the Russian Federation electric power industry;

approval of investment programmes of electric power industry entities whose authorized capital includes the State's share, as well as of investment programmes of regional power grid operating companies included into the list of entities whose investment programmes are endorsed and monitored by the authorised federal executive body;

exercise of control over the implementation of investment programmes of electric power industry entities in the procedure established by the Government of the Russian Federation;

approval, for the purpose of tariff control, of the rules for assessing the value of assets and invested capital by using methods of analogues' comparison, the rules for separate accounting thereof applicable when exercising the activities regulated with the use of the rate of return on invested capital;

approval of the methodology for calculating and procedures for compensation for electric power transmission losses, as well as normative standards of such losses when fixing the rate of payment for appropriate services related to electric energy transmission;

participation in procedures for appointment and replacement of guaranteeing suppliers and for establishing and changing the boundaries of their service zones, as well as approval in the cases and in the procedure which are established by basic guidelines of retail markets' functioning of the results of appointment and replacement of guaranteeing suppliers and of establishment and changing of their service zones' boundaries;

approval of a procedure for keeping a register for issuance and cancellation of certificates proving the volume of generated electric energy by classified generating facilities which function on the basis of renewable energy sources;

fixing the surcharge to be added to the wholesale market equilibrium price for determination of the price of electric energy generated by classified generating facilities which function on the basis of renewable energy sources;

establishment of the volume of electric energy to be acquired without fail by electric energy purchasers in the wholesale market which is generated by classified generating facilities functioning on the basis of renewable energy sources;

creating a generally accessible system of information disclosure in the wholesale and retail markets;

approval of standards for disclosure of information by participants in the wholesale and retail markets to their consumers, including the standards for disclosure of information about their products, revenue, and costs separately in respect of each kind of activities in the electric power industry and exercise of control over compliance with these standards;

keeping of state records for electric power industry entities;

establishment of the minimum equity capital requirements for electric power suppliers;

technical monitoring and supervision in electric power industry;
exercise of ecological control and supervision in electric power industry;

approval of a list of data to be supplied by electric power industry entities, forms of and procedure for such supply.

Federal executive bodies shall have the right to adopt normative legislative enactments in respect of the state regulation and control in electric power industry solely where it is provided for by federal laws and normative legislative enactments of the Russian Federation Government.

3. Within the scope of competence specified in this article, federal executive bodies shall have the right to:

forward to legal entities and individuals binding orders to take actions, provided for by the Russian Federation electric power industry legislation, to remedy violations of the legislation, including consequences of such violations, and to enter into the contracts required by the Russian Federation electric power industry legislation;

forward to bodies of executive power of constituent entities of the Russian Federation and local self-government authorities binding orders to remedy violations of the Russian Federation electric power industry legislation;

request from power industry entities information about emergencies, changes in, or violation of, technological procedures, as well as about failures of structures and equipment which may cause a direct threat to human life and health, to environment, private property of individuals, and/or assets of legal entities;

consider complains filed by suppliers and buyers of electric power and heat concerning the violation of their rights and legitimate interests by actions (inaction) of other electric power industry entities, and to require the related information, documents, and other evidence supporting the presence of signs of such violations;

exercise control over collection of payments for technical connections and/or application of standardized tariff rates which determine the amount of such payments, including the settlement of disputes;

apply sanctions for any violation of the Russian Federation electric power industry legislation and exercise other powers provided for by the Russian Federation administrative law, laws on licensing of certain types of activities, and environmental legislation of the Russian Federation;

take legal actions and to participate in litigation related to cases involving violations of the Russian Federation electric power industry legislation.

4. Executive bodies of constituent entities of the Russian Federation shall be vested with the state regulatory and control powers in electric power industry, in compliance with this Federal Law and other federal laws, as well as with decrees of the President of the Russian Federation and decisions of the Government of the Russian Federation.

Executive bodies of the constituent entities of the Russian Federation shall have the authority to:

control guaranteeing suppliers for the purpose of ensuring reliable supply of electric power to residential customers;

establish the supply-related surcharges of guaranteeing suppliers;

approve investment programmes of electric power industry entities in whose authorised capitals the State participates, investment programmes of regional power grid operating companies classified as entities whose investment programmes are to be endorsed and monitored by executive bodies of constituent entities of the Russian Federation, as well as exercise control over implementation of such programmes;

coordinate investment programmes of regional power grid operating companies classified as entities whose investment programmes are to be endorsed and monitored by federal executive bodies, as well as exercise control over implementation of such programmes;

set prices (tariffs) for electric power transmission services via regional distribution power grids within the framework of limit (the maximum and/or minimum) levels established by the appropriate federal executive body for the transmission services of electric power via regional distribution power grids;

establish the amount of payment for regional networks organisations, as regards technical connections, and/or standardized tariff rates which determine this amount;

exercise control over collection of payments by regional power grid operating companies for technical connections and/or over application of standardized tariff rates which determine this amount, including settlement of disputes, in the procedure established by the Government of the Russian Federation;

set tariffs for heat, except for tariffs for the heat generated by cogenerators of electric and thermal power;

set thermal power tariffs for co-generation of electric and thermal power within the framework of limit (the maximum and/or minimum) levels of prices (tariffs) of thermal power established by the appropriate federal executive body for co-generated thermal power;

coordinate the use of water resources by hydroelectric power plants located in the territory of corresponding constituent entities of the Russian Federation;

coordinate placement of electric power facilities in the territory of corresponding constituent entities of the Russian Federation;

participate in the appointment or replacement of guaranteeing suppliers in the procedure established by basic guidelines for retail markets' functioning and in delimitation of their service zones and in alteration of their boundaries;

exercise control over application of prices (tariffs) of electric and thermal power controlled by executive bodies of constituent entities of the Russian Federation;

establish head-quarters engaged in ensuring safe electric power supply and maintain their functioning.

The decision on fixing for regional power grid operating companies a tariff exceeding the limit (maximum) level stipulated by the scope of investment programmes of electric power industry entities approved in the procedure defined by the Government of the Russian Federation shall be independently adopted by the executive body of a constituent entity of the Russian Federation and shall not be coordinated with the federal executive body responsible for tariff control.

Decisions of an executive body of a constituent entity of the Russian Federation, which conflict with the scope of its competence laid down in the fundamentals for regulation of prices (tariffs) and rules for state regulation (the revision and use) of prices (tariffs) in the electric power industry, shall be cancelled according to procedures specified by the Russian Federation Government.

The appointment and removal of the head of the executive body of a constituent entity of the Russian Federation authorized to perform the state regulation in electric power industry shall be coordinated with the corresponding federal executive body.

The executive body of a constituent entity of the Russian Federation, in compliance with the laws of the constituent entity of the Russian Federation, shall have the right to delegate to the local self-government bodies the authority to effect the state regulation of thermal power tariffs (except for thermal power tariffs for co-generators of electric and thermal power) supplied from a heat generating source, which provides thermal power to consumers located in the territory of a single municipal formation.

Decisions of a local self-government body which are made to exercise the authority delegated under this article, but which is at variance with the Russian Federation legislation on electric power industry, or with the scope of the established authority, shall be repealed by the appropriate executive body of a constituent entity of the Russian Federation, according to procedures specified by the Russian Federation Government.";

17) in Article 23:

a) Item 1 shall be stated in the following wording:

"1. The state regulation of prices (tariffs) in electric power industry helps ensure the balance of economic interests of electric and thermal power suppliers and consumers, this providing for the accessibility of electric and thermal power with full pay back of the capital invested into and used in activities of power industry entities covered by the state-controlled prices (tariffs) subject to economically justified rate of return on invested capital on condition of introduction for the purpose of such regulation of

separate accounting of the assets in the said area of activities and of the capital invested and used for their creation.

The methodology for calculating and determining the rate of return on investment capital employed in activities of power industry entities covered by the state-controlled prices (tariffs) shall be set up in the procedure established by the Russian Federation Government.

The state control of prices (tariffs) in power industry may be exercised on the basis of long-term parameters of control over the activities of appropriate organisations within at least five years (within at least three years when fixing for the first time the said prices (tariffs) or limit levels thereof) in the procedure established by the Russian Federation Government.

Long-term parameters of the state price (tariff) control in electric power industry shall likewise include the reliability and quality levels of the said commodities (services) which correspond to long-term investment programmes of organisations subjected to such control, time history of changes in the expenses connected with the supply of appropriate commodities (services), the amount of invested capital, rate of return on it, time period for paying back of invested capital and other parameters.

For the purposes of such regulation may be likewise applied other long-term control parameters obtained by way of using the method of analogues' comparison and other methods.

When reduced prices (tariffs) of electric and thermal power are established for certain customer groups, in accordance with the Russian Federation law, it is not allowed to increase electric and thermal power prices (tariffs) for other customers.";

b) Item 2 shall be stated in the following wording:

"2. The following is subject to the state control in electric power industry:

prices (tariffs) for power and heat supplied in the absence of competition, which may be regulated in cases, and according to the procedures, specified in Article 27 of this Federal law;

limit (maximal and/or minimal) levels of electric power prices, and prices (tariffs) for the de-rated generating capacity (in cases provided for by Russian Federation law, and according to procedures specified by the Russian Federation Government);

prices (tariffs) of services related to ensuring the system reliability and of services related to resolving emergency situations in the Unified Energy System of Russia (where it is provided for by the legislation of the Russian Federation and in the procedure established by the Government of the Russian Federation);

prices (tariffs) of services of a commercial operator;

prices (tariffs) of thermal power;

prices (tariffs) of services related to operational dispatch management in electric power industry and limit (maximum and/or

minimum) levels of prices (tariffs) of the said services, and also the selection of executors and pricing mechanism as regards the services related to ensuring the system reliability, the services related to resolving emergency situations in the Unified Energy System of Russia, and the services related to creation of engineering capacity reserves in cases and according to the procedure which are established by the Government of the Russian Federation;

payment for technical connections to electric networks and/or standardized tariff rates;

prices (tariffs) of the services related to electric energy transmission via electric networks and limit (maximum and/or minimum) levels of prices (tariffs) of the services related to electric energy transmission over regional distribution networks;

prices (tariffs) of the services related to thermal energy transmission; selling surcharges of guaranteeing suppliers.

The aforesaid prices (tariffs) and limit (maximal and/or minimal) levels of prices (tariffs) shall be controlled in the procedure set up by the fundamentals of controlled prices' (tariffs') formation and rules for the state prices' (tariffs') control (revision, application) approved by the Government of the Russian Federation. With that, controlled prices (tariffs) may be established both numerically and as formulas or a pricing procedure. Amendments made to the said rules shall come into effect at earliest in six months as of the date of their adoption.

Approved prices (tariffs) shall be effective for at least 12 months, except for the prices (tariffs) of the services related to ensuring the system reliability. The matter of alteration (revision) of controlled prices (tariffs) shall be considered twice a year at most and the corresponding decision should be made (if there are no grounds for prices (tariffs) revision, a decision shall be made to extend the time period while they are in effect).";

18) Article 25 shall be stated in the following wording:

"Article 25. Anti-Monopoly Regulation and Control in the Wholesale and Retail Markets

1. Anti-monopoly regulation and control in the wholesale and retail markets shall be effected by the antimonopoly agency in compliance with the Russian Federation anti-monopoly legislation and normative legal acts of the Government of the Russian Federation subject to the specifics established by this Federal Law and enactments of the federal antimonopoly agency adopted in compliance with normative legal acts of the Government of the Russian Federation.

