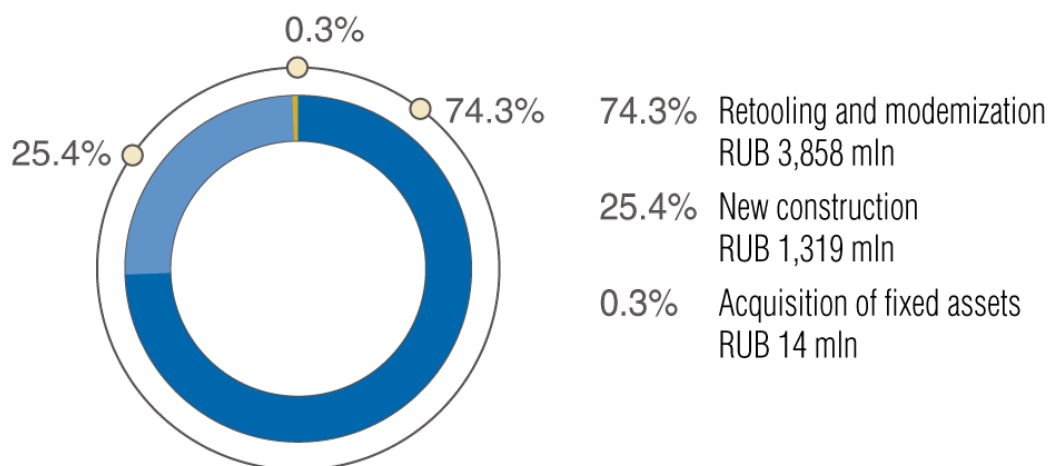


Areas and Mix of Capital Investment

The financing structure of capital investments in 2014



Despite the decline in the total funds allocated to the investment program in 2014, investments in retrofitting and modernization, decreased insignificantly vs 2013 in percent composition, while the share of funds allocated to retrofitting and modernization amounted to 74% of the total volume of the investment program — against 77% in 2013.

The main reason for acquiring funds aimed at refitting and modernization is driven by the need to reduce the overall wearing of the electric grid equipment.

Shares of funds allocated to new construction in 2014 (25%) increased compared to the previous year (22%), while financing of new construction decreased from RUB 1,444 million to RUB 1,319 million. The share and volume of funds for purchase of electric grid assets in 2014 decreased from 0.7% and RUB 49 million to 0.3% and RUB 14 million respectively.

Investments for R & D were not included in the investment program of JSC IDGC of the North-West in 2014.

In accordance with the investment program of JSC IDGC of the North-West, the following major projects were implemented in 2014:

Refitting and modernisation

Arkhenenergo branch

In 2014, Arkhenenergo branch completed works on the first startup complex of the 110/35/6 kV SS Kuznechevskaya reconstruction. Implementation of the project is outlined in the Program and scheme of perspective development of the power industry of the Arkhangelsk Region in 2013-2017, approved by the order of the Government of the Arkhangelsk Region No. 121-r dated April 30, 2012.

At the 110/35/6 kV substation Kuznechevskaya (1 LC) the 16 MVA power transformer was replaced with 25 MVA transformer with the relevant sections of 110 OSG and 35 kV ISG.

Consuming facilities of 110/35/6 kV SS Kuznechevskaya belong to the category of socially important facilities. The area includes hospitals, schools, boiler houses, residential area. Consumers of the village in the cultural and business center in Arkhangelsk and residential development in the village of Izhma have also an opportunity for grid connection.

The project will allow to reduce losses at Arkhenenergo branch grids, reduce expenses on repair and emergency repair work, and will provide the necessary reliability and quality of electricity supply to consumers.

Commissioned fixed assets totaled RUB 178.351 million, which equals 25 MVA of transformer capacity.

Vologdaenergo branch

In 2014, Vologdaenergo branch completed the reconstruction of 110 kV substation NPS.

110/35/10 kV power transformers were replaced with two new ones with the capacity of 16 MVA each at 110/35/10 kV substation NPS. Gas-insulated 110 kV voltage and current transformers were installed, new substation control building with 10 kV indoor switchgear was built, 10 kV cells, 10 kV cable outlets, approaches of 110/35 kV HVL were replaced.

Consumer facilities of SS NPS belong to the category of industrial (compressor stations of Gazprom and Nefteprom — two reliability category), socially important facilities. The area includes hospital, school, boiler houses, wells, wood processing and agricultural enterprises.

