

ON ELECTRIC POWER INDUSTRY

Federal Law of the Russian Federation

No. 35-FZ, Dated March 26, 2003

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Chapter 1. General Provisions

Article 1. Subject Matter of Regulation of This Federal Law

This Federal Law establishes the legal fundamentals for economic relations in the sphere of the electric power industry, specifies the authority of bodies of state power with respect to the regulation of these relations, the principal rights and obligations of electric power industry entities in performance of their activities in the sphere of the electric power industry (including the co-generation of electric and thermal power), and consumers of electric and thermal power.

Article 2. Legislation of the Russian Federation on Electric Power Industry

The legislation of the Russian Federation on the electric power industry is based on the Constitution of the Russian Federation and is comprised of the Civil Code of the Russian Federation, this Federal Law, and other federal laws governing relations in the sphere of the electric power industry as well as edicts of the President of the Russian Federation and decrees of the Government of the Russian Federation adopted pursuant to the said federal laws.

Article 3. Definition of Main Terms

For the purposes of this Federal Law, the following terms shall be used:

- electric power industry means a sector of the economy of the Russian Federation, including a complex of economic relations arising in the process of generation (including the co-generation of electric and thermal power), transmission of electric power, operational dispatch control in the electric power industry, supply and consumption of electric power using the production and other property facilities, (including those within the Unified Energy System of Russia) which are owned by or otherwise belong on a ground provided for by federal laws to, electric power industry entities or other persons. The electric power industry is the basis for the functioning of the economy and life-supporting;
- the Unified Energy System of Russia means an aggregate of production-related and other property facilities of the electric power industry, which are linked together into a single process of generation (including co-generation of electric and thermal power) and transmission of electric power in the conditions of centralized operational dispatch control in the electric power industry;
- electric power industry entities mean persons conducting their activities in the sphere of the electric power industry, including generation of electric and thermal power, supplies (sale) of electric power, power distribution to consumers, provision of electric power transmission services, operational dispatch control in the electric power

industry, supply of electric power, and organization of purchase and sale of electric power;

- consumers of electric and thermal power mean persons purchasing electric and thermal power for their own household and (or) production needs;
- wholesale electric power (capacity) market (hereinafter, the wholesale market) means a sphere for trading a special commodity, i.e. electric power (capacity) within the Unified Energy System of Russia within the boundaries of the unified economic space of the Russian Federation, with the participation of large generators and large buyers of electric power who have obtained the status of a wholesale market entity and who act in compliance with the wholesale market rules approved by the Government of the Russian Federation in accordance with this Federal Law. The criteria for qualifying generators and buyers of electric power as large ones shall be established by the Government of the Russian Federation;
- wholesale market entities mean legal entities who, in the procedure established by this Federal Law, obtained the right to participate in relations connected with electric power trading in the wholesale market in compliance with the wholesale market rules approved by the Government of the Russian Federation;
- electric power retail markets (hereinafter, retail markets) mean a sphere 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 points and other equipment designed for electric power interconnection and electric power transmission;
- electric power transmission services mean a complex of organizationally and technologically integrated actions that ensure electric power transmission via technical equipment of electric power grids in accordance with technical regulations;
- operational dispatch control services in the electric power industry mean a complex of actions for the centralized control of technological operation modes of technical equipment of electric power plants, electric power grids and electric power receiving equipment of load-controlled electric power consumers performed in order to secure a reliable electric power supply and electric power quality meeting technical regulations and other mandatory requirements;
- power supplying organizations mean organizations that sell generated or purchased electric power to other persons as their core activity;
- bilateral electric power purchase contract means an agreement pursuant to which the supplier undertakes to supply to the buyer electric power in a certain quantity and of a quality determined by respective technical regulations and other mandatory requirements, and the buyer undertakes to accept and pay for the electric power on the terms and conditions of the contract made in accordance with the wholesale market rules and the retail market functioning guidelines;
- load-controlled electric power consumers mean a category of electric power consumers that, due to operation (electric power consumption) modes, have an impact on the quality of electric power, reliability of operation of the Unified Energy System of Russia and that in this connection provide services on a payable contractual basis for ensuring the recovery of the Unified Energy System of Russia from emergency situations. The said consumers may also render other services agreed upon with them on a contractual basis;
- co-generation of electric and thermal power means a mode of operation of thermoelectric power plants when generation of electric power is directly related to simultaneous generation of thermal power;

- wholesale market zone means a territory determined by the Government of the Russian Federation, within the boundaries of which an equilibrium wholesale market price is formed according to the procedure stipulated by this Federal Law and the wholesale market rules (hereinafter, the wholesale market price zone);
- guaranteeing electric power supplier (hereinafter, guaranteeing supplier) means a commercial organization which is obligated in accordance with this Federal Law or voluntarily assumed obligations to make an electric power purchase contract with any customer who requested it to do so or a person that acts on behalf of and in the interests of a consumer and desires to purchase electric power;
- rolling blackout means a (full or partial) restriction, caused by technological reasons, of the electric power consumption mode, including its level, owing to reasons not related to the electric power consumer's performance of its contractual obligations or technical state of its electric power installations;
- territorial grid company means a commercial organization providing electric power transmission services with the use of electric power grid facilities which do not belong to the unified national (All-Russian) electric power grid;
- installed generating capacity means the capacity of electric and thermal power generating facilities as of the commissioning date of the respective generating facility;
- working generating capacity means a part of the maximum available capacity of electric and thermal power generating facilities, with the exception of the capacity of electric power industry facilities that are shut down for repair and decommissioned;
- electric power industry facilities mean property facilities used directly in the process of generation, transmission of electric power, operational dispatch control in the electric power industry and supply of electric power, including the electric power grid facilities.

Chapter 2. Fundamentals of Organization of the Electric Power Industry

Article 4. Legal Regulation of Relations in the Sphere of the Electric Power Industry

1. Normative legislative acts in the field of state regulation of relations in the sphere of the electric power industry shall be adopted in accordance with the federal laws of the Russian Federation by the Government of the Russian Federation and federal bodies of executive power authorized by the Government of the Russian Federation.

2. Bodies of state power of the constituent entities of the Russian Federation and bodies of local self-government shall not be entitled to adopt normative legal acts aimed at regulating relations in the sphere of the electric power industry, except for cases provided for by federal laws.

Article 5. Technological and Economic Fundamentals of Functioning of the Electric Power Industry

1. The technological basis of functioning of the electric power industry shall consist of the unified national (All-Russian) electric power grid, territorial distribution power grids through which electric power is transmitted, and the unified operational dispatch control system.

2. The economic basis of functioning of the electric power industry shall be a system, driven by technological specific features of functioning of electric power industry facilities, of

relations connected with electric power generation and trading in the wholesale and retail markets.

3. Electric power industry entities shall be obligated to comply with the requirements of technical regulations in the sphere of functioning of the Unified Energy System of Russia.

Article 6. General Principles of Organization of Economic Relations and Fundamentals of the State Policy in the Sphere of the Electric Power Industry

1. The general principles of organization of economic relations and the fundamentals of the state policy in the sphere of the electric power industry shall be:

- ensuring the energy security of the Russian Federation;
- technological unity of the electric power industry;
- ensuring uninterrupted and reliable functioning of the electric power industry for the purposes of meeting the demand for electric power of customers that ensure proper performance of their obligations to electric power industry entities;
- freedom of economic activities in the sphere of the electric power industry and the unity of the economic space in the sphere of electric power trading subject to the restrictions established by federal laws;
- maintaining the balance of economic interests of suppliers and consumers of electric and thermal power;
- use of market relations and competition as one of the key instruments of developing a stable system for meeting the demand for electric power provided that the proper quality of electric power is secured and its cost is minimized;
- provision of non-discriminatory and stable conditions for conducting entrepreneurial activities in the sphere of the electric power industry and ensuring the state regulation of activities of electric power industry entities, which is required to implement the principles established by this Article provided that the application of state regulation methods is streamlined, including by establishing an exhaustive list of such methods;
- promotion of the development of the Russian power machine building industry, instrument building industry and electrical engineering industry and the related service sector, using measures provided for by federal laws;
- securing an economically justified return on investment capital employed by electric power industry entities to perform the types of activities where the state regulation of prices (tariffs) for electric and thermal power is used.