2. The wholesale and retail markets shall have a system of regular control over their functioning, with the aim of timely prevention, identification, restriction and/or suppression of actions (inaction) which result or can result in prevention, restriction, elimination competition and/or

infringement of interests of electric power industry entities and electric energy consumers, including:

collusion (coordinated actions) of electric power suppliers with the objective of changing or maintaining the electric power (capacity) prices;

unjustified refusal to make electric power purchase and sale contracts;

unjustified refusals to make a contract for the provision of natural monopoly services, provided it is technically feasible;

discrimination against, or in favor of, individual market participants in the wholesale and retail markets;

ability of electric power operators to manipulate market prices in the wholesale and retail markets;

manipulation of prices in the wholesale and retail markets, in particular using its dominant and/or unique position;

abuse of the dominant and/or unique position in the wholesale and retail markets.

The objects of such antimonopoly regulation and control are as follows:

prices;

wholesale market economic concentration;

reallocation of stakes (stock) in the authorized share capital of the wholesale market members (including through creation, reorganization or liquidation of market participating organizations) and assets of wholesale market members;

coordinated actions of wholesale or retail market participants;

actions of wholesale or retail market participants holding the dominant or unique position in the said markets;

actions of the market council and of trading and technological infrastructure organisations.

The specifics of carrying out the regulation and control provided for by this article may be established in compliance with the provisions of this Federal Law, the antimonopoly legislation of the Russian Federation, regulatory legal acts of the Government of the Russian Federation and regulatory legal acts of the federal antimonopoly agency adopted in compliance with them.

3. The position of a business entity (a group of entities) shall be deemed dominant, if the share of capacity fixed for its generating facilities or the share of electric energy output generated by the said facilities within the boundaries of the nodal transfer zone exceeds 20 per cent, except if it is established when considering a case in respect of a breach of the antimonopoly legislation of the Russian Federation or when exercising control over economic concentration, that, despite the excess of the said value, the position of a business entity (a group of persons) is not dominant.

As dominant shall be deemed the position of a business entity (a group of entities) whose share in electric energy output or whose share of generating facilities installed capacity is less than 20 per cent but its dominant position has been identified by the antimonopoly agency on the basis of frequency of occurrence of such business entity's (such group of business entities's) exceptional position, the stability and duration of such exceptional position, the dominant position thereof in fuel markets or on the basis of other conditions defined in the procedure established by the Government of the Russian Federation and related to electric energy and capacity circulation in a given nodal transfer zone.

4. As exceptional shall be deemed the position of a business entity (group of business entities) in a nodal transfer zone allowing the business entity to have a determining impact on the electric energy equilibrium price formation in a certain period of the wholesale market state which is characteristic of the lack of possibility to replace the electric energy volume supplied by the given business entity by the volume of electric energy supply effected by other business entities.

5. In respect of the wholesale market entities that hold the dominant and/or exceptional position or manipulate and/or are able to manipulate the wholesale market prices the following measures may be taken with the aim of prevention of abuse and non-admission of price manipulation in the procedure determined by the Government of the Russian Federation:

state price (tariff) control;

price limitation in bids;

imposition of the restriction in the form of the condition that solely price-accepting bids may be filed;

obligation of the wholesale market participant to supply to the wholesale market the maximum possible volume of all electric power and capacity generated with the use of the generating equipment possessed by it.

6. A business entity may be divided on a compulsory basis in the procedure established by the antimonopoly legislation of the Russian Federation and subject to the specifics defined by the Government of the Russian Federation, in the event of repeated abuse of its dominant and/or exceptional position, in particular price manipulation in the wholesale or retail markets and the exercise of other monopolistic activities.

7. The wholesale and retail market entities (except for electric energy consumers who are natural persons) are obliged to do the following:

to ensure supply to the antimonopoly agency on a regular basis information about their activities in compliance with the standards established by the said agency;

to provide free access for the antimonopoly agency's officials to any other information about their activities.

8. The federal executive body shall ensure the exercise of control over business infrastructure organisations' adherence to the procedure for non-discriminatory access to the services rendered by them.

9. The provision of non-discriminatory access to the services related to electric energy transmission and to operational dispatch management in electric power industry shall be supervised in compliance with this Federal Law, the antimonopoly legislation of the Russian Federation and the wholesale market rules, the rules for non-discriminatory access to the services related to electric energy transmission, the services of operational dispatch management in electric power industry and the services rendered by business infrastructure organisations which are approved by the Government of the Russian Federation.

10. The federal antimonopoly agency, for the purpose of exercising control over the state of competition in the wholesale and retail markets, shall participate in the procedure for coordination of investment programmes of power industry entities, in whose authorized capital the State has a share, as well as of power grid operating companies complying with the criteria (in particular as regards the amount of assets or the volume of rendered services) set up by the Government of the Russian Federation in the procedure defined by the Government of the Russian Federation.";

19) Article 26 shall be stated in the following wording:

"Article 26. Regulations in Respect Access to Electric Power Grids and Electric Power Transmission Services

1. Technical connection to electric power grid facilities of electric power receiving equipment of electric energy consumers, of electric energy generating facilities, as well as of electric power grid facilities possessed by power grid operating companies and other persons (hereinafter referred to as technical connection) shall be carried out in the procedure set up by the Government of the Russian Federation as a one-time event.

Technical connection shall be effected on the basis of a contract of technical connection to electric power grid facilities to be made by a power grid operating company and a person applying to it. The said contract shall be public.

Technical connection shall be effected at the time determined in the procedure set up by the Government of the Russian Federation or the federal executive body authorised by it. With that, if it is necessary for making a technical connection technologically possible and for preventing the deterioration of conditions of power supply to previously connected equipment and/or electric power industry entities to develop (update) electric power grid facilities and/or to construct or re-construct electric energy generating facilities, the time for technical connection shall be fixed on the basis of investment programmes of power grid operating companies and obligations of electric energy producers as to the capacity supply which provide for implementation of the said activities.

A technical connection procedure endorsed by the Government of the Russian Federation shall establish the following:

rules for selection of the power grid operating companies possessing electric power grid facilities with the required voltage class in the appropriate region whereto persons interested in making the technical connection should apply and which has the right to deny the person applying to it the service of providing the technical connection and making the appropriate contract;

procedure for making a technical connection (including a list of activities related to making a technical connection and the maximum time period for implementation thereof) and its specifics, if electric energy consumers' energy receiving equipment, electric energy generating facilities, as well as electric power grid facilities possessed by power grid operating companies and other persons are connected;

rules for making and executing contracts of making a technological connection, in particular essential terms and conditions of such contracts;

A list of specifications for technical connection of energy receiving equipment and/or electric power industry facilities;

liability of power grid operating companies for failure to observe the time for making a technical connection.

The rate of payment for a technical connection of electric energy generating facilities shall be fixed in the procedure approved by the Government of the Russian Federation or the authorised federal executive body, in particular by way of establishing standardized tariff rates. The rate of payment for a technical connection and/or the standardized tariff rates shall be fixed on the basis of outlays on implementation of the activities to be exercised by a network organisation in the course of the technical connection, including construction and re-construction of electric power grid facilities. A list of standardized tariff rates shall be established by the Government of the Russian Federation or by the federal executive body authorized by it.

Payment for technical connection of energy-receiving equipment or electric power grid facilities may be established either in compliance with the said principles and procedure for fixing payment for technical connection of electric energy generating facilities or by way of fixing the payment rate by the authorised federal executive body or the executive bodies of constituent entities of the Russian Federation responsible for tariff control in the procedure established by the Government of the Russian Federation.

Outlays on the exercise of activities related to a technological connection, including outlays of a network organisation on the construction and/or re-construction of the electric power grid facilities required for the technical connection, shall be included into the outlays of the network organisation to be taken into account when fixing tariffs of services related to electric energy transmission and/or payment for the technical

connection. With that, it is not allowable to include the outlays of a network organisation accounted when fixing tariffs of services related to electric energy transmission into payment for the technical connection, as well as of the outlays accounted when fixing payment for the technical connection into the tariffs of services related to the transmission.

It shall not be allowable to include into payment for technical connection the investment component to cover the outlays relating to the development of the existing infrastructure, including the connecting lines between facilities of regional power grid operating companies and facilities pertaining to the national (all-Russia) power grid, except for outlays on construction of power grid facilities linking the existing power grid facilities and the energy-receiving equipment to be connected and/or electric power industry facilities. The composition of outlays to be included into payment for the technical connection shall be determined by the federal executive body responsible for tariff control.

Persons who have applied to a network organisation for making contract of technological connection or have made such contracts are entitled to address the agencies responsible for the state price (tariff) control for settling disputes which are connected with fixing and collection by power grid operating companies of payment for the technical collection and/or of standardized tariff rates in the procedure set up by the Government of the Russian Federation.

Under a contract of technical connection a network organisation shall undertake to exercise the activities which are necessary for making such technological connection, in particular the activities related to drafting and, where it is provided for by the legislation of the Russian Federation on electric energy power, to coordination of specifications with the system operator, ensuring the preparedness of electric power grid facilities, including their design, construction and re-construction, for connection of energy-receiving equipment and/or electric power industry facilities, to regulation of relations with third persons where it is necessary for such persons to construct (update) the electric power grid facilities (energy-receiving equipment, electric power industry facilities) they possess.

Payment under a contract of technical connection shall be collected solely once, this being accompanied by a probable condition to pay for exercising some activities related to the technical connection.

The observance of the specifications required for a technical connection, in particular the requirements related to a probable impact of emergency and operating control schemes upon energy-receiving equipment and/or electric power industry facilities, and also requirements for proper maintenance of the equipment and devices installed in compliance with issued specifications, shall be of continuing nature and mandatory for the parties after the technical connection.

the standards for disclosure of information to be endorsed by the Government of the Russian Federation, as regards technical connection,

must provide for disclosing the following data by power grid operating companies:

information which is essential for adoption by legal entities and natural persons of decisions to make a technical connection to electric power industry facilities, in particular about the supposed rate of payment for the technological connection and the time of implementation of activities related to the technical connection, as well as about the network infrastructure development plans coordinated with the system operator;

data on received applications for a technical connection, on the results of consideration thereof, scheduled and actual time of the exercise of activities related the technical connection.

2. The services related to electric energy transmission shall be rendered on the basis of a contract of paid services' provision. The contract of these services' provision shall be public.

As a mandatory condition for rendering electric energy transmission services to the purchaser shall be deemed his participation in the wholesale market or such purchaser's having a contract of electric energy purchase and sale made with the producer or other electric energy supplier under which obligations are discharged in a proper way.

Where a power grid operating company unreasonably evades making a contract of rendering services related to electric energy transmission, the purchaser is entitled to make a claim with court for forcing the power grid operating company to make the said contract in compliance with the civil legislation.

A power grid operating company under this Federal Law, the wholesale market rules and basic guidelines for retail markets' functioning is entitled to deny the purchaser the discharge of its obligations under a contract of rendering services related to electric power transmission, if such organisation has learnt that the purchaser has failed to discharge obligations thereof under a contract of electric energy purchase and sale.

3. Rules for non-discriminatory access to electric power transmission services shall be formulated by the Russian Federation Government and include the following:

rules for making and execution of contracts of electric power transmission services, including essential terms of the said contracts;

power grid access procedures where there are power grid constraints;

procedures for setting power transmission tariffs which account for the extent of use of the power grid capacity;

procedures for the disclosure of information about the cost of electric power transmission services and the available transmission capacity of the power grids;

procedures for considering complaints and applications concerning the access to electric power transmission services and for making

decisions regarding the complaints and applications that are binding for legal entities and natural persons;

procedures for disclosure by organizations engaged in electric power transmission (power grid operating companies) of information on the available transmission capacity of power grids, about their technical characteristics, in accordance with the information disclosure standards approved by the Russian Federation Government;

procedures for calculating electric power transmission losses and payment for such losses.