The project will allow to reduce losses at Vologdaenergo branch grids, reduce expenses on repair and emergency repair work, and will also improve reliability and quality of electricity supply to consumers.

Commissioned fixed assets in 2013-2014 totaled RUB 294.165 million, which is 32 MVA of transformer capacity.

New construction

Arkhenenergo branch

In 2014, Arkhenenergo branch completed the project on construction of 35/10 kV substation Udima with 35 kV HVL with 10 kV distribution networks at Udima village and Erga village of the Kotlas District of the Arkhangelsk Region.

At 35/10 kV substation Udima, two 16 MVA power transformers were installed.

Consumer facilities of 35/10 kV SS Udima fall under the category of socially important facilities. The area includes two settlements — Udima and Erga villages of the Kotlas District of the Arkhangelsk Region. Consumers have an opportunity for grid connection to the grids of JSC IDGC of the North-West.

The project will allow to reduce losses at Arkhenenergo grids, reduce expenses on repair and emergency repair work, and will provide the necessary reliability and quality of electricity supply to consumers.

Commissioned fixed assets amounted to RUB 156.420 million, which equals 3.65 MVA of transformer capacity and 18.833 km of OL 35 kV.

Vologdaenergo branch

In 2014, Vologdaenergo branch completed the construction of 35 kV substation Druzhba.

35/10 kV Substation Druzhba consists of blocks and modules. The substation has two 35/10 kV power transformer with the capacity of 4,000 kVA.

Construction of the SS is driven by the need to provide electricity for new facilities that are included in the emerging program Velikiy Ustyug — Homeland of Father Frost: Ice Palace, home of Father Frost, 2nd stage of the Zoo, as well as taking into consideration remoteness and full load of the existing 35/10 kV main substations. The category of the load — communal-domestic.

Commissioned fixed assets in 2014 amounted to RUB 133.755 million, which equals 8 MVA of transformer capacity and 3.257 km of OL 35 kV.

Komienergo branch

In Q2 2014, Komienergo branch completed the construction of 110 kV overhead line 110/10 kV SS Sokolovka- 110/10 kV SS Pazhga with the extension of 110/10 kV SS Sokolovka, 110/10 kV SS Pazhga (Southern Power Grids).

The reconstruction of 110 kV outdoor switchgear at the 110/10 kV substation Pazhga was completed, 110 kV gas-insulated switches were installed.

The project allowed to connect the Finno-Ugric ethno-cultural park with the required reliability and provide electricity supply to consumers in repair modes.

Commissioned fixed assets amounted to RUB 29.376 million.

Financing structure of capital investments, RUB mln

	2012	2013	2014
Total	8,157	6,634	5,191
Major Investment Projects	1,005	610	798
TRR	345	351	671
NC	661	259	127
Programs of special importance	0	0	0
Programs	7,152	6,024	4,393
TRR	1,348	1,033	801
NC	101	230	140
Grid connection, including:	3,023	2,834	2,545
TC facilities with capacity of over 670 kW	624	64	395
TC facilities with capacity from 150 to 670 kW	398	609	479
TC facilities with capacity from 15 to 150 kW	188	307	231
TC facilities with capacity of under 15 kW	1,813	1,854	1,441
generation.	0	0	0
Distribution grids	804	838	332
TRR	0	0	296
NC	804	0	35
Automatization of technological management (except for Automated Informative Electric Power Accounting System)	338	193	107
Means of accounting, control of electricity	257	232	128
Safety programs	30	22	11
The acquisition of electric grid assets, land plots and other facilities	195	47	14
Other programs and measures	1,055	595	315
Reference:			
TRR	5,947	5,139	3,858
New construction	2,009	1,444	1,319
Other	201	51	14

In 2012-2014, financing of the investment program of JSC IDGC of the North-West declined significantly — if we take 2012 as 100%, then in 2013 it was 81%, and in 2014 — 64%. This reduction is due to the slowdown of growth rate of tariffs for electricity transmission services, as well as the deteriorating economic situation in the Russian Federation.

However, the reduction of commissioned fixed assets was minor. In particular, in 2012, commissioned fixed assets amounted to RUB 6,277,041 million, excluding VAT (100%), in 2013 — RUB 6,208.911 million, excluding VAT (99%), in 2014 — RUB 4,974.863 million, excluding VAT (79%). This trend is due to the introduction of techniques reducing investment costs in 2013, which help maintain the level of commissioned fixed assets while reducing the financing of the investment program.