2. The state policy in the sphere of the electric power industry shall be aimed at ensuring the compliance with general principles of organization of economic relations in the sphere of the electric power industry established by this Federal Law.

Chapter 3. Unified National (All-Russian) Electric Power Grid

Article 7. Definition and Legal Status of the Unified National (All-Russian) Electric Power Grid

1. The unified national (All-Russian) electric power grid is a complex of electric power grids and other electric power grid facilities which are owned by or otherwise belong on a ground provided for by federal laws to, electric power industry entities and which ensure a stable

electric power supply to consumers, the functioning of the wholesale market and the parallel operation of the Russian electric power system and electric power systems of foreign states.

The designed nominal voltage class, characteristics of transmission capacity, reversibility of electric power flows and other technological characteristics of electric power grid facilities within the unified national (All-Russian) electric power grid and the procedure for keeping the register of the said facilities shall be approved by the Government of the Russian Federation.

2. For the purposes of maintaining the security of the Russian Federation, protecting the rights and legitimate interests of legal entities and natural persons, ensuring the unity of the economic space in the sphere of electric power trading, the rights of owners or other lawful possessors of electric power grid facilities within the unified national (All-Russian) electric power grid shall be restricted to the extent relating to:

- the right to make contracts for provision of electric power transmission services with the use of electric power grid facilities within the unified national (All-Russian) electric power grid and to determine the terms and conditions of such contracts;
- the use (decommissioning) of the said facilities without coordinating it with the organization managing the unified national (All-Russian) electric power grid.

The restrictions imposed by this Federal Law on the rights of owners or other lawful possessors of electric power grid facilities within the unified national (All-Russian) electric power grid may not be applied for the purpose of withholding from these persons the incomes received as a result of exercise of their rights.

It shall be not be allowed to impose other restrictions on the rights of owners or other lawful possessors of electric power grid facilities within the unified national (All-Russian) electric power grid.

Should the organization managing the unified national (All-Russian) electric power industry violate material terms and conditions of a contract concerning the procedure for the use of electric power grid facilities within the unified national (All-Russian) electric power grid, which terms and conditions are determined by the Government of the Russian Federation pursuant to Clause 1 of Article 21 of this Federal Law, the restrictions on the rights of owners or the other lawful possessors provided for by this Article to the extent relating to the restriction of the right to make contracts for provision of electric power transmission services with the use of electric power grid facilities within the unified national (All-Russian) electric power grid shall not be applied. In this case, the right to make such contracts shall be granted to the owner or another lawful possessor of the said facilities. Disputes concerning the right to make such contracts shall be settled in an out-of-court procedure determined by the Government of the Russian Federation. In cases specified by the Government of the Russian Federation, the organization managing the unified national (All-Russian) electric power grid shall be obligated to make with other owners of electric power grid facilities within the unified national (All-Russian) electric power grid contracts providing for the right of the owners of the said facilities to make contracts for provision of electric power transmission services on their own.

3. Owners and other lawful possessors of electric power grid facilities within the unified national (All-Russian) electric power grid shall ensure compliance with the technical

requirements for the technical equipment of the power grids as well as the agreed-upon operating modes of the Unified Energy System of Russia.

Article 8. Organization Managing the Unified National (All-Russian) Electric Power Grid

1. The rights of owners and of other lawful possessors of electric power grid facilities within the unified national (All-Russian) electric power grid, restricted in accordance with Article 7 of this Federal Law, shall be exercised by the organization managing the unified national (All-Russian) electric power grid.

2. The organization managing the unified national (All-Russian) electric power grid shall be an open joint stock company. During the period of restructuring of the Unified Energy System of Russia, a Russian energy and electricity open joint stock company, the participation interest of the Russian Federation in the charter capital of the organization managing the unified national (All-Russian) electric power grid may not be less than 52 percent. Upon completion of the restructuring, the interest of the Russian Federation shall be increased up to 75 percent plus one voting share in the charter capital of the organization managing the unified national (All-Russian) electric power grid. The interest of the state shall be increased using all methods provided for by the legislation of the Russian Federation. The specific features of establishment of the organization managing the unified national (All-Russian) electric power grid are defined by the Federal Law "On Specific Features of Functioning of the Electric Power Industry in the Transitional Period and On Making Amendments to Certain Legislative Acts of the Russian Federation and Invalidating Certain Legislative Acts of the Russian Federation in Connection with the Adoption of the Federal Law 'On Electric Power Industry'".

3. The organization managing the unified national (All-Russian) electric power grid shall make contracts with other owners or other lawful possessors of electric power grid facilities within the unified national (All-Russian) electric power grid, which specify the procedure for the use of the said facilities.

The making of such contracts shall be mandatory for owners or other lawful possessors of electric power grid facilities within the unified national (All-Russian) electric power grid, and the price determined by the contract shall constitute an amount ensuring to owners or other lawful possessors of electric power grid facilities within the unified national (All-Russian) electric power grid the return of incomes received as a result of the exercise of their rights (determined as an income that these owners or other lawful possessors would have received if they had exercised their rights on their own by providing electric power transmission services on a payable contractual basis) and reduced by the amount of current expenses for operation of the said facilities (if they are operated by the organization managing the unified national (All-Russian) electric power grid). The said incomes should provide for the following:

- reimbursement of economically justified expenses for provision of the respective services;
- profit that ensures the return on capital employed based on the rate of return determined according to this Federal Law.

The rate of return on capital established for the organization managing the unified national (All-Russian) electric power grid and for other owners or other lawful possessors of the

electric power grid facilities within the unified national (All-Russian) electric power grid shall be the same. The calculation of the rate of return on capital shall take into account all profit of the organization managing the unified national (All-Russian) electric power grid regardless of the sources for its forming and intended purpose.

Representatives of the constituent entities of the Russian Federation in whose territories electric power grid facilities within the unified national (All-Russian) electric power grid, which are not owned by the organization managing the unified national (All-Russian) electric power grid, are located shall participate in the procedure for approval of the investment program of the said organization by federal bodies of executive power.

4. The organization managing the unified national (All-Russian) electric power grid and its affiliated persons, groups of persons shall be prohibited from being engaged in activities for purchasing and selling electric power (except for purchasing electric power conducted for the purposes of compensating losses in the electric power grids in accordance with the standard rates of such losses determined by the federal body of executive power authorized by the Government of the Russian Federation while setting the amount of a fee for respective electric power transmission services, and technological support of the joint operation of the Russian electric power system and electric power systems of foreign states).

Contracts for purchase and sale of electric power for the purposes of technological support of the joint operation shall be made in accordance with the wholesale market rules and agreements for joint operation with electric power systems of foreign states.

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

1. The organization managing the unified national (All-Russian) electric power grid shall provide electric power transmission services via the unified national (All-Russian) electric power grid on a payable contractual basis to wholesale market entities as well as to other persons that own or otherwise possess on a ground stipulated by federal laws electric power industry facilities that are technologically connected to the unified national (All-Russian) electric power grid in the established procedure.

The making of contracts for provision of electric power transmission services via the unified national (All-Russian) electric power grid shall be mandatory for the organization managing the unified national (All-Russian) electric power grid. The organization managing the unified national (All-Russian) electric power grid shall be entitled to refuse to make such a contract if the respective person has no contract for provision of operational dispatch control services in the electric power industry made with the system operator.

2. A fee for electric power transmission services via the unified national (All-Russian) electric power grid shall include:

- funds compensating the own expenses of the organization managing the unified national (All-Russian) electric power grid for the provision of such services (economically justified costs of their provision as well as the profit ensuring an economically justified return on the capital employed in the provision of such services);

- an amount ensuring to owners or other lawful possessors of electric power grid facilities within the unified national (All-Russian) electric power grid the return of incomes received as a result of the exercise of their rights and reduced by the amount of current expenses of the organization managing the unified national (All-Russian) electric power grid for operation of said facilities.

The fee for electric power transmission services via the unified national (All-Russian) electric power grid in accordance with the contract between the system operator and the organization managing the unified national (All-Russian) electric power grid may also include funds for the payment of the system operator's operational dispatch control services in the electric power industry, including funds for the payment of an insurance premium in connection with the insurance of the system operator's risk of liability for damages caused to electric power industry entities.