The rules of non-discriminatory access to and provision of electric power transmission services shall not have a provision for charging additional payments in the event of transmission constraints, except as provided for by this Federal Law.

4. Where the owner or other legal possessor of energy-receiving equipment or electric power industry facilities which have been previously technically connected in the proper way is replaced and the new owner or other legal possessor thereof is engaged in the exercise of industrial activities which do not entail the revision of the connected capacity value and does not require alteration of the external power supply network and the category of electric power supply reliability, it is not necessary to make a repeated technical connection and the previously established limits of balance sheet appurtenance of the equipment and facilities and liability for breaking the rules for operation of electric power grid facilities shall not change. With that, a new owner or other legal possessor of energy-receiving equipment or electric power industry facilities is obliged to notify the power grid operating company or the owner of the electric power grid facilities of the transfer of ownership or of the rise of other ground for possession of the energy-receiving equipment or electric power industry facilities. In the event of transfer of ownership of a part of the said energy-receiving equipment or electric power industry facilities or the rise of other ground for possession thereof, the documents concerning the balance sheet appurtenance of such facilities and liability for breaking the rules for electric power grid operation are subject to legalization in the procedure established by the rules for non-discriminatory access to electric energy transmission services.

The owner of an energy-receiving device or of an electric power industry facility which have been earlier technically connected in a proper way is entitled by approbation of the power grid operating company to connect to the network thereof some other owner of electric power industry facility (some other consumer) on condition of observance by it of previously issued specifications. In this case a contract of technical connection shall be made by the said owner of the energy receiving device and the other consumer and payment under such contract shall be established in compliance with the rules and in the procedure which are provided for by this article, while the activities related to the provision of

technical connection services and electric energy transmission services shall be regulated in the procedure established by this Federal Law for power grid operating companies.

A power grid operating company or other possessor of electric power grid facilities whereto energy-receiving equipment or electric power industry facilities are technically connected in a proper way has no right to obstruct electric energy transmission to the said equipment or facilities and/ or from the said equipment and facilities, in particular making in respect of the said equipment and facilities electric energy purchase and sale contracts, power supply contracts, contracts of rendering electric energy transmission services and are obliged by request of the owner or other legal possessor of the energy-receiving equipment or electric power industry facilities at the time fixed by the legislation of the Russian Federation to submit or draw up documents proving the technical connection and/or delimitation of the balance sheet appurtenance of electric power grid facilities, energy-receiving equipment or electric power industry facilities and the parties' liability for breaking the rules for operation of electric power grid facilities. The said person is likewise obliged to take actions in the established procedure by request of a guaranteeing supplier (retail supply company, power grid operating company) aimed at full and/or partial limitation of the electric energy consumption mode for such energy-receiving equipment or electric power industry facilities and to cover the cost of losses at the electric power grid facilities it has in its ownership.

If a power grid operating company or other possessor of electric power industry facilities fails to discharge the duty of presenting documents proving the technical connection and/or delimitation of the balance sheet appurtenance of electric power grid facilities and energy-receiving equipment or electric power industry facilities, a guaranteeing supplier is not entitled to deny the owner or other legal possessor of the said equipment or facilities making a purchase and sale contract or a power supply contract because of the absence of the technical connection and has the right to collect independently the documents proving the availability of the technical connection and/or delimitation of the balance sheet appurtenance of electric power grid facilities and energy-receiving equipment or electric power industry facilities.

Should the fact of improper connection of energy-receiving equipment or electric power industry facilities is detected, a guaranteeing supplier has the right to impose a complete limitation of the electric energy consumption mode by such equipment or facilities, while the owner or other legal possessor thereof is obliged to pay to the guaranteeing supplier the cost of the electric energy consumed prior to imposition of the limitation and to cover other outlays connected with electric energy consumption.";

20) in Article 27:

a) in Item 1:

in Paragraph One after the word "trading" shall be added the words "and generation";

Paragraph Four shall be stated in the following wording:

"The state regulation shall be likewise introduced in emergency situations.";

a paragraph with the following content shall be added hereto:

"A procedure for the state regulation in electric power industry, the terms of introduction and termination thereof shall be determined by the Government of the Russian Federation.";

b) Item 2 shall be stated in the following wording:

"2. A temporary overall deficit of electric power in individual wholesale market price zones, and/or in the wholesale market on the whole, is generally characterized by a higher level of consumption (taking into account the standard requirement for reserve power generating capacity) as compared to the maximum possible generating capacity used in electric energy generation during a certain period of time or during an individual zone of a daily load schedule (subject to limitations as to fuel supply), according to the procedure established by the Russian Federation Government.

In the event when the temporary overall deficit of electric power in individual price zones of the wholesale market and/or in the wholesale market in general is resolved, the federal executive body authorized by the Russian Federation Government is obligated to render a decision on termination of the state regulation in electric power industry effected in compliance with the provisions of this article.";

c) Paragraph Two of Item 3 shall be stated in the following wording:

"Such segments, along with those cited in Paragraph One of this item, shall include technologically isolated regional electric power systems, whose list shall be subject to approval by the Russian Federation Government and other regions which are not connected to the Unified Energy System of Russia.";

21) in Article 28:

a) the words ", in particular with participation of operational dispatch management entities in electric power industry" shall be added to Paragraph One of Item 2;

b) Items 3 and 4 with the following content shall be added hereto:

"3. To ensure the safety of works carried out at electric power industry facilities the employees directly involved in the works connected with servicing of the said facilities shall pass in the established procedure compulsory medical inspections (examinations), as well as, by request of employers, compulsory pre-work medical inspections (examinations) for detecting the consumption of alcohol, drugs and psychotropic substances.

A procedure for carrying out medical inspections (examinations) shall be established by the federal executive body exercising the functions of developing the state policy in respect of the fuel-and-power sector by

approbation of the federal executive body exercising the functions of developing the state policy of legal regulation in the field of health care, social progress, labour and consumer rights protection.

4. If an organisation is engaged in the exercise of activities in the areas which are classified under the legislation of the Russian Federation as pertaining to the scope of activities of natural monopoly entities and fails to satisfy the requirements of specifications and/or other binding requirements in the operation of the electric power grid facilities, heating systems and/or other electric power industry facilities, the rights of such organisation as to the use and/or possession of the said facilities shall be limited in the procedure and in favour of the organisation to be determined by the Government of the Russian Federation.

When fixing tariffs for the organisations in whose favour the right to use and/or possess electric power grid facilities and heating systems is restricted, as well as for the organisations engaged in operation of electric power grid facilities, heating systems and/or other electric power industry facilities which are ownerless, whose owner is unknown or whose owner has waived the ownership thereof, the outlays on operation of such facilities shall be accounted in full. The said organisations shall be charged with maintenance of such facilities.";

22) Item 6 with the following content shall be added to Article 29:

"6. Investment programmes of constituent entities of the Russian Federation in whose authorized capital the Russian Federation has a share, and investment programmes of regional power grid operating companies which comply with the criteria defined by the Government of the Russian Federation shall be approved by the federal executive body and/or the executive body of a constituent entity of the Russian Federation in the procedure established by the Government of the Russian Federation. The programmes shall include outlays on enhancing electric power industry efficiency, removal of technological constraints for nodal transfer of electric power and increase in the capacity of electric networks so as to ensure capacity output of electric power stations, in particular of those which are provided for by the Master Location Plan, federal target programmes and competitive power take-off.";

23) Article 30 shall be stated in the following wording:

"Article 30. Legal Basics of the Wholesale Market Functioning

1. The legal basics for functioning of the wholesale market shall be established by this Federal law, as well as by the wholesale market rules established by the Russian Federation Government and normative legislative enactments of federal executive bodies stipulated by the wholesale market rules.

The wholesale market rules shall regulate the relations associated with the electric power and capacity trading in the wholesale market in the part covered by this Federal Law.

The electric power export and import regime shall be regulated by the legislation on the state regulation of foreign trade.

In the cases and in the procedure determined by the Government of the Russian Federation in the wholesale market shall be regulated the relations connected with trading in a special commodity, that is, capacity, and other commodities and services required for organisation of efficient trade in electric energy over a short-term and long-term periods. In so doing, contracts may be used which are standard from the point of their form, terms and conditions of execution and under which the rights shall be transferred by way of passing over the contracts proper.

2. The key organizational principles of the wholesale market shall be as follows:

open and non-discriminatory access to the market for all electric power sellers and buyers which comply with the wholesale market rules established by the Russian Federation Government and meet the requirements for participants in the wholesale market specified in Article 35 of this Federal Law;

freedom of business interaction between participants in the wholesale market acting in accordance with the wholesale market rules established by the Russian Federation Government;

freedom of participants to choose in the wholesale market the procedure for buying and selling electric power through the formation of market prices and selection of bids of electric power sellers and bids of electric power buyers based on the electric power minimal prices that are formed in individual wholesale market price zones in accordance with the wholesale market rules, or through bilateral contracts of electric power purchase and sale;

taking into account the specifics of operations in the wholesale market of its individual participants which render services to ensure the reliability of the system, and/or which generate electric power at thermal, nuclear or hydro power plants;

interaction between participants in the wholesale market based on unconditional compliance with their contractual and payment obligations;

obligation to acquire capacity by the wholesale market participants in the procedure and in the cases which are specified by the Government of the Russian Federation.";

non-discriminatory nature of the market rules as regards owners of the existing or new facilities of electric power industry.";

24) in Article 31:

a) Item 1 shall be stated in the following wording:

"1. Wholesale market members shall include participants in electric power and/or capacity trading, that is, the suppliers of electric power (the generating companies) and buyers of electric power (power supplying organizations, large electric power consumers, the guaranteeing suppliers) who were granted the status of the wholesale market member, in

accordance with the procedures established by this Federal Law, and also the market council, the trading system administrator and other organizations responsible for functioning of the wholesale market infrastructure in compliance with the wholesale market rules and an agreement of joining the wholesale market trading system (the operator of the unified national (all-Russia) electric power grid and the system operator).";

b) in Paragraph One of Item 2 the words "the wholesale market trading system administrator" shall be replaced by the words "the market council";

25) in Article 32:

a) Item 1 shall be stated in the following wording:

"1. The wholesale market shall have an organized system of contracts between its participants, which determines the main principles of their operations in the wholesale market, and the terms and conditions of the sale of electric power and capacity, as well as of the provision of services. The list, system and procedure for making contracts, binding for members of the wholesale market, and the contract negotiation procedures shall be determined the wholesale market rules.

In addition to the said system of contracts, the electric power sellers and buyers, being members of the wholesale market, shall have the right to make bilateral electric power and/or capacity purchase and sale contracts, according to the procedure laid down in the wholesale market rules. Wholesale market members shall be entitled to select their counteragents under such contracts at their own discretion.

The electric power buyers being members of the wholesale market and other persons are obliged to purchase capacity in the order, provided by the wholesale market rules in cases provided by the wholesale market rules

The wholesale market participants engaged in capacity generation and supply are obliged to maintain the generating equipment's preparedness for electric energy generation for the purpose of discharging their obligations towards capacity purchasers assumed by all capacity suppliers under all contracts in the aggregate under the terms and conditions determined by the wholesale market rules.

