

## Strategic Priorities of JSC IDGC of the North-West

Target milestones	Results in 2011–2014	Key performance indicators	2015 plans	Strategic priorities for the next five years
1 Improve power supply quality and sustainability to a level sufficient to satisfy the consumers' needs				
1.1 Improve the quality of consumer service (including reduction of grid connection stages from ten to six by 2015 and then to five by 2018)	<p>Significant efforts were made to implement the roadmap with the aim to improve grid infrastructure availability as approved by Instructions of the Russian Federation Government No. 1144-r dated June 30, 2012:</p> <ul style="list-style-type: none"> <li>customer service centers were opened in each area where the Company operates;</li> <li>the number of stages for grid connection was reduced to five through the integrated support of consumers at all stages of grid connection;</li> <li>a grid connection request can now be submitted in an interactive mode via the Company's official website;</li> <li>in order to implement Decree of the of the Russian Federation Government No. 95 dated April 10, 2014, the Company represents consumer interests to enter into electricity supply agreements.</li> </ul>	<p>Quality of grids connection</p> <p>Quality of electricity supply</p> <p>Services quality</p> <p>Obtaining (availability) of a readiness certificate in due time (Q1—Q4)</p>	<p>Improve customer-focus in the Company by simplifying the existing grid connection process for consumers:</p> <ul style="list-style-type: none"> <li>set up Light On Hotline to receive efficient and effective feedback from consumers in case of mass power disconnection caused by natural or technogenic emergencies or illegal actions (theft) which resulted in grid failures or emergency shutdown;</li> <li>receive grid connection requests for electricity receivers with power of up to 150 kW over single free toll number 8-800-333-02-52 in all seven regions within the scope of responsibility of a grid company;</li> <li>SMS-notification of fulfillment of a grid connection request;</li> <li>turnkey services — work in the customer's grids.</li> </ul>	<p>Render and expand a range of additional services, including turnkey services, carry out work in the customer's grids.</p> <p>Train and provide information support to the Company's employees responsible for customer relations.</p>
1.2 Reduce electricity undersupply	<p>Based on the 2014 results, the number of breakdowns at the Company's energy equipment reduced by 21% to 10,608 versus 2013. At the same time electricity undersupply and economic damage decreased by 17% and 12% respectively.</p> <p>A reduced failure rate and improved reliability of power supply was driven by fulfillment of the repair and investment program aimed at debottlenecking and elimination of caused of failures recorded in 2013 (clearing and expansion of fire breaks for OPL lines) and satisfactory emergency response.</p> <p>Information on improvement of power supply is provided in section <a href="#">"Improvement of Electricity Supply Reliability"</a>.</p> <p>Information on repair is provided in section <a href="#">"Repair"</a>.</p>	<p>Average duration of interruption in electricity supply</p>	<p>In order to improve the performance, reliability, and safety of electricity generation, JSC IDGC of the North-West developed 16 targeted programs for 2011–2015 involving rebuild and retrofit of power grids. The targeted programs were approved by the resolution of the STC of JSC IDGC of the North-West dated March 02, 2011.</p> <p>The Company plans to further develop software for breakdown registration, results investigation, and unification of the emergency shutdown registration process in all Company branches.</p>	<ul style="list-style-type: none"> <li>Develop a system for generation assets management through automation of repair and maintenance planning (including automation of troubleshooting and assessment of equipment condition and preventive repairs), clearing of OPL line routes, and emergency shutdown control to improve productivity, reduce costs, and electricity undersupply.</li> <li>Implement new technologies and equipment that improve reliability of power grids thus reducing repair and operation.</li> </ul>

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1.3 Reduce fees for grid connection for small and medium businesses	Currently the fee for grid connection for applicants covers only the fee for construction of the “Last Mile” facilities.	Quality of grid connection	<p>The following activities are planned based on JSC IDGC of the North-West Order On Development of Favorable Conditions for SMEs and Fulfillment of Agreements for Grid Connection with Power of up to 15 kW (Inclusive):</p> <ul style="list-style-type: none"> <li>period for grid connection for the applicants connecting grids with power from 15 kW through 150 kW shall not exceed 80 days;</li> <li>as regards the applicants with electrical equipment with power of over 15 kW through 150 kW (including Arkhangelsk in the Arkhangelsk Region, Vologda and Cherepovets in the Vologda Region, Petrozavodsk in the Republic of Karelia, Murmansk in the Murmansk Region, Syktyvkar in the Komi Republic, Veliky Novgorod in the Novgorod Region, and Pskov in the Pskov Region) that have submitted their requests for connection to the power grids of JSC IDGC of the North-West via Internet, send offer contracts for grid connection within seven calendar days and SMS-notification of the status of their grid connection requests;</li> <li>set up mobile crews to reduce grid connection periods for subsidized applicants.</li> </ul>	Provide grid connection subject to accessibility and social responsibility of the Company, regional and local governments, business and community.
2 Increase power supply safety, reduce the total accident rate and unregistered accidents				
	<p>The main efforts in 2014 were aimed to standardize occupational health and safety management in the Company, including:</p> <ul style="list-style-type: none"> <li>activities required to improve occupational health and safety and reduce occupational risks;</li> <li>preventing occupational injuries;</li> <li>training and professional development of personnel.</li> <li>ensuring personnel safety in the workplace;</li> <li>controlling (auditing) occupational health and safety compliance etc.</li> </ul> <p>The total financial damage caused by occupational injuries based on the 2014 results was RUB 943,500, which was 32.4% below the 2013 level. A total of 507 workplaces was assessed. Occupational health and safety costs per employee amounted to RUB 24,300 being 10.9% above the 2013 level. Employees are 99.7% provided with workwear.</p> <p>The details of occupational health and safety are provided in section “Occupational Health and Safety”.</p>	Zero workplace fatalities or group accidents with severely injured employees due to non-fulfillment (poor performance) of duties by Company employees	<p>Plans for 2015:</p> <ul style="list-style-type: none"> <li>improve on-the-job training for employees;</li> <li>ensure stringent compliance with the Comprehensive Program for reduction of injury risks of personnel and third parties at the Company’s grids covering the period will 2017.</li> </ul>	<p>As a priority, prevent use of hazardous equipment with design not ensuring safe repair and maintenance.</p> <p>On February 20, 2014, the Company’s Board of Directors approved the Action Plan and Schedule for elimination of hazards related to equipment at JSC IDGC of the North-West for 2015–2016 that includes actions involving elimination of hazards at 7,716 equipment units of 16 equipment types. The total costs under the Action Plan are budgeted at RUB 313.04 million.</p>
3 Increase efficiency of power grids				