3. The activities for provision of electric power transmission services conducted by the organization managing the unified national (All-Russian) electric power grid as well as the aforesaid activities of owners or other lawful possessors of electric power grid facilities within the unified national (All-Russian) electric power grid are performed in natural monopoly conditions and shall be governed in accordance with the legislation on natural monopolies, this Federal Law and other federal laws.

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

1. The organization managing the unified national (All-Russian) electric power grid shall conduct the activities for the development of that grid and construction of electric power grid facilities within the unified national (All-Russian) electric power grid in the procedure established by Article 42 of this Federal Law. The said activities shall include actions to remove the technological constraints of transfer of electric power between regions of the Russian Federation and to improve the transmission capacity of electric power grids to accommodate the power generated by electric power plants. Such actions shall be financed from own and raised funds of the organization managing the unified national (All-Russian) electric power grid as well as from other sources not prohibited by law.

The regulation of investment activities of the organization managing the unified national (All-Russian) electric power grid, including in the form of agreeing upon capital investment plans and supervising their implementation, shall be carried out by federal body of executive power in the procedure determined by the Government of the Russian Federation.

2. In addition to the organization managing the unified national (All-Russian) electric power grid, any persons shall be entitled to build electric power transmission lines in the procedure established by Article 42 of this Federal Law. Persons engaged in such construction shall have the right for the technological connection of the built electric power transmission lines to the existing electric power grids in accordance with Article 26 of this Federal Law.

Chapter 4. Operational Dispatch Control in the Electric Power Industry

Article 11. Operational Dispatch Control System in the Electric Power Industry

1. The operational dispatch control system in the electric power industry shall include a complex of measures for the centralized control of technological operating modes of electric

power industry facilities and of electric power receiving equipment of consumers within the Unified Energy System of Russia and of technologically isolated territorial electric power systems, which are performed by operational dispatch control entities authorized to carry out the said measures in the procedure established by this Federal Law.

2. The purpose of the activities of the operational dispatch control system in the electric power industry is to ensure a reliable energy supply and quality of electric power meeting the requirements of technical regulations and other mandatory requirements established by other normative acts and to take actions for ensuring the performance of obligations of electric power industry entities under contracts made in the wholesale and retail markets.

3. The operational dispatch control of nuclear power plants shall be carried out in accordance with the provisions of this Chapter as well as with the specific features provided for by federal laws and other normative legal acts of the Russian Federation in the field of the use of nuclear power.

Article 12. Operational Dispatch Control Entities

1. Operational dispatch control entities shall be:

- the system operator of the Unified Energy System of Russia (hereinafter, the system operator), a specialized organization that exercises the sole control of technological operating modes of electric power industry facilities and authorized to issue operational dispatch commands and instructions binding upon all operational dispatch control entities, electric power industry entities and load-controlled electric power consumers;
- other operational dispatch control entities (organizations and natural persons) authorized to issue commands and instructions binding upon operational dispatch control entities of a lower level, upon electric power industry entities and load-controlled electric power consumers within the responsibility zones of the respective operational dispatch control entities whose activities are conducted on the basis of contracts with the system operator and other operational dispatch control entities and conform to operational dispatch commands and instructions of operational dispatch control entities of a higher level.

2. The list of organizations exercising operational dispatch control in the electric power industry, their structure and dispatch responsibility zones shall be determined by the wholesale market functioning guidelines and wholesale market rules approved by the Government of the Russian Federation.

The procedure for the operational dispatch control in the electric power industry shall be determined by the Government of the Russian Federation.

3. The system operator shall be an open joint stock company. During the period of restructuring of the Unified Energy System of Russia, a Russian energy and electricity open joint stock company, the participation interest of the Russian Federation in the charter capital of the system operator may not be less than 52 percent. Upon completion of the restructuring, the interest of the Russian Federation shall be increased up to 75 percent plus one voting share in the charter capital of the system operator using methods provided for by the legislation of the Russian Federation. The specific features of establishment of the system operator shall be

defined by the Federal Law "On Specific Features of Functioning of the Electric Power Industry in the Transitional Period and On Making Amendments to Certain Legislative Acts of the Russian Federation and Invalidating Certain Legislative Acts of the Russian Federation in Connection with the Adoption of the Federal Law 'On Electric Power Industry' ".

4. The system operator and its affiliated persons, groups of persons shall be prohibited from being engaged in activities for generation and purchase and sale of electric power.

Article 13. Basic Principles of Operational Dispatch Control in the Electric Power Industry

1. The basic principles of operational dispatch control in the electric power industry shall be:

- ensuring the balance of electric power generation and consumption;
- subordination of operational dispatch control entities of a lower level to operational dispatch commands and instructions of operational dispatch control entities of a higher level;
- unconditional compliance by electric power industry entities and load-controlled electric power consumers with directions of operational dispatch control entities for adjusting technological operating modes of electric power industry facilities (operational dispatch control commands and instructions);
- implementing measures aimed at ensuring the safe functioning of the electric power industry and the prevention of emergency situations;
- taking measures aimed at securing a standard reserve of energy capacities in the Unified Energy System of Russia;
- ensuring long-term and short-term projections of the volume of generation and consumption of electric power;
- giving priority to co-generation of electric and thermal power in the autumn and winter seasons of adjusting the operating modes of the generating equipment;
- economic efficiency of operational dispatch commands and instructions based on the optimized operating modes of the Unified Energy System of Russia and of technologically isolated territorial electric power systems based on the criterion of minimizing total costs of electric power buyers;
- responsibility of operational dispatch control entities and their officers to wholesale and retail market entities for the results of actions taken with a violation of the legislation of the Russian Federation, of the procedure for operational dispatch control in the electric power industry and of the wholesale market rules approved by the Government of the Russian Federation.

The procedure for implementation of the said principles shall be determined by this Federal Law as well as the wholesale market functioning guidelines approved by the Government of the Russian Federation.

2. The criteria and procedure for assessment of the economic efficiency of operational dispatch commands and instructions of the system operator and other operational dispatch control entities shall be established by the wholesale market rules approved by the Government of the Russian Federation.

Ensuring the reliable energy supply and economic efficiency of operational dispatch commands and instructions shall be the priority in carrying out operational dispatch control in

the electric power industry. A condition for any actions of the system operator and other operational dispatch control entities shall be the selection of the most economically efficient solution that ensures the safe and accident-free functioning of the technological infrastructure of the electric power industry and the electric power quality meeting the requirements of technical specifications and other mandatory requirements established by other normative acts.

Article 14. Functions of Operational Dispatch Control Entities

1. The system operator shall be the highest level of the operational dispatch control system and shall:

- ensure the compliance with established parameters of the reliability of functioning of the Unified Energy System of Russia and the quality of electric power;
- control technological operating modes of electric power industry facilities in the procedure established by the wholesale market functioning guidelines and the wholesale market rules approved by the Government of the Russian Federation;
- participate in organizing the activities for forecasting the volume of generation and consumption in the sphere of the electric power industry, forecast the volume of generation and consumption in the sphere of the electric power industry and participate in the process of forming a reserve of production energy capacities;
- coordinate shutting down for repair and decommissioning electric power grid facilities and electric and thermal power generating facilities as well as putting them into service after repair and commissioning them;
- issue binding operational dispatch commands and instructions related to the performance of the system operator's functions to electric power industry entities and load-controlled electric power consumers;
- develop optimized daily schedules of operation of electric power plants and electric power grids of the Unified Energy System of Russia;
- adjust the electric current frequency, ensure the functioning of the automatic electric current frequency and power control equipment, and of the system-related and emergency control equipment;
- organize and control the modes of parallel operation of the Russian electric power system and electric power systems of foreign states;
- participate in forming and issuing, while electric power industry entities are connected to the unified national (All-Russian) electric power grid and to territorial distribution grids, technological requirements that ensure their operation within the Unified Energy System of Russia.