The fact of capacity provision and obtainment shall be proved by organisations pertaining to trading and technological infrastructures in compliance with the wholesale market rules established by the Government of the Russian Federation.

The wholesale market rules must provide for supplying the capacity which is sufficient for satisfying the demand for electric energy subject to the necessity for satisfying the standard need for electric capacity reserves, in particular for a short-term and long-term periods, by way of using effective resource saving technologies.

For the purpose of ensuring the economic development, meeting the needs of the Russian Federation population for electric energy and optimization of the electric power industry fuel and power balance the Government of the Russian Federation or the body authorized by it shall draft long-term forecasts of electric power industry facilities and market infrastructure development and shall draw up, in so doing, the electric power industry master location plan subject to industrial production and housing construction plans.

The capacity take-off on a competitive basis shall be carried out by the system operator in compliance of the wholesale market rules, proceeding from the necessity to provide sufficient number of generating facilities for the Unified Energy System of Russia with the aim to ensure reliable and continuous electric energy supply for a medium-term and long-term periods subject to the requirements for maneuverability of generating equipment, requirements for energy and ecological effectiveness of new facilities, minimization of purchasers' outlays connected with the aggregate purchase of electric energy and capacity in the wholesale market and other requirements established by the Government of the Russian Federation.

When effecting capacity take-off on a competitive basis in the procedure established by the wholesale market rules, construction plans for electric power industry facilities included into the electric power industry facilities master location plan shall be taken into account subject to their long-term fuel supply, as well as subject to development plans for the heat supply system in the appropriate region.

The electric power grid facilities ensuring the output and long-distance transmission of capacity generated by new electric energy generating facilities and identified on the basis of the results of capacity selection on a competitive basis shall be included into investment programmes of power grid operating companies in the established procedure on the basis of the system operator's proposals.

Control over timely and proper implementation of investment programmes of generating companies established on the basis of the results of trading in capacity shall be exercised by the system operator.

Bilateral electric energy purchase and sale contracts shall be subject to registration according to the procedure specified in the wholesale market rules.

In the process of making such bilateral contracts, the wholesale market members, if need be, shall also enter into a contract with the system operator for operational dispatch management in electric power industry and a contract with a electric power grid operating company for the provision of electric power transmission services. Access to electric energy transmission services shall be provided according to the procedures specified in Article 26 of this Federal Law.

Bids of guaranteeing suppliers in the amount of their electric power and capacity supply commitments shall be met without fail at the prices

fixed on the basis of selection of electric energy purchasers' and buyers' bids resulting from the procedures which are required by the wholesale market rules. The wholesale market members are obliged to purchase capacity in the cases and in the procedure which are specified by the Government of the Russian Federation.

The wholesale market members shall be free to select electric power sale procedures, including electric power and capacity purchase and sale through a system of selection of bids of electric energy and/or capacity purchasers and sellers, through a system of bilateral electric power and/or capacity purchase and sale contracts, or through other method, in accordance with wholesale market rules.";

b) Item 2 shall be stated in the following wording:

"2. The wholesale market shall have the following market pricing mechanisms operating in parallel which is formed by supply of and demand for electric energy and capacity:

fixing by the wholesale market trading operator of electric energy and capacity, subject to technological and network constraints and the necessity to ensure the equality of financial obligations and claims of the market participants, selling and purchasing prices for the settlement period on the basis of equilibrium electric energy prices and capacity prices estimated on the basis of the results of selection:

in respect of electric energy - of bids of electric energy suppliers and bids of electric energy purchasers and/or the demand for electric energy forecasted by the system operator;

in respect of capacity - of bids of capacity suppliers within the limits of the demand for capacity in an appropriate calendar year forecasted by the system operator subject to bids of electric capacity purchasers which independently plan their demand for electric capacity;

independent electric energy and/or capacity pricing by parties of bilateral electric power and/or capacity purchase and sale contracts.

In order to plan electric power generation and supply, the electric power suppliers should bid for their entire available generating capacity, except for the capacity retired and/or repaired on the conditions and according to the procedures specified in Article 44 of this Federal Law.

Electric power suppliers who has assumed commitments under bilateral contracts of electric power purchase and sale shall have the right not to bid.

To provide for the metering and performance of electric power supply obligations under bilateral contracts of purchase and sale (in the absence of bids) the parties to the said legal relations shall serve a long-term notification of electric power take-off or a self-consumption long-term notification.

In bilateral electric power and/or capacity purchase and sale contracts negotiated between individual sellers and buyers of electric power, in accordance with the wholesale market rules, the electric power

and/or capacity price and other terms and conditions of the contracts shall be determined by the contractual parties at their own discretion.

Parties to the bilateral contracts should respect the wholesale market rules under which the former should pay their share of the system costs provided for in this Federal law. Bidding procedures, the procedures and mechanisms for selection of bids and formation of the wholesale market prices, and the electric energy and capacity costs in the wholesale market in the settlement period shall be specified in the wholesale market rules. The selection of bids, and calculation and announcement of the average weighted wholesale market price, as well as the electric energy purchase and selling prices in the wholesale market, shall be the responsibility of the trading system administrator. The mechanism for determining the aforesaid prices shall provide for payment of the cost of electric power supplied to the wholesale market at a price, which can not be lower than the price stated in the selected bids of the electric power sellers.

On the basis of the results of bids' selection and in accordance with the procedures, laid down in the wholesale market rules, shall be formulated the operational dispatch management optimization criteria in electric power industry for the system operator.

The wholesale market rules shall provide for the formation of both electric power prices and prices (tariffs) of the capacity and services in the provision of engineering capacity reserve for a long term. The formation of prices (tariffs) for capacity and for services in the provision of an engineering capacity reserve shall follow the procedures laid down by the Russian Federation Government. The capacity suppliers shall be free in fixing the price of the maximum permissible generating capacity cited in bids with respect to electric energy generating facilities which are to be put into operation after January 1, 2008, except for the facilities which are put into operation when rendering the services related to formation of the engineering capacity reserve for a long term.

When controlled prices (tariffs) for capacity are fixed, the requirements specified in Article 23 of this Federal Law shall be complied with.

As the first priority, the wholesale market shall accept the electric power output data declared by organizations who own generating capacities, with regard to:

- generating capacities ensuring the system security;
- nuclear power plants, to the level required to meet design requirements, technical regulations for operating nuclear power plants, other normative legislative enactments of the Russian Federation concerning the use of nuclear power, as well as the corresponding international standards and rules.

As the second priority, the wholesale market shall accept the electric power output data declared by organizations who own generating capacities, in regard to:

fossil-fuel power plants, in the amount of electric power output corresponding to their power-and-heat generation cycle;

the output of hydroelectric power plants in the amount of electric power output required for technological or environmental safety reasons.

As the third priority, the wholesale market shall accept the electric power output data declared by organizations who own generating capacities in respect of the generating capacity involved to perform obligations under bilateral electric power purchase and sale contracts, in the cases provided for by the wholesale market rules, and if there is a long-term notification of electric power take-off.

The aforementioned electric power output shall be accepted by the wholesale market in the planning process, according to the procedures established in this article, when the aforesaid organisations submit pricetaking bids (bids that state no price at which they are ready to sell the amount of electric power quoted in the bid), or when long-term notifications of electric power take-off are served, which act as bid substitute. When required, the said organisations may specify the amounts of electric power by submitting bids, in accordance with the wholesale market rules, which would exclude the adjusted amount of electric power from the third-priority group.

The amounts of electric power output, specified in the long-term notifications of electric power take-off and accepted by the wholesale market, including the amounts accepted as the first and second priorities, shall be allocated to perform obligations specified in such long-term notifications.

In the event of the wholesale market being unable to accept the cumulative amount of electric power (of the first, second and third priorities), to the rejected amount shall be applied a pricing mechanism which does not result in losses with the contractual parties of the third priority group. This mechanism shall be laid down in the wholesale market rules.

If the performance of obligations established by the results of bidding in the wholesale market, including the submission or non-submission of the price-taking bids by members of the wholesale market, cannot be discharged due to a threat to the security of the Unified Energy System of Russia or a failure to operate in the heat extraction mode, or violation of other technological parameters of the Unified Energy System of Russia, the system operator shall manage the electric power industry operational dispatch in a manner disregarding such bidding results.

The electric energy equilibrium price shall be determined on the basis of price bids submitted by sellers and price bids of buyers of electric power in a corresponding price zone subject to the requirement to ensure the nodal transfer of electric power.

The electric energy and capacity purchase and selling prices in the wholesale market in the settlement period shall be fixed by the wholesale

market trading system administrator on the basis of the results of all the procedures carried out in accordance with the wholesale market rules.

The electric energy price generated by classified generating facilities functioning on the basis of renewable energy sources shall be determined by way of adding to the equilibrium wholesale market price the surcharge fixed in the procedure specified by the Government of the Russian Federation. The surcharge shall be estimated proceeding from the necessity of attaining the target production and consumption indices, established by basic guidelines of the state policy in the area of enhancement of electric power industry effectiveness, for the electric energy generated by classified generating facilities functioning on the basis of renewable energy sources.

The purchasing and selling prices of electric energy and capacity sold in the current settlement period shall be formed by the trading system administrator on the basis of the data which are available to it at the time of such prices' formation. In the event of receiving in the current settlement period data which pertain to previous periods but at most for three previous years, the purchasing or selling prices and the cost of electric energy and capacity sold in the current settlement period shall be determined subject to these data. The purchasing or selling price and the cost of electric energy and capacity sold or bought by the wholesale market member in previous settlement periods are not subject to alteration and recalculation.

The wholesale market trading administrator is obliged to ensure the custody of information about the electric energy and capacity market prices formed by it, as well as the supply of the said information to third persons in the procedure established by the legislation of the Russian Federation.

When the volatility of wholesale market electric power price exceeds the limits specified in the wholesale market rules, a special electric power price calculation regime shall be introduced in the wholesale market.

If a special price calculation regime is introduced, the wholesale market organizational procedures shall be established by the wholesale market rules.";

c) in Item 3:

in Paragraph One the words "wholesale market" shall be replaced by the words "wholesale and/or retail market";

Paragraph Two shall be stated in the following wording:

"For this purpose, in accordance with the said rules, the power grid operators are obligated to make electric power purchase and sale contracts in order to compensate for electric power losses within the limits of the amount not included in the electric power price.";

a paragraph with the following content shall be added hereto:

"Power grid operators must compensate for electric energy losses primarily on account of acquisition of the electric energy generated by classified generating facilities which are connected to networks of power

grid operating companies and function on the basis of renewable energy sources.";

d) in Item 4:

the word "guidelines" shall be replaced by the word "rules";

a paragraph with the following content shall be added hereto:

"The wholesale market rules may provide for distribution on a competitive basis for export and import the rights to use the limited carrying capacity of inter-state electric transmission lines to the wholesale market members. A procedure for distribution of the said rules, estimation of the cost, mechanism for distribution of funds derived from the sale of the said rights, procedures for estimation of electric energy losses and for payment for the said losses, as well as a procedure for identification of organisations for making such actions from among those which pertaining to the trading and/or technological infrastructures and other specifics shall be established by the wholesale market rules.";

26) Article 33 shall be stated in the following wording:

"Article 33. Specifics of Legal Status and Authority of Trading Infrastructure Organisations

1. The following organisations shall provide for functioning of the wholesale market trading infrastructure:

the market council which is a self-regulated organisation;

the wholesale market trading system operator;

other organisations which are charged by the market council with the functions of the trading infrastructure maintenance under a contract of joining the wholesale market trading system.