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3.1. Increase capacity utilization (as percentage of transformer installed capacity at all voltage levels less mandatory backup capacity)	As at January 01, 2015, the maximum actual capacity utilization across the Company was 59.5% of the maximum permissible load of power centers. An indicator is observed to have decreased by 1.2% versus the data available for January 01, 2014.	Utilization of newly commissioned capacity	<p>There are plans to maintain new capacity utilization at a minimum of 25% two years after they have been commissioned by improving the demand planning quality at greenfield and brownfield power centers. Proposals will be written by May 01, 2015 to adjust long-term electricity sector development plans and programs for the next period given a forecasted electricity (power) demand based on actual applicants' demand, territorial planning documents, and tariff and balance solutions.</p> <p>It is planned to be actively involved in development of a system implying mutual responsibility of executive authorities of the constituent entities of the Russian Federation, prospective consumers and power companies with regard to declared capacity and capacity ramp-up for grid connection.</p>	Be actively involved in development of a system for consumer rejection from non-utilized capacity in favor of other consumers or grid companies, involvement in development of actions to introduce payments to consumers for non-utilized capacity reserve.
3.2 Reduce per unit CAPEX by 30% versus the 2012 level (in RUB, per physical unit (km, MVA))	In 2014, the Company started to use the Methodology for planning 30% CAPEX reduction versus the 2012 level when developing (adjusting) investment programs at JSC IDGC of the North-West. The use of the Methodology slowed down the Company's per unit CAPEX reduction rate in 2014 to 11.93% versus the target of 7.5%.	<p>Comply with the schedule of capacity commissioning and financial and capital investment plan covered by work acceptance certificates (for the year)</p> <p>Reduce expenses for purchase of goods (work, services) per product unit by at least 10% per year during three years in real terms in the 2010 prices</p>	Reduce per unit CAPEX by 15% versus the 2012 level (in RUB, per physical unit (km, MVA))	Further reduce per unit CAPEX by 22,5% in 2016 and by 30% in 2017 versus the 2012 level (in RUB, per physical unit (km, MVA))

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3.3 Reduce operating expenses by 15% by 2017 given inflation versus the 2012 level per unit of maintained electrical equipment	In accordance with the power grid development strategy of the Russian Federation approved by Instruction of the Russian Government No. 511-r dated April 03, 2013, the Company's Board of Directors (Minutes 142/13 dated December 19, 2013) approved the performance management program of JSC IDGC of the North-West for 2014–2018 (CMP) targeted to regularly reduce operating expenses to the 2012 level. A cost reduction amounted to 5.3% and 13.1% in 2013 and 2014 respectively.	<p>Net profit</p> <p>EBITDA</p> <p>Growth rate of manageable operating costs in the period compared to the actual value of the preceding period</p> <p>Reduce expenses for purchase of goods (work, services) per product unit by at least 10% per year during three years in real terms in the 2010 prices</p>	The Company's approved business plan for 2015 provides for the reduction of operating expenses by 12.5% versus the target of 10%.	Cost reduction plans are as follows: 16% in 2016, 16.9% in 2017, 19.5% in 2018 and 20.6% in 2019.
3.4 A reduction in 2017 will be 11% versus the 2012 level	<p>Based on the 2014 results, electricity losses decreased by 21.74 million kW year-on-year to 2,547.09 million kW (6.41% to output).</p> <p>Loss reduction activities for 2014 are described in section "<a href="#">Reduction of Electricity Losses</a>".</p>	Level of electricity losses to be supplied to the grid	<p>The Company will continued to reduce electricity losses in 2015. The main focus will be on reduction of commercial losses in the distribution grid facilitated by a series of additional measures to be developed by the Company, in particular:</p> <ul style="list-style-type: none"> <li>implement an automated metering system to account for electricity transmission at Novgorodenergo and Kolenergo branches;</li> <li>form a customer base and migrate to automated calculation of net output in Vologdaenergo branch;</li> <li>increase the number of energy inspections at distribution grids to identify non-recorded electricity consumption or electricity consumed without proper agreements, as well as other measures;</li> <li>implement an energy management system to ensure standardization and improvement of business process efficiency with regard to control and reduction of electricity losses, as well as energy consumption for process needs.</li> </ul> <p>Target losses for 2015 are 2,493.1 million kWh (6.37% to output).</p>	Further reduction of electricity losses in 2017 taking into account adjusted conditions will be 15.5% versus 2012. In the long-term outlook till 2020, the Company plans to maintain an achieved level.