2. Specialized operational dispatch control entities of a lower level in relation to the system operator shall exercise operational dispatch control in the electric power industry within their dispatch responsibility zones. They shall be entitled to take decisions within the said zones in the form of operational dispatch commands and instructions binding upon electric power industry entities and load-controlled electric power consumers and connected with the performance of operational dispatch control functions. Operational dispatch commands and instructions of operational dispatch control entities of a higher level shall be binding upon operational dispatch control entities of a lower level.

3. Electric power industry entities shall be entitled not to comply with operational dispatch commands and instructions if such compliance would create a threat to human lives or safety

of equipment or would result in violating the operating ranges and conditions of safe operation of nuclear power plants.

Article 15. Emergency Electric Power Industry Modes

In the event that emergency electric power industry modes (modes that are characterized by parameters outside the requirements of technical regulations and may lead to a threat of damaging the equipment and to a limitation on supplying electric and thermal power in a considerable volume) take place, a special procedure for operational dispatch control in the electric power industry shall be applied. The specific features of operational dispatch control in emergency electric power industry modes and the corresponding responsibilities of electric power industry entities shall be established by the wholesale market rules approved by the Government of the Russian Federation.

Article 16. Rendering of Operational Dispatch Control Services in the Electric Power Industry

1. The system operator (or an operational dispatch control entity determined by the Government of the Russian Federation in technologically isolated territorial electric power systems) shall provide operational dispatch control services on a payable contractual basis to the following electric power industry entities:

- wholesale market and retail market entities to the extent related to ensuring the compliance with the wholesale market rules and the retail market functioning guidelines in conducting their activities;
- generators and consumers of electric power to the extent related to ensuring the requirements of technical regulations in respect of the quality and safety of power supply directly or through the organization managing the unified national (All-Russian) electric power grid or through territorial power grid organizations to whose power grids the said entities are connected.

The procedure for provision of services by the system operator, including through the organization managing the unified national (All-Russian) electric power grid or territorial grid organizations, as well as the amount of and procedure for payment of the system operator's operational dispatch control services shall be established by the federal body of executive power authorized by the Government of the Russian Federation.

2. The making of contracts for provision of operational dispatch control services in the electric power industry between electric power industry entities and the system operator shall be mandatory for both parties, and the system operator shall not be entitled to refuse to make such a contract. The contracts for provision of these services shall be made between wholesale market entities before they enter into a contract for provision of electric power transmission services with the organization managing the unified national (All-Russian) electric power grid.

Electric power industry entities shall be liable for a violation of the established procedure for compliance with operational dispatch commands and instructions in accordance with the legislation of the Russian Federation.

3. Operational dispatch control entities of a lower level shall provide operational dispatch control services in the electric power industry to operational dispatch control entities of a higher level on the basis of contracts made between them .

4. Activities relating to operational dispatch control in the electric power industry is performed in the conditions of a natural monopoly and shall be governed in accordance with the legislation on natural monopolies and Articles 20 and 25 of this Federal Law.

Article 17. Supervision of the Operational Dispatch Control System

1. The operational dispatch control system shall be supervised by:

- the federal body of executive power authorized by the Government of the Russian Federation which shall be entitled to file an action with the court requesting that natural person dispatchers who violated the procedure for operational dispatch control in the electric power industry be deprived of the possibility to perform their professional activities in the sphere of operational dispatch control;
- the wholesale market trading system administrator within the limits of supervision of the system operator's compliance with the requirements established by the wholesale market rules.

2. If the wholesale market trading system administrator reveals violations of the procedure for operational dispatch control in the electric power industry by operational dispatch control entities, the administrator shall notify the respective federal body of executive power thereof.

3. Officers of operational dispatch control entities shall be liable, as provided for by the legislation of the Russian Federation, in case of a violation of the procedure for operational dispatch control in the electric power industry.

Article 18. Civil Liability of Operational Dispatch Control Entities

1. Operational dispatch control entities shall bear a limited liability within the limits established by this Federal Law for actions (inaction) entailing adverse consequences for electric power industry entities and electric power consumers.

2. Operational dispatch control entities that acted within limits of their authority shall not be liable for losses caused to electric power industry entities and electric power consumers. Losses caused to electric power industry entities and electric power consumers by actions (inaction) of operational dispatch control entities acting within the limits of their authority shall be reimbursed in accordance with agreements made pursuant to the wholesale market functioning guidelines, wholesale market rules and retail market functioning guidelines.

Losses caused to electric power industry entities and electric power consumers by actions (inaction) of operational dispatch control entities that acted in excess of their authority shall be reimbursed in accordance with the civil legislation in the procedure that provides for the reimbursement of specific damages in full and lost profit in the event that it is proven in the court that the said actions (inaction) were committed deliberately or through gross negligence.

3. For the purposes of protecting the property interests of electric power industry entities and electric power consumers against the actions (inaction) specified in Clause 2 of this Article,

the system operator shall be obligated to insure the risks of the operational dispatch control entities' liability for damages caused to electric power industry entities and electric power consumers as a result of actions (inaction) of operational dispatch control entities in accordance with the civil legislation on insurance activities. The maximum amount of funds intended for the said insurance shall be determined in accordance with federal laws and included in the fee for operational dispatch control services in the electric power industry. These funds shall be used for the intended purposes only and may only be expended for the payment of insurance premium in connection with the insurance against the risk of liability for causing damages to electric power industry entities and electric power consumers.

The organization that provides the insurance shall be determined on the basis of a public tender.

4. Electric power industry entities and electric power consumers shall be entitled to obtain an additional voluntary insurance against their entrepreneurial risks for the protection of their property interests against the actions (inaction) specified in Clause 2 of this Article.

Article 19. Operational Dispatch Control in Technologically Isolated Territorial Electric Power Systems

Operational dispatch control in technologically isolated territorial electric power systems the list of which shall be approved in accordance with this Federal Law shall be performed by operational dispatch control entities functioning within those systems without participation of the system operator. The list of such entities and the procedure for the performance of operational dispatch control within the said systems shall be determined by the Government of the Russian Federation.

Chapter 5. System of State Regulation and Control in the Electric Power Industry

Article 20. Principles and Methods of State Regulation and Control in the Electric Power Industry

1. The basic principles of state regulation and control in the electric power industry are:

- ensuring the unity of technological control of the Unified Energy System of Russia, the reliable and safe functioning of the Unified Energy System of Russia and of technologically isolated territorial electric power systems;
- effective management of state property in the electric power industry;
- achieving a balance of economic interests of electric power suppliers and consumers;
- ensuring the availability of electric and thermal power for consumers and protection of their rights;
- ensuring the social protection of the citizens of the Russian Federation against unjustified increases in prices (tariffs) for electric and thermal power;
- creation of conditions required to attract investments for the purposes of development and functioning of the Russian electric power system;
- development of a competitive electric power market and restriction of monopolistic activities of individual electric power industry entities;
- ensuring non-discriminatory access to services of natural monopoly entities in the electric power industry and services of the wholesale market trading system administrator;

- keeping the elements of state regulation in the electric power industry spheres where conditions for competition are absent or restricted;
- ensuring access of electric power consumers to information about the functioning of the wholesale and retail markets as well as activities of electric power industry entities.

2. The following methods of state regulation and control shall be used in the electric power industry:

state regulation and control exercised in accordance with the legislation on natural monopolies in the electric power industry spheres stated as spheres of activities of natural monopoly entities by the legislation of the Russian Federation, including regulation of investment activities of the natural monopoly entities in the electric power industry;

- state regulation of prices (tariffs) for individual kinds of products (services) a list of which shall be determined by federal laws;
- state antimonopoly regulation and control, including the imposition of uniform rules of access to electric power grids and electric power transmission services within the territory of the Russian Federation;
- management of state property in the electric power industry;
- licensing of individual types of activities in the sphere of the electric power industry, as provided for by the legislation of the Russian Federation;
- technical regulation in the electric power industry;
- state control (supervision) of compliance by electric power industry entities with the requirements of this Federal Law and other normative legal acts regulating the relations in the sphere of the electric power industry, including technical regulations that establish the requirements for safe operation of electric and thermal power generating facilities.

3. During the transitional period of restructuring the electric power industry, the state regulation of prices (tariffs) for electric and thermal power shall be exercised in accordance with the legislation on state regulation of tariffs for electric and thermal power, this Federal Law, legislation on natural monopolies and other federal laws.