The market council is a non-profit organisation established in the form of a non-profit partnership which unites electric power industry entities and large electric and thermal energy consumers as members of this organisation.

As the aims of establishing the market council shall be deemed the maintenance of the market trading infrastructure, effective interrelation of the wholesale and retail markets, creation of favourable conditions for attraction of funds to be invested into electric power industry and formulation of a common position of the wholesale and retail markets' participants as to the regulatory documents drafted for the exercise of control over functioning of electric power industry, establishment on a self-regulated basis of the effective system of wholesale and retail trade in electric energy, capacity, other commodities and services allowed for trading in the wholesale and retail markets, for the purpose of securing energy preparedness of the Russian Federation, freedom of economic activities and competition in the wholesale and retail markets, maintenance of the balance of interests of electric energy and capacity producers and purchasers, satisfaction of public need for reliable and stable electric power supply.

2. The market council shall exercise its activities in compliance with the legislation on non-profit organisations subject to the specifics established by this Federal Law.

To ensure effective interaction of organisations pertaining to the trading and technological infrastructures, the market council shall participate in the authorized capital of the trading system administrator by way of its establishment, acquisition of stakes (shares) therein, in particular on account of membership dues, and may participate in the authorised capital of other organisations exercising the functions of the wholesale market trading system infrastructure, as well as may administer blocks of stakes (shares) of the said organisations.

When forming the board of directors (supervisory boards) of the organisation engaged in managing the united national (all-Russia) electric power grid and the system operator, it shall include without fail representatives of the market council.

3. The market council shall exercise the following functions:

determine a procedure for keeping and keep a register of the wholesale market members, render decisions on awarding the status of the wholesale market entity and on deprivation of it;

draft forms of a contract of joining the wholesale market trading system, the wholesale market regulations, standard contract forms which provide for trading in the electric energy and capacity in the wholesale market, and also in other commodities traded in the wholesale market, as well as render services relating to trading in the said commodities in the wholesale market;

establish a system of pre-trial settlement of disputes between the wholesale market members and electric power industry entities where it is provided for by a contract of joining the wholesale market trading system;

establish a system of and procedure for imposition of property sanctions for breaking the wholesale market rules;

participate in preparing draft rules for the wholesale and retail markets and proposals in respect of making amendments thereto;

exercise control over the activities of the system operator in compliance with the wholesale market rules;

exercise control over observance of the wholesale market rules and regulations by the wholesale market members and organisations pertaining to the trading and technological infrastructures;

recognize generating facilities as those functioning on the basis of using renewable energy sources by classified generating facilities;

keep a register of issuance and cancellation of certificates proving the electric energy volume generated by way of using renewable energy sources;

exercise control over discharge by electric energy purchasers in the wholesale market of the duty to acquire a certain volume of electric energy

generated on the basis of using renewable energy sources at the price fixed by the Government of the Russian Federation.

The trading infrastructure organisations shall exercise the following functions:

- render services relating to arrangement of wholesale trade in electric energy, capacity and other commodities and services allowed for trading in the wholesale market;

- render services related to collation and/or clearing of reciprocal obligations of the trade participants;

- establish the system of guarantees and settlements in the wholesale market, of contracts' conclusion and making settlements for electric energy and rendered services;

- register bilateral electric energy and capacity purchase and sale contracts;

- establish the system of metering, and supply of information about, electric energy and capacity generation and about consumption thereof in the wholesale market;

- confirm the facts when the wholesale market members supply or receive capacity;

- interact with technological infrastructure organisations for the purpose of forecasting electric energy production and consumption volumes, maintaining electric energy quality parameters, electric power supply stability and reliability and exercise of other functions in compliance with the wholesale market rules endorsed by the Government of the Russian Federation.

Functions shall be distributed to trading infrastructure organisations in compliance with the wholesale market rules and a contract of joining the wholesale market trading system.

4. For the purpose of ensuring the state control over the market council's activities the federal executive body authorised by the Government of the Russian Federation:

- shall enjoy the right of veto in respect of decisions of the market council's administrative bodies;

- shall inform the market council's administrative bodies about the items which are subject to obligatory consideration and which are to be included without fail into the agenda of a regular or extraordinary meeting or sitting of the market council's administrative bodies whose scope of authority includes these matters' settlement;

- shall render a decision on the item which was to be considered without fail and was forwarded to the market council's administrative bodies, if the said bodies has not rendered a decision on it within 45 days.

Control over the activities of trading infrastructure organisations shall be exercised by the Government of the Russian Federation or by the federal executive body authorized by it, in particular through participation in the activities of the market council's supervisory board.

The market council's supervisory board shall include the following:
eight representatives authorised by the Government of the Russian Federation and appointed from among members of the Federation Council of the Federal Assembly of the Russian Federation, deputies of the State Duma of the Federal Assembly of the Russian Federation, representatives of federal executive bodies and electric power industry experts;

four representatives of electric energy sellers;

four representatives of electric energy purchasers;

four representatives of trading and technological infrastructures. With that, representatives of trading and technological infrastructure organisations shall be included therein on an equal basis.

A procedure for the market council's supervisory board functioning and a procedure for decision-making by it shall be established by the market council's regulation subject to the specifics established by this Federal Law.

The following shall pertain to the scope of exceptional authority of the market council's supervisory board:

adoption of decisions on the selection of the organisation for execution of all or certain trading infrastructure functions defined by a contract of joining the wholesale market trading system;

endorsement of the form of a contract of joining the wholesale market trading system, standard forms of contracts which provide for trading in the wholesale market in electric energy, capacity, other commodities and services which are purchased and sold in the wholesale market, including the duty to acquire a certain volume of electric energy generated by classified generating facilities functioning on the basis of renewable energy sources at the price fixed in the procedure established by the Government of the Russian Federation;

endorsement of the amendments to be made to a contract of joining the wholesale market trading system and to the wholesale market regulations;

endorsement of a procedure for pre-trial settlement of disputes in the wholesale and retail markets in compliance with a contract of joining the wholesale market trading system;

endorsement of the principles of and procedure for imposition of property sanctions for breaching the wholesale market rules;

endorsement of a procedure for exercising control over adherence to the wholesale market rules and regulations by the wholesale market members and by organisations pertaining to the trading and technological infrastructures thereof;

exercise of control over financial and economic activities of trading infrastructure organisations.

5. For the purpose of balancing the interests of electric energy sellers and electric energy purchasers and preventing abuse of the monopolistic

position, the market council's constituent documents shall provide for the following:

prohibition to dispose of more than 20 per cent of votes while rendering decisions by a general meeting of the market council or the market council's supervisory board in respect of any wholesale market member (affiliated persons or a group of persons);

procedure for taking into account the interests of all wholesale market members while rendering decisions by the market council and its administrative bodies.

6. The market council is obliged to disclose the following to any person concerned which has applied thereto:

rules for admittance of the wholesale market members to sales held in the wholesale market;

rules for making and executing contracts in the wholesale market;

rules for collation and clearing of reciprocal obligations of the wholesale market participants;

rules for making settlements in the wholesale market;

regulations for amending the said rules.

The payment to be collected for supply of the said information shall not exceed the amount of outlays actually borne by the market council when providing the said information.

7. The wholesale market trading system administrator is an economic company engaged in the activity of trade promotion in the wholesale market which involves making and arranging execution of transactions related to trading in electric energy, capacity and other subjects of traffic whose purchase and sale are allowed in the wholesale market.

The said activity of the wholesale market trading system administrator shall be exercised by it in compliance with the wholesale market rules and on the basis of a contract of joining the wholesale market trading system.

Tariffs (prices) of services rendered by the wholesale market trading system administrator are subject to the state control in the procedure established by Article 23 of this Federal Law.

The activities of the wholesale market trading system administrator in respect of trade promotion in the securities market which is connected with making and arranging execution of transactions related to trading in electric energy, capacity and other subjects of traffic whose purchase and sale in the wholesale market is allowed shall be exercised in compliance with this Federal Law and the wholesale market rules without obtaining a special permit (licence).

Information reports on the results of trade published by a wholesale market trading system administrator in the procedure and at the time established by a contract of joining the wholesale market trading system shall serve as an official source of data on the market prices formed in the wholesale market in the settlements period.

The wholesale market trading system administrator shall insure the risk of liability for breaching a contract of joining the wholesale market trading system and other contracts made by it in the wholesale market.

8. The wholesale market shall have the system of electric energy and capacity business accounting. Organisations which provide for functioning of the trading infrastructure shall apply the calculation method for determination of the electric energy volume and capacity volume sold or purchased in the wholesale market in the cases and in the procedure which are established by a contract of joining the wholesale market trading system.

9. Settlements in respect of obligations resulting from transactions which are connected with trading in electric energy, capacity and other subjects of traffic in the wholesale market whose traffic therein is allowed shall be made in compliance with a contract of joining the wholesale market trading system. The said settlements may be made on the basis of collation and/or clearing of reciprocal monetary counter-claims of the wholesale market members.

The collation and/or clearing of reciprocal monetary counter-claims of the wholesale market members shall be effected on a centralized basis by specialized profit-making organisations. The legislation of the Russian Federation on clearing and clearing activity shall not extend to the said activities.

The collation and/or clearing of reciprocal monetary counter-claims of the wholesale market members (hereinafter referred to as clearing activity) shall serve as an obligatory condition for execution of appropriate transactions, in particular bilateral contracts made by electric energy and capacity sellers and purchasers.

Specialised profit-making organisations engaged in rendering services of collation and/or clearing of reciprocal monetary counter-claims under transactions connected with trading in electric energy, capacity and other subjects of traffic whose purchase and sale in the wholesale market is allowed are entitled to carry out clearing activity in respect of the obligations resulting from transactions with other subjects of such organized traffic on the basis of a special permit (licence) where the obtainment of such permit (licence) is required for exercising clearing activity in compliance with the legislation of the Russian Federation.

Settlements concerning obligations which result from transactions with other allowable subjects of organized traffic shall be made on the basis of the results of the said obligations' clearing effected in the procedure and under the terms which are established by the Russian Federation legislation on clearing and clearing activity, as well as by clearing rules which are devised and registered in the established procedure.

