



Standing in the Industry and Types of Activity

At the moment JSC IDGC of the North-West is the largest network organization in the regions of its presence. The Company's main type of activity is the transmission of electric energy. According to the decision of the Federal Tariff Service of the Russian Federation (Order No.191-E as of June 03, 2008), JSC IDGC of the North-West is included in the register of the natural monopoly's entities carrying out the activities of electric energy transmission under No. 47.1.116.

Structure of revenues by types of activity

The Company's share in the electric energy transmission market, in general for the service area, is about 73%, including electric energy a part of which is transmitted through the grids of TGOs (territorial grid organizations) being recipient of payment.

At the moment the Russia's electric power transmission and distribution market is divided by technological and administrative-territorial characteristics between network companies of the following three levels:

- 1 level: a federal network company which owns main electric grids of 220 kV and above constituting together the Unified National (All-Russian) Electric Grid (UNEG). This company carries out its activities through its branches in the entire territory of the Russian Federation.
- 2 level: interregional distribution grid companies created after the reformation of AO-energo (including JSC IDGC of the North-West). These companies own networks of 0.4-110 kV voltage and render services of transmission of electric power and technological connection in the territory of constituent entities of the Russian Federation, in which they carry out their activities.
- 3 level: local territorial grid organizations which primarily own grids of 0.4-10 kV. These organizations were established, mostly, on the base of wholesale reselling companies created in the form of municipal enterprises and servicing consumers of one municipal entity and own electric network business units of industrial enterprises.

JSC IDGC of the North-West carries out its activity in the territory of 7 constituent entities of the Russian Federation located in the North-West region: the Republic of Karelia, Komi Republic, Arkhangelsk Region, Vologda Region, Murmansk Region, Novgorod Region, and Pskov Region.

The largest companies performing similar activities in the territories where the Company operates are the following territorial grid organizations (TGOs):

- in the Murmansk Region: OJSC Murmansk Regional Grid Company (3.2% of the total volume of rendered services), JSC Oboronenergo (1.9 %);
- in the Republic of Karelia: JSC Russian Railways (2.7 %), JSC Prionezhskaya Grid Company (2.1 %), JSC Petrozavodsk Utility Systems (2.1);
- in the Republic of Komi LLC Energotrade (2.1 %).

The territorial grid organizations existing at the moment do not create substantial risks for the Company's activities. The major part of electric power delivered to consumers through distribution networks of other grid organizations is also transmitted by these organizations through the networks of JSC IDGC of the North-West at high and medium voltage levels. The market share controlled by the Company has not changed considerably for the last three years.

Volumes of transmitted electric power through the grids of JSC IDGC of the North-West

[XLS](#)

Branch/IDGC	Transmission through grids of branches, in millions kWh		
	2010	2011	2012
Arkhenergo	3,602	3,452	3,431
Vologdaenergo	8,748	8,619	8,725
Karelenergo	7,294	7,272	6,977
Kolenergo	10,828	10,670	10,761
Komienergo	5,238	5,170	5,348
Novgorodenergo	3,337	3,401	3,490
Pskovenergo	1,674	1,659	1,735
IDGC of the North-West	40,752	40,244	40,468

The transmission through the Company's grid in 2012 was 40,468 million kWh which is 284 million kWh (or 0.7%) less than in 2010 (40,752 million kWh) and 224 million kWh (or 0.6%) more than in 2011 (40,244 million kWh).

The reason for the reduction in the transmission volumes compared to 2010 was the conclusion in 2011 of direct agreements with JSC FGC UES by consumers of LLC Rusenergoresource, LLC Rusenergobyty, JSC Russian Railways in Vologdaenergo, Arkhenergo, Karelenergo, Komienergo branches as related to connection points to UNEG ("last mile"). In general for JSC IDGC of the North-West this value was 598.1 million kWh in 2011.

The increase of this value compared to 2011 was due to the acquisition in February 2012 of two overhead lines 110 kV from ZAO Sh.Vorgashorskaya 2 (in 2010-2011 transmission volumes through these lines were included in the direct agreement made between JSC FGC UES and CJSC Eurasian Energy Company), the growth of electric energy consumption by such large consumers as JSC Severstal, JSC Apatit, JSC SUAL KAZ-SUAL, JSC LUKoil-Komi, and the growth of electric energy consumption by the population and non-industrial consumers.

The share of electric energy supplied to the network of territorial grid organizations in 2012 was 30.7 % of the total transmission through the grids of JSC IDGC of the North-West.

Share of supply to the grid of territorial grid organizations, %

Branch/IDGC	2010	2011	2012
Arkhenergo	22.3	25.3	24.6
Vologdaenergo	26.8	27.5	26.5
Kolenergo	24.8	25.4	26.7
Karelenergo	49.1	48.8	49.4
Komienergo	27.3	28.9	28.9
Novgorodenergo	35.4	35.6	37.5
Pskovenergo	5.2	6.1	5.9
IDGC of the North-West	29.8	30.6	30.7

The share of electric energy supplied to the grid of adjoining TGOs in 2012 remained almost at the last-year level.

JSC IDGC of the North-West renders electric energy transmission services to the following four groups of consumers: guaranteeing suppliers, energy selling entities, territorial grid organizations, direct consumers. The Company cooperates with the following large sales companies: JSC Arkhenergosbyt, JSC VSK, JSC KESK, JSC Komi Energy Selling Company, JSC Novgorod Energy Selling Company, JSC Pskovenergosbyt.

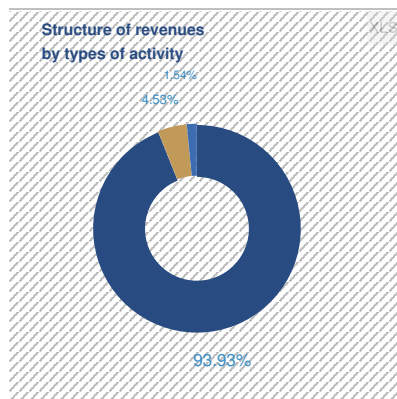
It is quite hard to assess the share of the technological connection market falling upon JSC IDGC of the North-West. There are a number of grid organizations, which render technological connection services in those regions where JSC IDGC of the North-West operates. As mentioned above, the major competitors in this type of activity as well as in electric energy transmission are territorial grid organizations (TGOs), municipal unitary enterprises (MUEs).

Based on expert assessments of the Company's management, the share of JSC IDGC of the North-West in the technological connection market in the North-West federal district varies based on the region and the voltage level of grids to which the connection is made.

For all regions included in the zone of responsibility of JSC IDGC of the North-West the market share with the voltage level of 35 kV and more is almost 100%.

As for voltages of 0.4 kV to 20 kV, the market share is different and varies from 100% at Pskovenergo to 3% at Kolenergo. At all other branches the market share with this voltage level is distributed as follows: Karelenergo — 80%, Komienergo — 80%, Arkhenergo — 70%, Novgorodenergo — 62%, Vologdaenergo — approximately 58%.

Such difference by regions is related to the established ownership of grids of each level of voltage. There are almost no 0.4 and 10 kV grids on the balance sheet of Kolenergo, therefore, this branch has made very few connections at this voltage level. At the same time, Pskovenergo owns the most part of grids of this voltage in the Pskov Region.



- From electric energy transmission
- From technological connecters
- Other

73%

share in the electric energy transmission market, in general for the service area

40,468
millions kWh

transmission through grids of branches

almost **30.7%**

share of supply to the grid of territorial
grid organizations

almost **100%**

market share with the voltage level of
35 kV and more

See also

- [Electric Energy Transmission](#)
- [Geographical Position](#)