During the transitional period of restructuring the electric power industry, for the purposes of state regulation of electric power prices (tariffs), the Government of the Russian Federation shall approve marginal levels of electric power prices (tariffs) for consumers specifying separately prices (tariffs) for the population simultaneously with the development of a draft federal law on the federal budget for the next fiscal year. The Government of the Russian Federation may establish the said marginal levels broken down by calendar period and by customer category taking into account regional and other specific features.

During the transitional period of restructuring the electric power industry, the provisions of this Federal Law shall apply in respect of the state regulation of electric and thermal power prices (tariffs) to the extent that they are not regulated by the legislation on state regulation of electric and thermal power tariffs.

Article 21. Authority of the Government of the Russian Federation, Federal Bodies of Executive Power and Bodies of Executive Power of Constituent Entities of the Russian Federation in the Field of State Regulation and Control in the Electric Power Industry

1. Pursuant to the legislation of the Russian Federation on the electric power industry, the Government of the Russian Federation shall:

- establish the criteria and procedure for attributing electric power grid facilities to the unified national (All-Russian) electric power grid;
- approve the wholesale market rules, wholesale market functioning guidelines and retail market functioning guidelines;
- determine the procedure, terms and conditions for the construction and financing of electric power industry facilities, and the procedure for shutting down for repair and decommissioning of electric power industry facilities;
- establish the procedure for technological connection of electric power receiving equipment (electric power installations) of legal entities and natural persons to electric power grids;
- approve the rules of non-discriminatory access to electric power transmission services, services for operational dispatch control in the electric power industry and services of the wholesale market trading system administrator, and the rules for provision of those services;
- establish the procedure for agreeing upon investment programs of natural monopoly entities in the electric power industry;
- approve model contracts for electric power supply to consumers as well as material terms and conditions of contracts for the procedure of the use by the organization managing the unified national (All-Russian) electric power grid of the electric power grid facilities which belong to owners or other lawful possessors and are within the unified national (All-Russian) electric power grid;
- approve the procedure for full and (or) partial restriction of the electric power consumption mode, including its level, in the event that electric power consumers serviced by guaranteeing suppliers violate their obligations (including with regard to individual categories of consumers for whom a special procedure for providing a security for electric power payment obligations may be contemplated) as well as in the event that it is necessary to take urgent actions to remedy or prevent accidents;
- establish a list of technologically isolated territorial electric power systems, determine operational dispatch control entities within the said systems and the procedure for exercising operational dispatch control in them;
- approve the rules for making and performing public contracts in the wholesale and retail markets;
- take social protection measures for certain categories of citizens, including in the form of approval of the procedure for providing such citizens with a security for electric power payment obligations in accordance with the budget legislation of the Russian Federation;
- approve the pricing fundamentals in the sphere of regulated prices (tariffs) in the electric power industry, guidelines and methods for calculation of prices (tariffs) in the electric power industry, including the criteria for evaluating the economically justified costs included in the said prices (tariffs), and for determining the rate of return on investment capital employed in the spheres of activities of electric power industry entities where the state regulation of prices (tariffs) and the procedure for accounting the results of activities of electric power industry entities upon the results of work in the period when previously approved prices (tariffs) were effective is applied;
- approve the rules of state regulation (revision, application) of prices (tariffs) in the electric power industry, including the timeframes for consideration of the issue of their

- setting, an exhaustive list of documentation to be presented, the procedure for carrying out the mandatory expert analysis of proposals and for collective decision making;
- establish the procedure for submitting price bids by wholesale market entities, the procedure for their selection and determining an equilibrium wholesale market price taking into account the specific features of its price zones;
 - approve the rules and procedure for activities of guaranteeing suppliers;
 - approve the procedure for provision of inter-system electric power transmission services, including the methodology for making mutual settlements connected with the settlement of relations for the provision of inter-system electric power transmission services;
 - determine and change the boundaries of wholesale market price zones taking into account the technological and system-related constraints of the Unified Energy System of Russia;
 - establish the rules of mandatory separate accounting by type of activities in the electric power industry;
 - determine the guidelines of the state policy in the sphere of energy saving.

The Government of the Russian Federation shall distribute the authority in the area of state regulation and control in the electric power industry provided for by Clause 2 of this Article among federal bodies of executive power.

2. The Government of the Russian Federation or federal bodies of executive power authorized by it shall:

- develop prospective development programs for the electric power industry, including in the sphere of the municipal electric power industry, taking into account the requirements for ensuring the security of the Russian Federation and based on a forecast of its social and economic development;
- form and ensure the functioning of the state system of long-term forecasting of demand and supply in the wholesale and retail markets, including the forecasting of the fuel and energy balance, and develop a system of actions aimed at meeting the demand of the national economy for electric and thermal power;
- exercise state regulation and control of natural monopoly entities in the electric power industry, including the regulation, in the established procedure, of access to services of natural monopoly entities in the electric power industry and establish information disclosure standards for natural monopoly entities in the electric power industry;
- exercise state regulation of prices (tariffs) in the electric power industry, including the setting of their marginal (minimum and (or) maximum) limits, except for prices (tariffs) whose state regulation is exercised by bodies of executive power of the constituent entities of the Russian Federation in accordance with federal laws;
- control the application of state regulated prices (tariffs) in the electric power industry and check business operations of organizations conducting activities in the sphere of regulated pricing, to the extent related to the justified amount and appropriateness of application of the said prices (tariffs);
- exercise anti-monopoly regulation and control;
- manage the state property in the electric power industry;
- license individual types of activities in the electric power industry;
- ensure compliance with the requirements of the legislation of the Russian Federation by wholesale and retail market entities;

- approve uniform certification requirements for entities engaged in professional activities connected with the operational dispatch control in the electric power industry and carry out their certification;
- control the operational dispatch control system in the electric power industry, including develop and approve the procedure for determining insurance risks of operational dispatch control entities;
- control the activities of the wholesale market trading system administrator;
- determine the terms, conditions and procedure for maintaining capacity reserves as well as mechanisms for compensating the respective costs to owners of capacities reserved;
- determine the sources and methods for attracting investment funds invested in the development of the electric power industry by the Russian Federation;
- approve the methodology for determining and procedure for compensating electric power losses in electric power grids;
- create a generally accessible system of disclosure of information in the wholesale and retail markets;
- approve standards for disclosure of information by wholesale and retail market entities to consumers, including of information concerning their products, incomes and costs separately by type of activities in the electric power industry, and control the compliance with those standards;
- maintain the state reporting for electric power industry entities conducting activities in the electric power industry;
- establish the minimum amount of the equity capital of electric power supplying organizations;
- technical control and supervision in the electric power industry.

Federal bodies of executive power shall have the right to issue normative legal acts on the issues of state regulation and control in the electric power industry only in cases provided for by federal laws and normative legal acts of the Government of the Russian Federation.

3. Within the scope of exercising the authority provided for by this Article, federal bodies of executive power shall be entitled to:

- issue to legal entities and natural persons binding orders to take actions provided for by the legislation of the Russian Federation on the electric power industry, to stop violations of the legislation of the Russian Federation on the electric power industry, including to remedy their consequences, and to enter into contracts a responsibility to make which is provided for by the legislation of the Russian Federation on the electric power industry;
- furnish binding orders to stop violations of the legislation of the Russian Federation on the electric power industry to bodies of executive power of the constituent entities of the Russian Federation and bodies of local self-government;
- request from electric power industry entities information concerning occurrence of accidents, changes in or violations of technological processes as well as failures of installations and equipment which may cause damages to human life or health, environment and property of citizens and legal entities;
- consider complaints of suppliers and buyers of electric and thermal power concerning the violation of their rights and legitimate interests by actions (inaction) of other electric power industry entities as well as to request the information, documents and other evidence supporting the presence of signs of such violations;

- apply sanctions for a violation of the legislation of the Russian Federation on the electric power industry and exercise other authority provided for by the legislation of the Russian Federation on administrative offences, legislation of the Russian Federation on licensing of individual types of activities and legislation of the Russian Federation in the area of environmental protection;
- file an action with the court as well as participate in court consideration of cases related to a violation of the legislation of the Russian Federation on the electric power industry.