10. For the purpose of providing equal conditions for all wholesale market members, the market council's activities shall be regulated by authorised state bodies in compliance with the legislation of the Russian

Federation and the wholesale market rules, while the wholesale market members that participate in electric energy trading and trading and technological infrastructure organisations are obliged to be members of the market council.";

27) in Article 34:

a) Paragraph One of Item 1 shall be stated in the following wording:

"1. The interaction of wholesale market members with the organisation engaged in management of the unified national (all-Russia) electric power grid, with regional electric power grid companies and the system operator shall be governed by the rules, established by the Russian Federation Government, for non-discriminatory access to electric power transmission and operational dispatch management services in electric power industry and services of the wholesale market trading system organisations, as well as by the wholesale market rules.";

b) Item 2 shall be stated in the following wording:

"2. The organisation engaged in management of the unified national (all-Russia) electric power grid or regional power grid organisations shall provide contract-based paid electric power transmission services to wholesale market members.";

c) in Item 5 the words "the wholesale market trading system administrator" shall be replaced by the words "the wholesale market trading infrastructure organisations";

28) in Article 35:

a) in the title thereof the words "Wholesale Market Member - Participant" shall be replaced by the words "the Wholesale Market Member, a Participant";

b) in Item 1:

in Paragraph One the words "wholesale market member- participant" shall be replaced by the words "wholesale market member, a participant";

in Paragraph Three the words "wholesale market guidelines and" shall be deleted;

Paragraph Four shall be stated in the following wording:

"become a member of the market council and sign a contract of joining the wholesale market trading system";

Paragraph Five shall be deleted;

c) in Item 2:

in Paragraph One the words "market - participants" shall be replaced by the words "market, participants";

in Paragraph Two the word "guidelines" shall be replaced by the word "rules" and the words "and have the right to sell the electric energy generated by such equipment" shall be added hereto;

in Paragraph Three the word "guidelines" shall be replaced by the word "rules";

in Paragraph Four the word "guidelines" shall be replaced by the word "rules";

Paragraph Eight shall be deleted;

d) in Item 3 the words "member - participant" shall be replaced by the words " member, a participant";

e) in Item 4 the words "market - participant" shall be replaced by the words "market, a participant and the word "guidelines" shall be replaced by the word "rules";

f) Item 6 shall be stated in the following wording:

"6. In accordance with the wholesale market rules, the wholesale market member may be excluded from the register of wholesale market members by decision of the market council for repeated violations of and/or noncompliance with the requirements stated in a contract of joining the wholesale market trading system. The decision on the exclusion may be appealed against judicially.";

29) Article 36 shall be stated in the following wording:

"Article 36. Specifics of Functioning of Certain Electric Power Industry Entities and Electric Energy Consumers

1. Suppliers which are the wholesale market entities are obliged to ensure proper discharge of all the obligations assumed by them under a contract of joining the wholesale market trading system both in respect of the requirements for preparedness of the generating facilities for generation and for quality of electric energy to be supplied and in respect of the volume of supply.

In respect of certain electric power industry entities which have in their ownership or on some other legal ground provided for by federal laws electric energy generating facilities (generating capacities) the duty of rendering services related to maintenance of the system reliability shall be imposed for a certain period of time by virtue of technological specifics of such generating capacities' functioning.

The services related to maintaining the system reliability by electric power industry entities, in particular by the electric power industry entities upon which the duty to render such services is not imposed, as well as by water-storage electric power stations and electric power consumers, shall be rendered in the procedure established by the Government of the Russian Federation.

2. The services related to maintaining the system reliability shall not restrict the rights of the electric power industry entities possessing the appropriate generating capacities to participation in the wholesale and retail markets, in particular in the selection of the electric energy selling method through the system of bidding, electric energy purchase and sale at the equilibrium price of the wholesale market and through making bilateral electric energy purchase and sale contracts or other methods defined by the wholesale market rules.

3. Prices (tariffs) of services related to maintenance of the system reliability are subject to the state control and/or shall be fixed on the basis

of the results of selection on a competitive basis of such services' performers in the procedure established by the Government of the Russian Federation.

A procedure for rendering services related to the system reliability's maintenance and a procedure for selection of electric power industry entities and electric power consumers that render services related to the system reliability's maintenance shall be specified by the wholesale market rules.

The selection of performers of the services related to the system reliability's maintenance and payment for the said services for the purpose of maintaining the reliability of the Unified Energy System of Russia shall be arranged and the activities related to rendering services of the system reliability's maintenance shall be exercised by the system operator.

4. Electric energy supplies and operating modes of atomic power plants shall be planned in compliance with the requirements contained in the design documentation of atomic power plants and in their operation regulations. Outlays on maintaining the operation and discharging the duties of the operating organisation engaged in the activity of atomic energy use shall be reimbursed out of the sources provided for by the legislation of the Russian Federation on atomic power use and other federal laws, as well as by the wholesale market rules, or out of other sources specified by the Government of the Russian Federation.";

30) in Article 37:

a) Item 1 shall be stated in the following wording:

"1. Participants in retail markets shall be:

electric power consumers;

electric power suppliers (power-supplying organisations, guaranteeing suppliers, electric energy generators which have no right to participate in the wholesale market in compliance with Article 35 of this Federal Law);

regional electric power grid operators providing electric power transmission services;

operational dispatch management operators operating at the retail markets level.";

b) Item 2 shall be stated in the following wording:

"2. Electric power suppliers and electric power consumers shall have the right to negotiate contracts that have elements of different types of contracts (mixed contracts).

An electric power (capacity) purchase and sale contract and a contract of electric energy (capacity) supply may require the supplier to enter into a contract with the grid operator for provision of electric power transmission services to the consumers, this contract to be made on behalf of either the supplier or the electric energy consumer, but in the interests of the consumer.

An electric energy consumer shall be free to select its supplier under a electric power purchase and sale contract and a contract of electric energy supply. A power grid operator shall not be allowed to decline an electric power transmission contract with a consumer because of the consumer's choice of a particular electric power supplier.

When electric power is supplied by a guaranteeing supplier under an electric power purchase and sale contract, the guaranteeing supplier shall be obligated to enter into such a contract with the natural person or legal entity addressing it in respect of energy-receiving equipment located within the guaranteeing supplier's service zone. In case of the guaranteeing supplier groundlessly avoiding to enter into the contract of electric power purchase and sale, the person addressing it shall have the right to require, through legal action, to legally coerce the guaranteeing supplier to enter into the said contract.

Where an energy-supplying organisation acts as a purchaser under a purchase-and-sale contract, the guaranteeing supplier, should such energy - supplying organisation fail to discharge or improperly discharge payment obligations , is entitled to repudiate the contract unilaterally in full.

A contract made with an electric energy (capacity) supplier shall contain the term providing for a purchaser's right to repudiate the contract unilaterally in full on condition of making payment for the electric energy (capacity) consumed pending the time of the contract's repudiation and satisfying other requirements established by retail market guidelines.

An electric energy supplier and/or an electric energy purchaser are not entitled to repudiate a contract of electric energy purchase and sale and a contract of electric energy supply, in particular to unilaterally refuse to execute a contract, until the grid operator is duly notified of their intent to terminate the contract, in accordance with the wholesale market rules and the retail market guidelines.";

c) Item 3 shall be stated in the following wording:

"3. The retail market guidelines approved by the Russian Federation government shall establish the following:

rules for guaranteeing suppliers' activities;

procedures for interaction between retail markets member participating in electric power trading and the technological infrastructure organisations of the power industry in retail markets;

rules for making contracts between electric power consumers (energy-supplying organisations) and guaranteeing suppliers and rules for performance thereof, including the said contracts' essential term sheet;

rules for non-discriminatory access to electric power distribution grid services in retail markets;

procedure for awarding to organisations the status of a guaranteeing supplier, and also for delimitation and/or alteration of boundaries of guaranteeing suppliers' service zones;

cases of and procedure for the approval by the federal executive body of the results of appointment and replacement of guaranteeing suppliers;

cases of and procedure for awarding the status of a guaranteeing supplier to the organisation engaged in managing the united national (all-Russia) electric power grid, and also, for a time period of one year at most, to regional power grid organisations;

service area boundaries for guaranteeing suppliers within the territories of the corresponding constituent entities of the Russian Federation (by approbation of executive bodies of appropriate constituent entities of the Russian Federation).

procedure for making settlements for electric energy, in particular when sold at market prices.";

31) in Article 38:

a) Item 1 shall be stated in the following wording:

"1. Electric power industry entities who supply electric power to electric energy consumers, including electric power suppliers, guaranteeing suppliers and regional power grid operators (within their corresponding scope of responsibilities) shall be responsible to electric power consumers for the reliability of electric power supply and quality of the electric power, in accordance with technical regulations and other mandatory requirements.

Responsibility for reliable electric energy supply and quality thereof towards the electric energy consumers whose energy receiving equipment is connected to electric power grid facilities, which are ownerless, whose owner is unknown or whose owner has waived the ownership thereof, shall be borne by the organisations to which electric networks such facilities are connected.

It shall be prohibited to restrict the electric energy consumption mode, in particular the level thereof, for electric energy consumers that have no arrears in payment for electric energy and discharge other obligations provided for by the legislation of the Russian Federation and by agreement of the parties.

Except in emergency situations in the electric power industry, it shall be prohibited to practice rolling blackouts of electric energy consumers who have no debts in payment for electric power and who meet other requirements stipulated by the Russian Federation law and by agreement between the parties. In order to prevent rolling blackouts, an organization rendering electric power transmission services to consumers shall be obligated to provide for the possibility for both individual curtailment of its electric power consumption and of consumption by the served customers.

Electric power industry entities and electric energy consumers whose energy-receiving equipment is connected to system control and automatic emergency systems and are controlled by them, must provide for the operation of the system control and automatic emergency systems which they have in their ownership or on some other legal ground, as well as for

the possibility to exercise such control by system control and automatic emergency systems in compliance with the requirements of the system operator or other operational dispatch management entities in electric power industry and the requirements of power grid operating companies.

Dispatchable consumers of electric power shall provide contract-based paid services to remedy emergency situations in the Unified Energy System of Russia, and other services coordinated with them. A procedure for selection and awarding the status of a dispatchable consumer of electric power, a list of mandatory and additional services to be rendered by the dispatchable consumers of electric power and the payment procedures for the services shall be specified by the Russian Federation Government. In order to maintain the balance of interests, the extent to which operational dispatch management entities can affect the dispatchable consumers of electric power shall be coordinated with such consumers. The payment for services rendered by dispatchable consumers of electric power shall provide for full compensation of costs related to the performance of this function and the economically justified level of profitability of such activity. The excess of the coordinated scope of influence inflicted by operational dispatch management entities upon the dispatchable consumers of electric power shall entail liability of the corresponding operational dispatch management entities, in keeping with this Federal law.";

b) in Paragraph One of Item 7 after the words "including it's level," shall be added the words ", to consumers which are members of the wholesale and retail markets, " and the words "to customers of guaranteeing suppliers" shall be deleted;

c) Item 9 with the following content shall be added hereto:

"9. For the purpose of preventing failures in electric power supply to consumers thereof for the reasons which are not dependent on the actions of electric power industry entities, in particular for the reasons caused by hazardous acts of nature or other emergency situations, collective bodies shall be established in constituent entities of the Russian Federation, that is, headquarters for securing safe electric energy supply to consumers thereof that shall render decisions on taking measures which are necessary for prevention and/or liquidation of effects of failures in electric energy supply to consumers thereof in the procedure established by the Government of the Russian Federation.";

32) Item 1 of Article 39 shall be deleted;

33) Item 1 of Article 40 shall be stated in the following wording:

"1. In the retail markets, the sales surcharges of guaranteeing suppliers shall be subject to regulation by the state. The regulated sales surcharges shall be included in the price of electric power supplied by the guaranteeing suppliers to electric power consumers.

The state shall regulate the sales surcharges of guaranteeing suppliers in accordance with the fundamentals of controlled prices' (tariffs') formation in the electric power industry and the rules for state regulation

(revision, application) of controlled prices (tariffs) in the electric power industry, approved by the Russian Federation Government.

The prices of electric energy (capacity) sold by a guaranteeing supplier shall be fixed on the basis of the prices of electric energy and capacity purchased by the guaranteeing supplier, including regulated and market prices, the guaranteeing supplier's sales surcharge and prices of commodities (services) whose production (provision) is indissolubly related to the process of electric energy supply to consumers.";

34) in Article 41:

a) the words ", as well as in the cases and in the procedure which are determined by the Government of the Russian Federation, when exercising the functions of a guaranteeing supplier" shall be added to Paragraph Four of Item 1;

b) Item 2 shall be stated in the following wording:

"2. Operational dispatch management in retail markets shall be carried out by the system operator and operational dispatch management entities in technologically isolated regional electric energy systems in respect of electric power industry facilities and energy-receiving equipment of the electric energy consumers whose operating mode and operating condition have an impact upon the electric energy mode of the Unified Energy System of Russia.";

c) Item 4 shall be stated in the following wording:

"4. Organizations which are engaged in electric power transmission operations (power grid operating companies), acting under its electric power transmission contract obligations towards its customers, as well as persons that possess electric power grid facilities whereto energy-receiving equipment of electric energy consumers are connected, but do not exercise the activity of electric energy transmission to such consumers in the procedure specified by the Government of the Russian Federation shall be obligated to manage its relationship with the other grid companies, whose electric networks have interconnected series coupling and are used for electric energy (capacity) supply to an appropriate electric energy consumer.";

35) in Article 46:

a) in Item 1 the word "perspective" shall be added after the word "Russia a";

b) in Item 2 the word "perspective" shall be added after the words "creation of the";

36) Item 1 of Article 47 shall be stated in the following wording:

"1. This Federal law shall be put into effect from its official publication date, except for Item 2 of Article 7, Items 1-3 of Article 8, Item 3 of Article 12, Articles 34 and 44 of this Federal Law, as well as for the restrictions imposed on groups of entities, of entities affiliated to the organisation engaged in managing the unified national (all-Russia) electric power grid

and the system operator, in accordance with Item 4 of Article 8 and Item 4 of Article 12 of this Federal Law.

Item 2 of Article 7, Items 1-3 of Article 8, Item 3 of Article 12, Articles 34 and 44 of this Federal Law, as well as the restrictions imposed by Item 4 of Article 8 and Item 4 of Article 12 of this law on groups of entities, on entities affiliated to the organisation engaged in managing the unified national (all-Russia) electric power grid and the system operator, shall be put into effect as of July 1, 2008.

The provisions of Article 32 of this Federal Law shall apply subject to the specifics established by the wholesale market rules for purchase and sale of electric energy and capacity which are sold at controlled prices (tariffs).".

Article 2

The following amendments shall be made to Federal Law No. 36-FZ of March 26, 2003 on the Specifics of Power Industry Functioning during the Transitional period, on Introduction of Amendments into Some Legislative Acts of the Russian Federation and on Declaring Invalid Some Legislative Acts of the Russian Federation in Connection with Adoption of the Federal Law on Electric Power Industry (Sobranie Zakonodatelstva Rossiyskoy Federatsii, 2003, No. 13, Article 1178; 2005, No. 1, Article 4; 2006, No. 17, Article 1783; No. 41, Article 4848):

1) in Paragraph One of Article 2 the words "(as of the date of termination of the transitional period of power industry reforming)" shall be deleted;

2) Article 3 shall be declared invalidated;

3) in Article 4:

a) Part One shall be stated in the following wording:

"Article 4. For the purpose of ensuring the exercise of the state control over taking measures aimed at reforming the power industry, from the day of entry into force of the Federal Law on Electric Power Industry and up to July 1, 2008 shall be established a transitional period of electric power industry reforming. Within the transitional period decisions of the managerial bodies of the Russian Open Joint-Stock Company of Power and Electrification the Unified Energy System of Russia which concern the re-organization thereof (including decisions on the re-organization of the company and on the form thereof, on the procedure for distribution of shares of the company to be re-organized, on forming the property of the companies to be established as a result of re-organization) shall be taken by a simple majority of votes of those participating in voting.";

b) Parts Eight-Ten with the following content shall be added hereto:

"The Russian Federation shall exercise control (in particular by way of establishing holding companies monitored by the Russian Federation) over the activities of regional power grid companies which are established

in the course of re-organisation of joint-stock companies of power and electrification and which are natural monopoly entities.

Pending January 1, 2011, it is not allowable to reduce control exercised by the Russian Federation over the activities of the said regional power grid companies, such control to be reduced in the procedure provided for by the legislation of the Russian Federation.

For the purpose of ensuring the exercise of control by the Russian Federation over the activities of the said regional power grid organisations, within the period up to January 1, 2011 the decisions of their managerial bodies concerning re-organisation of the said regional power grid companies (in particular decisions on re-organisation thereof, on approval of the documents connected with implementation of such reorganisation) shall be adopted by a simple majority of votes of those participating in voting.";

4) Article 6 shall be stated in the following wording:

"Article 6. For the purpose of ensuring consistent and gradual reforming of electric energy and capacity wholesale and retail markets, pending January 1, 2011, the authority of the Government of the Russian Federation shall cover the following:

establishment of the maximum volume of electric power and capacity, whose sale is permitted at market (uncontrolled) prices to each wholesale market member which is the supplier of electric power (capacity). Pending January 1, 2011 the sale of such electric energy (capacity) volume must be brought up to 100 percent of electric energy and capacity for all categories of electric energy consumers, except for the electric energy (capacity) volume consumed by the population under contracts of electric energy supply and rendering municipal services, as regards electric energy supply;

determination of the list of the zones of the wholesale market (hereinafter referred to as the wholesale market price zones) coinciding with the territory of one or several constituent entities of the Russian Federation, within whose borders all electric power industry entities are granted the right to buy and purchase electric power at market (uncontrollable) prices.

Within the transitional period of electric power industry reforming cited in this article:

the state price (tariff) control in respect of the remaining electric energy volume shall be continued;

the wholesale market of electric energy (capacity) and retail markets of electric energy shall function on the basis of the rules of the transitional period which, among other things, shall establish the specifics of suppliers' participation in the wholesale market of electric energy (capacity) connected with the terms of fuel purchasing (the degree of the fuel market monopolization, procedure for fuel prices' control). The rules of the

transitional period shall be endorsed by the Government of the Russian Federation;

Electric energy generators designated by the Government of the Russian Federation are obliged to make long-term contracts of electric energy supply which shall enter into effect as of January 1, 2011 and shall have a three-year validity term.

The Government of the Russian Federation shall determine the terms of long-term contracts for delivery of electric power to guaranteeing suppliers of electric power with due account of the following requirements:

for the sale to guaranteeing suppliers of electric power in the necessary volume under the said contracts for the purpose of providing the population with electric power and rendering communal services to it, as regards electric power supply;

for the sale of electric power to one or several guaranteeing suppliers of electric power in the volume of up to 35 per cent of this power produced by each generator. The said volume shall be determined with the account taken of the shares of generating companies in the actual balance of the production of electric power for the year that precedes the date of such contract's conclusion;

for determination of the initial price for the electric power supplied under the said contracts in the amount not lower than the tariff established for the generating company at the time of conclusion of the contract by the body in charge of the state price (tariff) control;

for the dependence of the price level for electric power supplied under the said contracts on the level of the average price for electric power in the wholesale market with the annual decrease in the difference between the said prices.

The guidelines for retail markets' functioning and other normative documents regulating functioning of (price formation in) the wholesale and retail markets which are endorsed by the Government of the Russian Federation shall be binding for the parties to a public contract as of date of their entry into force and shall likewise extend to the relations resulting from previously concluded contracts, if the said normative documents do not fix some other time for their entry into force.

Starting from April 1, 2006, legal entities and individual businessmen shall be forbidden to combine the activity of electric power transmission and of operational dispatching management in electric power industry with the activity of electric power generation, purchase and sale. Groups of persons and affiliated persons shall be forbidden to combine these activities within the borders of a single price zone of the wholesale market from the end date of the transitional period of electric power industry reforming.

For the purpose of implementation of the said requirements, it shall not be allowed from April 1, 2006 to have simultaneously the property directly used in the electric energy transmission and operational dispatch

management in electric power industry and the property used in the generation, purchase and sale of electric power in ownership or on some other legal ground.

The requirements of the present Article shall not extend to the following:

the economic agents functioning in technologically isolated territorial electric power systems, in conditions when competition is absent or limited, and also the economic agents operating the power engineering facilities which are not connected with the power grid of Russia or technologically connected with it exclusively through the electric power grids of other states;

economic agents functioning in technologically isolated regional electric energy systems or in circumstances where there is no competition or competition is limited, economic agents operating electric power industry facilities which are not technologically connected with the Unified Energy System of Russia or which are technologically connected with it solely through electric energy systems of foreign states;

economic agents exercising the activity of electric energy transmission and operational dispatch management in electric power industry solely for meeting their own production needs;

regional power grid companies, if they are awarded the status of a guaranteeing supplier of electric power in the order prescribed by the legislation of the Russian Federation;

operating companies which carry out their activity on the basis of licences for the right to use atomic power and which have as part of their property the electric power grid facilities which ensure the safe operating mode of atomic power stations;

economic agents carrying out the activities indicated in the present Article with the use of electric power stations and other power engineering facilities which belong to them by right of property or on another ground stipulated by federal laws and which are directly interconnected and (or) are connected to the power-receiving equipment belonging to these agents, in order to satisfy primarily their own production needs, on condition of observance by such economic agents of the specifics of functioning of the economic agents and on condition of forwarding by them notices of the use of the said power engineering facilities to the federal executive body authorised by the Government of the Russian Federation.

Individual businessmen who are economic agents shall discontinue their activity through legal proceedings, unless they have fulfilled the requirements set by the present Article within the fixed time periods. In this case, the federal executive body authorised by the Government of the Russian Federation shall make a claim with a court of arbitration that individual businessmen which are economic agents should discontinue their activity.

Legal entities which are economic agents failing to satisfy the requirements set by the present Article within the fixed time periods shall be subject to a forced re-organisation (in the form of a division or detachment) by decision of the federal executive body authorised by the Government of the Russian Federation within the period fixed by it in keeping with the legislation of the Russian Federation.

In case of compulsory re-organisation of joint-stock companies, it shall be stipulated to distribute the stocks of the joint-stock companies set up as a result of such re-organisation to stockholders of re-organised companies in proportion to their share in the authorised capital of the reorganised companies.

Prices of products (works, services) of economic agents, which on the day of entry into force of the Federal Law on Electric Power Industry combine the said kinds of activities shall be subject to the state control in accordance with the legislation of the Russian Federation on the state price (tariff) control.

The Government of the Russian Federation may establish in line with federal laws other specifics of the activity of economic agents failing to satisfy the requirements set by the present Article.

Control over the compliance of economic agents with the requirement of the present Article, including control over the observance of the specifics of economic agents' functioning, shall be exercised by the federal executive body authorised by the Government of the Russian Federation in the order established by the latter";

5) Part One of Article 7 shall be stated in the following wording:

"Article 7. As of the date of termination of the transitional period of reforming power industry cited in Article 6 of this Federal Law, any organizations (except for guaranteeing electric power suppliers and organizations in respect of which the Federal Law on Electric Power Industry provides for the prohibition of their participation in the relations connected with trading in electric power) exercising the activity of electric power retail suppliers shall sell electric power to consumers at market prices.";

6) in Article 8:

a) Part Two shall be stated in the following wording:

"The participation of the Russian Federation in the authorized capital of the organization engaged in managing the national (all-Russia) electric power grid in the amount of at least 52 per cent shall be ensured at latest on the end date of the transitional period of power industry reforming. The participation of the Russian Federation in the authorised capital of the system operator in the amount of at least 100 per cent shall be ensured at latest on the end date of the transitional period of electric power industry reforming.";

b) the words "(except for alienation of these stocks in favour of the Russian Federation and transfer under municipal ownership of housing

stock units and those of social and community purpose, as well as of those pertaining to engineering infrastructure)" shall be added to Part Three;

7) in Article 11:

a) in Paragraphs One-Four of Part One the words "the administrator of the wholesale market trade system" shall be replaced by the word "the market council";

b) in Part Two:

in Paragraph One the words "the administrator of the wholesale market trade system" shall be replaced by the word "the market council";

Paragraphs Two and Three shall be stated in the following wording:

"of eight representatives authorized by the Government of the Russian Federation and appointed from among the members of the Federation Council of the Federal Assembly of the Russian Federation, deputies of the State Duma of the Federal Assembly of the Russian Federation, representatives of federal executive bodies and electric power industry experts;

of four representatives of electric power sellers;";

paragraphs with the following content shall be added hereto:

"of four representatives of electric energy purchasers;

of four representatives of trading and technological infrastructure organisations.";

c) Part Three with the following content shall be added hereto:

"The number of representatives of trading and technological infrastructure organisations shall be equal.".