4. Bodies of executive power of the constituent entities of the Russian Federation shall be vested with the authority for the state regulation and control in the electric power industry in accordance with this Federal Law and other federal law as well as edicts of the President of the Russian Federation and decrees of the Government of the Russian Federation.

Bodies of executive power of the constituent entities of the Russian Federation shall exercise the following authority:

- control the activities of guaranteeing suppliers to the extent related to ensuring a reliable supply of electric power to the population;
- establish supply-related markups for guaranteeing suppliers;
- set prices (tariffs) for electric power transmission services via territorial distribution power grids within the marginal (minimum and (or) maximum) levels of prices (tariffs) established by the federal body of executive power for electric power transmission services via territorial distribution power grids;
- set tariffs for thermal power, except for tariffs for thermal power generated by co-generators of electric and thermal power;
- set tariffs for thermal power generated by co-generators of electric and thermal power within the marginal (minimum and (or) maximum) levels of tariffs established by the federal body of executive power for thermal power generated by co-generators of electric and thermal power;
- agree upon the use of water resources by hydro-electric power plants located in the territories of the respective constituent entities of the Russian Federation;
- agree upon the location of electric power industry facilities in the territories of the respective constituent entities of the Russian Federation;
- agree upon decisions on assigning the status of guaranteeing suppliers to electric power industry entities;
- control the application of electric and thermal power prices (tariffs) regulated by bodies of executive power of the constituent entities of the Russian Federation;

A decision of a body of executive power of a constituent entity of the Russian Federation adopted by it in excess of the authority established by the pricing fundamentals in the sphere of the regulated prices (tariffs) in the electric power industry and by the rules for state regulation (revision, application) of prices (tariffs) in the electric power industry shall be repealed in the procedure established by the Government of the Russian Federation.

The head of the body of executive power of a constituent entity of the Russian Federation who exercises the state regulation in the electric power industry shall be appointed to and removed from his office in coordination with the respective federal body of executive power.

The body of executive power of a constituent entity of the Russian Federation shall, in coordination with the respective body of local self-government, be entitled to transfer to bodies of local self-government the authority for state regulation of thermal power tariffs (except for the thermal power generated by co-generators of electric and thermal power) supplied from the thermal power source which provides thermal power supply to consumers located in the territory of a single municipality.

A decision of a body of local self-government adopted in exercise of the authority transferred in accordance with this Article, contradicting the legislation of the Russian Federation on the electric power industry, or adopted in excess of the established competence shall be repealed by the respective body of executive power of the constituent entity of the Russian Federation in the procedure established by the Government of the Russian Federation.

Article 22. State Regulation and Control in the Spheres of Natural Monopolies in the Electric Power Industry

1. The activities conducted in natural monopoly conditions relating to electric and thermal power transmission and operational dispatch control in the electric power industry shall be subject to state regulation and control in accordance with the legislation on natural monopolies and this Federal Law.

2. Natural monopoly entities in the electric power industry shall be obligated to publish information about their activities in mass media in accordance with the information disclosure standards approved by the Government of the Russian Federation.

Article 23. State Regulation of Prices (Tariffs) in the Electric Power Industry

1. The state regulation of prices (tariffs) in the electric power industry shall ensure the achievement of the balance of economic interests of electric and thermal power suppliers and consumers providing the availability of the said types of energy while ensuring an economically justified rate of return on the investment capital employed in the spheres of activities of electric power industry entities where the state regulation of prices (tariffs) is used. The rate of return on investment capital employed in the spheres of activities of electric power industry entities where the state regulation of prices (tariffs) is used should be comparable with the rate of return on capital employed in other industry sectors with the comparable parameters of entrepreneurial risks.

The methodology for calculating and determining the rate of return on investment capital employed in the spheres of activities of electric power industry entities where the state regulation of prices (tariffs) is used shall be determined in the procedure established by the Government of the Russian Federation.

When reduced prices (tariffs) of electric and thermal power provided for by the legislation of the Russian Federation are established for individual customers, it shall not be allowed to increase electric and thermal power prices (tariffs) for other customers.

2. The following shall be subject to state regulation in the electric power industry, in addition to price regulation in natural monopoly conditions exercised in accordance with the legislation on natural monopolies:

- prices (tariffs) for electric and thermal power supplied in the conditions of the absence of competition whose regulation may be applied in cases and in the procedure provided for by Article 27 of this Federal Law;
- marginal (minimum and (or) maximum) levels of prices for electric power and prices (tariffs) for the maximum available generating capacity (in cases provided for by the legislation of the Russian Federation in the procedure established by the Government of the Russian Federation);
- prices (tariffs) for services related to ensuring the system reliability;
- prices (tariffs) for services of the wholesale market trading system administrator;
- prices (tariffs) for thermal power;
- prices (tariffs) for operational dispatch control services in the electric power industry;
- fees for technological connection to electric power grids;
- supply-related markups for guaranteeing suppliers.

The said prices (tariffs) and marginal (minimum and (or) maximum) levels of prices (tariffs) shall be regulated in the procedure established by the pricing fundamentals in the sphere of regulated prices (tariffs) and the rules of state regulation (revision, application) of prices (tariffs) approved by the Government of the Russian Federation. Amendments and supplements made to the said rules shall become effective not sooner than six months after the date of their adoption.

Approved prices (tariffs) shall be effective for at least 12 months, except for prices (tariffs) of services related to the system reliability. The issue of changing (revising) regulated prices (tariffs) shall be considered not more often than twice a year with the adoption of a respective decision (if there are no grounds to revise prices (tariffs), a decision to extend them shall be made).

3. The list of regulated prices (tariffs) specified in Clause 2 of this Article shall be exhaustive. Prices (tariffs) for other kinds of products (services) in the electric power industry shall be determined by agreement between the parties and shall not be subject to state regulation.

The bodies of state regulation of prices (tariffs) may check business activities of organizations conducted with the application of regulated prices (tariffs) to the extent related to the justified nature and accuracy of use of the said prices (tariffs) not more often than once in two years.

4. In the event of a violation of the established procedure for the application of state regulated prices (tariffs), electric power industry entities and other persons that committed such a violation shall reimburse the losses caused by such a violation to other persons in accordance with the civil legislation and shall bear other liability provided for by the legislation of the Russian Federation.

5. Decisions of the bodies of state regulation of prices (tariffs) may be appealed against through the court.

Article 24. Bodies of State Regulation of Prices (Tariffs)

State regulation of prices (tariffs) shall be exercised by the federal body of executive power for regulation of natural monopolies and by bodies of executive power of the constituent entities of the Russian Federation within the authority attributed to their competence by

federal laws, edicts of the President of the Russian Federation, and decrees of the Government of the Russian Federation.

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 exercised in accordance with the anti-monopoly legislation of the Russian Federation taking into account the specific features established by this Federal Law and the wholesale market functioning guidelines.

2. The wholesale and retail markets shall have a system of regular control of their functioning, with the aim of timely prevention, identification, restriction and (or) termination of monopolistic activities and unfair competition, including:

- collusions (coordinated actions) of electric power suppliers who have the objective of changing or maintaining electric power prices;
- unjustified refusal to make electric power purchase contracts;
- unjustified refusal to make a contract for provision of services of a natural monopoly nature provided that there is a technical possibility to do so;
- creation of discriminating or favoring conditions for activities of individual wholesale and retail market entities;
- ability of electric power industry entities to manipulate prices in the wholesale and retail markets;
- abuse by individual wholesale and retail market entities of their exclusive position in such markets allowing them to manipulate prices without a dominating position in such markets.

The objects of such control shall be:

- prices;
- level of economic concentration in the wholesale market (the share of goods supplied by a respective person or a group of persons to the wholesale market or within a price zone of the wholesale market), including that which results in a temporary absence of competition in individual price zones of the wholesale market due to technological reasons;
- reallocation of interests (shares) in the charter capitals of wholesale market entities (including through creation, reorganization and liquidation of wholesale market entity organizations) and property of wholesale market entities;
- agreed-upon actions of wholesale or retail market entities;
- total installed generating capacity of electric power plants included in generating companies, based on the requirement to restrict the market concentration;
- actions of wholesale or retail market entities holding a exclusive position in the said markets.