Article 3

The following amendments shall be made to Federal Law No. 41-FZ of April 14, 1995 on the State Regulation of the Electric and Thermal Power Tariffs in the Russian Federation (Sobranie Zakonodatelstva Rossiyskoy Federatsii, 1995, No. 16, Article 1316; 1999, No. 7, Article 880; 2003, No. 2, Article 158; No. 13, Article 1178, 1180; No. 28, Article 2894; 2004, No. 35, Article 3607; 2005, No. 1, Article 37; No. 49, Article 5125; No. 52, Article 5597; 2006, No. 1, Article 10):

1) Paragraph Five of Article 1 shall be stated in the following wording:

"the federal (all-Russia) wholesale market of electric power (capacity) (hereinafter referred to as the wholesale market) is the sphere of trading in electric power and capacity within the framework of the Unified Energy System of Russia, in the bounds of the single economic space of the Russian Federation with participation of big generators and big buyers of electric power, which have obtained the status of subjects of the wholesale market and operate on the basis of the wholesale market rules;";

2) in Article 2:

a) new Part Six with the following content shall be added hereto:

"It shall be allowed to exceed the said maximum levels in the procedure established by Article 6 of this Federal Law.";

b) Parts Six-Eleven shall be deemed Parts Seven-Twelve accordingly;

3) Parts Two-Four with the following content shall be added to Article 4:

"The state control over prices (tariffs) in electric power industry may be exercised on the basis of long-term parameters for regulation of appropriate organisations' activities (for a term of at least three years where the said prices (tariffs) or their limit levels are fixed for the first time) on condition of introduction for the purpose of such control of separate accounting of the assets used while exercising the said kinds of activities and of the investment capital used for their creation.

The long-term parameters of the state price (tariff) control in electric power industry shall likewise include the level of reliability and quality of the said commodities (services) complying with long-term investment programmes of controlled organisations, time history of outlays connected with supply of appropriate commodities (services), amount of investment capital, rate of return, time for investment capital payback and other parameters.

For the purpose of the state control of tariffs, long-term parameters of such control obtained by way of using the analogue comparison method and other methods may be applied.";

4) Article 5 shall be stated in the following wording:

"Article 5. Powers of Federal Executive Bodies in Respect of the State Tariff Control

"As regards the state tariff control, the Government of the Russian Federation or the federal executive body in charge of tariff regulation:

shall endorse the normative and methodological basis of the activities of state executive bodies, as regards the state tariff control;

shall establish the basics of forming prices of electric and thermal energy in the territory of the Russian Federation, including a procedure for forming the price of the electric energy sellable in the wholesale market at controlled prices subject to regional specifics of forming tariffs on the wholesale market;

shall endorse the rules for the state control and application of electric and thermal power tariffs;

shall determine a procedure for establishing long-term parameters of control over the activities of organisations in the electric power industry sector classified by the legislation of the Russian Federation as pertaining to the scope of activities of natural monopolies and/or prices (tariffs) of certain kinds of commodities (services) which are controllable in compliance with the list defined by federal laws;

shall determine a procedure for considering the differences between executive bodies of constituent entities of the Russian Federation, organizations exercising controllable types of activities and consumers, as

well as the amount of, and a procedure for paying, the fee payable, when applying for consideration of said differences;

shall endorse for the purpose of control the rules for assessing the value of assets and invested capital using the analogue comparison methods, rules for separate accounting thereof applicable in the activities controllable with the use of the rate of return on investment capital;

shall establish a procedure for determining a payment for technological connection to electric networks;

shall establish the criteria for identifying the electric power producers which are entitled to sell it at market prices;

shall develop and endorse the uniform system of classification and separate accounting of expenditure depending on the kinds of activities of energy supplying organizations, as well as the system of reports to be submitted to the federal executive body in charge of tariff control;

shall determine the maximum volume of, and a procedure for, the sale at market prices of electric energy (power) on the wholesale market;

shall form the summary forecasting balance of production and supply of electric energy (capacity) within the framework of the Unified Energy System of Russia with a breakdown for constituent entities of the Russian Federation, with the account taken of the forecasted fuel balance, trends in the development of electric power industry for the needs of housing and communal services, specifics of delivering products (commodities) to regions where time periods for delivery thereof are limited, and of other factors;

shall exercise control over the use of investment resources which are included into the tariffs controllable by the State, in the procedure established by the Government of the Russian Federation;

shall exercise control over the use of investment resources included into the tariffs controlled by the State in the procedure established by the Government of the Russian Federation;

shall endorse investment programmes of electric power entities in whose authorized capital the State participates and of power grid companies classified as entities whose investment programmes are endorsed by the authorized federal executive body;

shall exercise control over implementation of investment programmes of electric power industry entities in the procedure established by the Government of the Russian Federation;

shall determine a list of services related to the organization of functioning and development of the Unified Energy System of Russia, shall establish the amount of the user's fee for rendered services and shall determine an order of paying for it;

shall establish prices (tariffs) of the services related to ensuring the system's reliability;

shall establish a rate of payment for technological connections to the united national (all-Russia) power grid and or standardized tariff rates defining the amount of such payment;

shall establish tariffs of the services related to electric power transmission and their extreme (minimum and (or) maximum) rates in the procedure established by this Federal Law;

shall establish tariffs on the services related to operational dispatch management in power industry and extreme (maximum and/or minimum) levels of prices (tariffs) of the said services, as regards the selection of executors and payment for the services related to the system reliability maintenance, the services related to resolving emergency situations in the Unified Energy System of Russia and the services related to forming an engineering capacity reserve;

shall establish the tariffs or their extreme (minimum and (or) maximum) levels of prices of the electric power sellable by producers in the wholesale market, except for the sale of electric energy by them at market prices, in the volume and in the procedure which are established by the Government of the Russian Federation;

shall establish the extreme (minimum and/or maximum) price levels for electric energy sellable by producers thereof in the wholesale market at controlled prices in the cases and in the procedure which are established by the Government of the Russian Federation;

shall determine the volume of assets necessary for ensuring the safe functioning and development of nuclear power plants which is accountable, when establishing tariffs or the extreme (minimum and (or) maximum) rates thereof for the electric energy sellable in the wholesale market of electric energy (power) by the producers owning said nuclear power plants;

shall establish the extreme (maximum and (or) minimum) rates of tariffs of the electric energy provided by power supply organizations to consumers, including the electric power sellable at market prices;

shall establish the extreme (minimum and (or) maximum) rates of tariffs of the thermal energy generated by the electric power stations which produce both electric and thermal power;

shall consider differences between executive bodies of constituent entities of the Russian Federation in charge of the state control of tariffs, organizations engaged in the controllable types of activities and consumers, as well as shall render decisions whose execution is obligatory;

shall exercise control over application of the state-controlled prices (tariffs) and shall inspect economic activities of the organizations engaged in the activities of controllable price formation, insofar as it concerns the reasonableness of the amount and the correctness of application of the said prices (tariffs);

coordinate in the established order decisions taken by the executive bodies of constituent entities of the Russian Federation in the sphere of the state tariff control;

shall establish the extreme (minimum and/or maximum) levels of tariff for thermal energy, except for the energy produced by power stations operating in the combined mode of electric/thermal energy production.

The Government of the Russian Federation shall determine the scope of authority of the federal executive body in charge of tariff control within the scope of the authority determined by this Article, as well as by other federal laws.";

5) in Article 6:

a) a paragraph with the following content shall be added to Part One:

"shall fix tariffs for technical connection to electric power grids and/or standardized tariff rates for determining the rate of this payment for regional power grid operating companies.";

b) Part Two with the following content shall be added hereto:

"A decision to exceed the said extreme levels, where such excess is caused by the scale of investment programmes of electric power industry entities approved in the procedure defined by the Government of the Russian Federation, shall be adopted by the executive power body of a constituent entity of the Russian Federation independently and its coordination with the federal executive body in charge of tariff control shall not be required.";

c) Parts Two-Eight shall be deemed Parts Three-Nine accordingly

Article 4

The following shall be deemed invalidated:

1) Subitem 97 of Item 1 of Article 17 of Federal Law No. 128-FZ of August 8, 2001 on Licencing Specific Types of Activity (Sobranie Zakonodatelstva Rossiyskoy Federatsii, 2001, No. 33, Article 3430);

2) Paragraph Ninety Nine of subitem (a) of Item 9 of Article 1 of Federal law No. 80-FZ of July 2, 2005 on Amending the Federal Law on Licensing Specific Types of Activity, the Federal Law on the Protection of the Rights of Legal Entities and Individual Businessmen When Exercising the State Control (Supervision) and the Code of Administrative Offences of the Russian (Sobranie Zakonodatelstva Rossiyskoy Federatsii, 2005, No. 27, Article 2719).

Article 5

1. This Federal Law shall enter into force as of the date of official publication thereof, except for the provisions for which other time of entry into force is provided for by this article.

2. Item 26 of Article 1 of this Federal Law shall enter into force as of April 1, 2008.

3. Subitem (a) of Item 8, Subitem (a) of Item 9, Subitem (b) of Item 10, Subitem (b) of Item 34 of Article 1 of this Federal Law shall enter into force upon the expiry of three hundred and sixty five days as of the date of this Federal Law's entry into force.

4. Paragraph Thirteen of Item 1 of Article 26 of Federal Law No. 35-FZ of March 26, 2003 on Electric Power Industry (in the wording of this Federal Law) shall not apply pending January 1, 2011.

5. The procedure for operational dispatch management in retail markets subject to the condition that operational dispatch entities in electric power industry of a lower level are subordinate to operational dispatch management entities in electric power industry of a higher level which is provided for by the guidelines of retail market functioning endorsed by the Government of the Russian Federation and established before the date of entry into force of this Federal Law shall be in effect pending the expiry of three hundred and sixty five days as of the date of this Federal Law' entry into force.

6. The Government of the Russian Federation or the federal executive body in charge of tariff control shall establish tariffs of the services related to arranging the functioning of the electric power (capacity) wholesale market system before April 1, 2008.

7. Pending April 1, 2008, the provisions of Federal Law No. 35-FZ of March 26, 2003 on Electric Power Industry (in the wording of this Federal Law) on the market council, on organisations exercising the trading infrastructure functions and on the trading operator shall extend to the organisation engaged in rendering the services of trade promotion in the wholesale market of electric energy (capacity) as of the date of this Federal Law' entry into force.

President of the Russian Federation

V. Putin

The Kremlin, Moscow
November 4, 2007
No. 250-FZ