The procedure for control of the said indicators and criteria for the assessment of occurrence of the dominating or exclusive position, including a temporary position, of individual organizations or groups of persons and of restriction of the competition in the wholesale and retail markets shall be established in accordance with the anti-monopoly legislation of the Russian Federation, this Federal Law and the wholesale market functioning guidelines.

3. Wholesale and retail market entities (except for natural person consumers) shall be obligated to:

- ensure regular presentation of information concerning their activities to the federal anti-monopoly body (its territorial departments) in accordance with standards established by the said body;
- grant unimpeded access to any other information concerning their activities to officers of the federal anti-monopoly body (its territorial departments).

4. The federal anti-monopoly body shall ensure the control of compliance by the wholesale market trading system administrator with the procedure for non-discriminatory access to services of the trading system administrator.

5. The ensuring of non-discriminatory access to electric power transmission and operational dispatch control services in the electric power industry shall be controlled in accordance with this Federal Law, antimonopoly legislation of the Russian Federation, wholesale market functioning guidelines and rules of non-discriminatory access to electric power transmission services, operational dispatch control services and services of the wholesale market trading system administrator approved by the Government of the Russian Federation.

6. With respect to a legal entity being an electric power supplier, which simultaneously possesses the generating equipment totaling 35 and more percent of the installed generating capacity within the price zone of the wholesale market, or with respect to legal entity suppliers of electric power, which simultaneously possess the generating equipment totaling the same share of the installed generating capacity within the price zone of the wholesale market and which take agreed-upon actions aimed at restricting competition, the Government of the Russian Federation may apply the following sanctions:

- introduction of state regulation of prices (tariffs) for a period of up to six months;
- forced unbundling (in the event that one entity simultaneously possesses the generating equipment totaling 35 and more percent of the installed generating capacity within the price zone of the wholesale market).

Article 26. Regulation of Access to Electric Power Grids and Electric Power Transmission Services

1. Technological connection of electric power receiving equipment (electric power installations) of legal entities and natural persons to electric power grids shall be performed in the procedure established by the Government of the Russian Federation and shall be of a one-time nature. The said procedure shall regulate the connection procedures and provide for material terms and conditions of a contract for technological connection to electric power grids as well as requirements for issuance of individual technical specifications for the connection to electric power grids.

Any legal entities and natural persons shall have the right for the technological connection of their electric power receiving equipment (electric power installations) to electric power grids, provided that there is a technical possibility to do so and they comply with the established rules for such connection. The technological connection may not be refused while such persons take the said actions. The criteria for the availability (absence) of the technical

possibility and the rules for technological connection to electric power grids shall be determined by the Government of the Russian Federation.

The technological connection of electric power receiving equipment (electric power installations) of legal entities and natural persons to electric power grids shall be performed on the basis of a contract. The contract for technological connection of electric power receiving equipment (electric power installations) shall not envisage the provision of electric power transmission services.

A one-time fee shall be charged for the technological connection to electric power grids. The amount of the said fee shall be established by the federal body of executive power authorized by the Government of the Russian Federation and shall compensate the costs of implementing the actions relating to the technological connection of the new facility to electric power grids. The inclusion of the said costs in the composition of the fee for electric power transmission services shall not be allowed.

The terms and conditions of contracts for technological connection to electric power grids, with the exception of individual technical specifications for technological connection to electric power grids, shall be uniform for all legal entities and natural persons.

2. The provision of electric power transmission services shall be performed on the basis of a contract for paid provision of services. The contract for provision of those services shall be public.

It shall be a mandatory condition for provision of electric power transmission services to the buyer that it should participate in the wholesale market or have an electric power purchase contract made with a generator or another electric power supplier, under which contract obligations are performed properly.

If a power grid organization unreasonably evades making a contract for provision of electric power transmission services, the buyer shall be entitled to file an action with the court requesting to compel the power grid organization to make the said contract in accordance with the civil legislation.

In accordance with this Federal Law, wholesale market rules and retail market functioning guidelines, a power grid organization may refuse the buyer to perform its obligations under the contract for provision of electric power transmission services, if such an organization became aware of the buyer's failure to perform its obligations under the electric power purchase contract.

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

- rules for the making and performance of contracts for provision of electric power transmission services, which shall include material terms and conditions of the said contracts;
- procedure for access to electric power grids in the conditions of their restricted transmission capacity;
- procedure for setting tariffs for electric power transmission services which shall take into account the extent of use of the electric power grid capacity;

- procedure for provision of information concerning the cost of electric power transmission services and concerning the availability of the transmission capacity of electric power grids;
- procedure for considering complaints and applications concerning the issues of granting access to electric power transmission services and for adopting decisions regarding those complaints and applications, binding upon legal entities and natural persons;
- procedure for disclosure of information concerning the transmission capacity of electric power grids, their technical characteristics by organizations conducting the activities relating to electric power transmission (power grid companies) in accordance with the information disclosure standards approved by the Government of the Russian Federation;
- procedure for determining losses in electric power grids and payment of those losses.

The rules of non-discriminatory access to electric power transmission services shall exclude the possibility of charging additional fees that are not provided for by this Federal Law in the conditions of a restricted transmission capacity.

Article 27. State Regulation in the Conditions of Restriction or Absence of Competition

1. The spheres of purchase and sale of electric power where competition is restricted or absent or state regulation may be applied shall, in addition to the spheres of activities of natural monopoly entities, include:

- spheres of a temporary overall deficit of electric power in individual price zones of the wholesale market and (or) in the wholesale market as a whole;
- spheres that function in permanent conditions of the absence of competition due to technological reasons.

The state regulation shall also be introduced in the events that it is found that electric power generators and suppliers abuse their monopolistic position and in extraordinary events whose criteria and assessment procedure shall be determined by the Government of the Russian Federation.

2. The existence of a temporary overall deficit of electric power in individual price zones of the wholesale market and (or) in the wholesale market as a whole is characterized by a higher level of consumption of electric power (taking into account the standard requirement for reserve power generating capacities) over the installed capacity level during a certain period of time or during individual zones of a daily load schedule. In this situation, pursuant to this Federal Law, the federal body of executive power authorized by the Government of the Russian Federation may introduce marginal (minimum and (or) maximum) levels of electric power prices (tariffs) in the procedure established by the Government of the Russian Federation.

In the event that there is no longer temporary overall deficit of electric power in individual price zones of the wholesale market and (or) in the wholesale market as a whole, the federal body of executive power authorized by the Government of the Russian Federation shall be obligated to adopt a decision repealing the previously introduced prices (tariffs).

3. State regulation shall be applied with respect to individual spheres of the electric power industry that function in the permanent conditions of the absence of competition due to technological reasons (regional isolation, existence of one or more non-competing power sources) in accordance with the legislation on natural monopolies.

Such spheres shall include technologically isolated territorial electric power systems a list of which shall be approved by the Government of the Russian Federation.

The spheres of activities of technologically isolated territorial electric power systems shall be regulated by federal bodies of executive power that are determined by the Government of the Russian Federation and that are, in the procedure established by the legislation of the Russian Federation, entitled to transfer a part of their authority to bodies of executive power of the constituent entities of the Russian Federation on whose territories the respective technologically isolated territorial electric power systems are located.

In the event that territorial electric power systems are no longer technologically isolated or in the event of construction of electric power generation or transmission facilities which create conditions for competition, federal bodies of executive power shall be obligated to adopt a decision to terminate the state regulation of the respective spheres of activities performed in accordance with this Article.

In technologically isolated territorial electric power systems where no competition can be developed due to technological reasons, one legal entity shall be allowed to conduct all types of activities in the electric power industry.

Article 28. Technical Regulation and Control (Oversight) in the Electric Power Industry

1. Technical regulation in the electric power industry shall be performed in accordance with the legislation of the Russian Federation on technical regulation and this Federal Law.

The purposes of technical regulation and control (supervision) of compliance with the requirements of technical regulations in the electric power industry shall be to ensure its reliable and safe functioning and prevent emergencies related to the operation of electric power industry facilities and electric power installations of electric power consumers.

2. Measures of technical regulation and control (supervision) in the electric power industry shall include the adoption of technical regulations as well as the exercise of control (supervision) of compliance with them by bodies of state power and their subordinate institutions in accordance with the legislation of the Russian Federation on technical regulation.

Technical regulations shall be adopted in respect of the following issues:

- technical and technological safety in the electric power industry;
- quality of electric and thermal power;
- establishment of capacity reserve standards;
- design of electric and thermal installations;
- activities of electric power industry entities related to the operation of electric and thermal power equipment, including compliance with its operational safety rules;
- ensuring nuclear and radiation safety in the sphere of the nuclear power industry.

Article 29. Investment Policy of the State in the Electric Power Industry

1. The investment policy of the state in the electric power industry shall be aimed at ensuring its stable development, promoting energy saving as well as shall provide for attracting investments in all spheres of the electric power industry and improving the state control of the effectiveness of investments in the sphere of activities of natural monopoly entities.
2. The investment policy of the state in the electric power industry shall be based on the assistance in the attraction of investments into the electric power industry through the formation of a favorable investment climate, creation of stable conditions for conducting entrepreneurial activities, ensuring the inviolability of private property, freedom of movement of goods and services, ensuring an economically justified rate of return on investment capital employed in the spheres of activities of electric power industry entities where the state regulation of prices (tariffs) is used, ensuring the protection of and support to the development of Russian producers, employment of innovative instruments to attract investments, and the development of economic incentives for introduction of new highly efficient technologies in the electric power industry, including for the purposes of developing the small-scale and unconventional power generation sector.
3. The purposes of the investment policy of the state in the sphere of development of the unified national (All-Russian) electric power grid shall be to improve the efficiency of the electric power industry, remove technological constraints for transfer of electric power and expand the transmission capacity of electric power grids to accommodate the power generated by electric power plants. For the said purposes, the state shall regulate the investment activities of the organization managing the unified national (All-Russian) electric power grid in the procedure established by Article 10 of this Federal Law.
4. The Government of the Russian Federation or a federal body of executive power authorized by it shall make projections of the possible electric power deficit in individual price zones of the wholesale market and create favorable conditions for capital investments or, if necessary, for state investments into the construction of electric power industry facilities for the purposes of prevention of the deficit of electric power capacity.
5. The purpose of the investment policy of the state in the nuclear power industry is to develop nuclear power plants by creating economic conditions and conditions of state regulation of prices (tariffs) favorable for the formation of their own and raised investment funds in accordance with the state programs for the development of the nuclear power industry.

Chapter 6. Wholesale Market

Article 30. Legal Fundamentals for Functioning of the Wholesale Market

1. The legal fundamentals for the functioning of the wholesale market are established by this Federal Law, the wholesale market functioning guidelines approved by the Government of the Russian Federation, the wholesale market rules approved by the Government of the Russian Federation, and normative legal acts of federal bodies of executive power provided for by the wholesale market functioning guidelines and by the wholesale market rules.

The wholesale market functioning guidelines shall regulate the relations connected with electric power trading in the wholesale market to the extent that it is so provided for by this Federal Law.

The mode of electric power export and import shall be established in accordance with the legislation on the state regulation of foreign trade activities.

2. The basic principles of organization of the wholesale market shall be:

- free non-discriminatory access to participation in the wholesale market for all electric power sellers and buyers that comply with the wholesale market rules established by the Government of the Russian Federation and meet the requirements for wholesale market entities established by Article 35 of this Federal Law;
- free interaction of wholesale market entities acting in accordance with the wholesale market rules approved by the Government of the Russian Federation;
- freedom of choice by wholesale market entities of the procedure for buying and selling electric power through the formation of market prices and selection of price bids of buyers and price bids of sellers based on the minimum prices for electric power that are formed in individual price zones of the wholesale market in accordance with the wholesale market rules or through making bilateral electric power purchase contracts;
- taking into account the specific features of participation in the wholesale market of individual entities that provide services related to ensuring the system reliability and (or) that generate electric power at thermal, nuclear or hydro power plants;
- interaction of wholesale market entities based on unconditional compliance with contractual obligations and financial discipline;
- absence of discrimination in the wholesale market rules in respect of wholesale market entities possessing the existing or new electric power industry facilities.

Article 31. Entities of the Wholesale Market and its Organization

1. Wholesale market entities shall include participants in the electric power trading, that is electric power suppliers (generating companies) and electric power buyers (power supplying organizations, large electric power consumers, and guaranteeing suppliers) that obtained the status of wholesale market entities in the procedure established by this Federal Law, and also the wholesale market trading system administrator, organizations ensuring the functioning of the technological infrastructure of the wholesale market, including the organization managing the unified national (All-Russian) electric power grid and the system operator.

2. The organization of the wholesale market shall be based on the self-governance of activities of its participants, including through the participation of the wholesale market trading system administrator in the development of the wholesale market rules and in the formation of a permanently operating system of control of compliance with the said rules.

The activities of wholesale market entities for the purposes of ensuring equal conditions for them shall be regulated by the wholesale market rules.

Article 32. Trading System of the Wholesale Market and Procedure for Relations Between its Participants. Wholesale Market Pricing

1. The wholesale market shall have an organized system of contracts between wholesale market entities, which determines the principal terms and conditions of activities of respective entities in the wholesale market and the terms and conditions of the sale of electric power and the provision of services. The list, system and procedure for making contracts binding upon wholesale market participants shall be determined in the wholesale market functioning guidelines and wholesale market rules.

In addition to the said system of contracts, electric power suppliers and buyers being wholesale market entities shall be entitled to make bilateral electric power purchase contracts in the procedure provided for by the wholesale market rules. Wholesale market entities shall be free to select counteragents under such contracts.

Bilateral electric power purchase contracts shall be subject to registration by the wholesale market trading system administrator in the procedure established by the wholesale market rules.

In the process of making such contracts by wholesale market entities, the parties shall, if necessary, also make a contract for provision of operational dispatch control services in the electric power industry to them with the system operator and a contract for provision of electric power transmission services with a power grid organization. Access to electric power transmission services shall be provided in the procedure established by Article 26 of this Federal Law.

Bids of guaranteeing suppliers in the amount of electric power and capacity supply commitments shall be required to be met at an equilibrium wholesale market price in accordance with the wholesale market rules.

Wholesale market entities shall be free to select the procedure for selling power, including through a system of price bidding and purchasing and selling power at the equilibrium wholesale market price, through a system of bilateral electric power purchase contracts or through another method determined by the wholesale market rules.

2. The wholesale market shall simultaneously have the following mechanisms of determining market prices:

- determining an equilibrium wholesale market price taking into account the technological and grid constraints, driven by demand and supply based on the results of comparison of price bids of electric power suppliers and price bids of electric power buyers who are free to determine the price specified in those price bids;
- independent determination of the price for electric power by parties of bilateral electric power purchase contracts.

For the purposes of ensuring the process of planning electric power generation and supply, electric power suppliers shall submit bids for the total generating capacity, except for capacity:

- shut down and decommissioned in the procedure and on the conditions established by Article 44 of this Federal Law;
- used for internal consumption by a wholesale market entity who possesses generating capacities.

Electric power suppliers who assumed obligations under bilateral electric power purchase contracts shall not be entitled to submit bids.

To provide for the metering and performance of electric power supplies under bilateral purchase contracts (in the absence of bids) and of internal consumption of electric power by a wholesale market entity, the participants of the said legal relations shall give a long-term notification of electric power take-off or a long-term notification of internal consumption.

When individual suppliers and buyers of electric power make bilateral electric power purchase contracts in accordance with the procedure provided for by the wholesale market rules, the electric power price and other terms and conditions of such contracts shall be determined by its participants on their own.

Participants in bilateral electric power purchase contracts shall follow the wholesale market rules in respect of payment by them of their share of the system costs established by this Federal Law. The procedure for submitting price bids, procedure for their selection and mechanisms for determination of the equilibrium wholesale market price shall be established by the wholesale market functioning guidelines. The selection of price bids and the calculation and announcement of the equilibrium wholesale market price shall be carried out by the wholesale market trading system administrator. The mechanism for determining the said price shall provide for the payment of the value of electric power supplied to the wholesale market at a price that may not be lower than that specified in the selected price bids of electric power suppliers.