

PRICING POLICY AND RATES FOR THE COMPANY'S SERVICES

PRICING POLICY OF THE COMPANY

Prices (rates) for the Company's electricity transmission services and technological connection shall be regulated by the state and set by the orders of REC-DPR KR. The prices (tariffs) that are common for each group of electricity consumers are valid in the territory of Krasnodar Territory and the Republic of Adygea, where the Company operates.

The main regulatory legal acts regulating relations in the sphere of establishing regulated tariffs and the practice of their application:

- Federal law dated March 26, 2003 No. 35-ФЗ "On Electric Power Industry" (as amended);
- Decree of the Government of the Russian Federation dated December 29, 2011, No. 1178 "On pricing in the field of regulated prices (tariffs) in the power industry" (as amended);
- orders of the Federal Tariff Service of Russia:
 - / dated 17.02.2012, No. 98-e "Concerning the Approval of Guidelines for Calculating Tariffs for Electricity Transmission Services, Installed Using the Method of Long-Term Indexation of Required Gross Revenue";
 - / dated 06.08.2004, No. 20-e/2 "Concerning the Approval of Guidelines for the Calculation of Regulated Tariffs and Prices for Electric (Thermal) Energy in the Retail (Consumer) Market";
- Order of the FAS of Russia dated 29.08.2017, No. 1135/17 "Concerning the Approval of Guidelines for Determining the Amount of Payment for Technological Connection to Electric Grids."

Since 2018 Kubanenergo PJSC switched to the next long-term period of tariff regulation for electricity transmission services for five years. Tariffs for Kubanenergo PJSC for electricity transmission services and long-term regulation parameters for 2018–2022 identified REC-DPR KR by the method of long-term indexation of the required gross revenue.

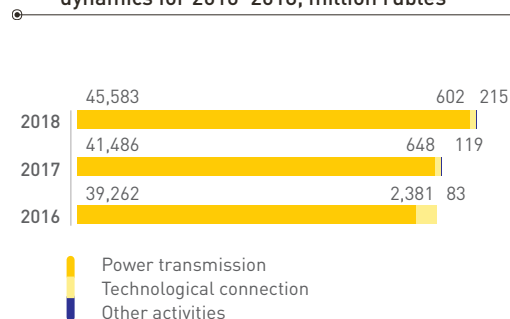
TARIFFS FOR ELECTRICITY TRANSMISSION SERVICES

Following the results of 2018, the actual revenue for the services rendered for the transmission of electricity amounted to 45,583 million rubles (excluding VAT), which is 4,098 million rubles (10%) more than in 2017.

The increase in revenue for the electricity transmission services is due to the application of rates in 2018 for services for the transmission of electricity, approved by order REC-DPR KR dated December 28, 2017, No. 63/2017-e, which are higher than the tariffs of 2017, supported by the order of REC-DPR KR dated December 30, 2016 No. 57/2016-e; the growth of straight-line rates for electricity transmission services in the second half of 2018 relative to the second half of 2017 was 3%. In addition, the increase in revenue in the reporting year is due to:

- an increase in the volume of services rendered by 562 million kWh relative to 2017;
- change in the procedure for reimbursement to the Wholesale market for electricity and power (WMEP) participants of the cost of load losses recorded in the prices on the WMEP, as a result of which, from August 1, 2017, revenue for electricity transmission services is generated without deducting the specified cost¹.

Structure of Kubanenergo PJSC Revenue in dynamics for 2016–2018, million rubles



Since 2007, the region has a single (boiler) method of payment for electricity transmission: For all consumers of power transmission services of the Kuban and the Republic of Adygea, belonging to the same tariff group, there is a single (boiler) tariff, regardless of the network of which grid organization they are connected to.

The main tariff-contractual model, used for calculations, is the "boiler at the top" model.

The status of the backbone network organization – the "boiler holder" was assigned to the Company. According to this model, consumer payments for rendered electricity transmission services (regardless which network organization they are connected to) are received by Kubanenergo PJSC, upon which the Company makes settlements with the subordinate grid organizations (LGCs), to which networks the consumers' power receivers are connected, at individual rates.

From September 22, 2011, an individual "boiler at the bottom" pattern is also valid in the region – in relation to the organization of the network LLC Maykop CHP. Under this pattern, payments for electricity transmission from consumers connected to LLC Maikop CHP, under a single pot tariff are received by this organization, and in turn, it pays for services of Kubanenergo PJSC for transmission of electricity through the Company at an individual rate.

1. Clause 1b of the Decree of the Government of the Russian Federation of 07.07.2017 No. 810 'Concerning the Amendments to Certain Acts of the Government of the Russian Federation Concerning Payment of Electricity Losses on the Wholesale Electricity and Power Market and Retail Electricity Markets, and also Obtaining the Status of a Subject of the Wholesale Electricity Market and power'.

For LLC "Maikop CHP" by the order of REC-DPR KR dated December 28, 2017, No. 64/2017-э, the following individual rates for 2018 were established by the order dated January 17, 2018, No. 1/2018-e:

LLC "MAIKOP CHP" – KUBANENERGO PJSC	BINOMIAL RATE		STRAIGHT-LINE RATE
	RATE FOR THE MAINTENANCE OF ELECTRICAL NETWORKS	RATE FOR PAYMENT OF TECHNOLOGICAL EXPENSES (LOSSES)	
	from 01.01.2018 to 30.06.2018		
	213,058.75 rubles/MW • months	610.61 rubles /MW • h	1.56681 rubles /MW • h
	from 01.07.2018 to 31.12.2018		
	213,058.75 rubles/MW • months	610.61 rubles /MW • h	1.56681 rubles /MW • h

By the order of REC-DPR KR dated December 28, 2017, No. 63/2017-e, with account for the changes made by orders dated January 17, 2017 No. 1/2018-e and from 06.06.2018 No. 39/2018-e, the uniform (boiler) rates for electricity transmission services by the grids of the Krasnodar Territory and the Republic of Adygea were approved for 2018: for the "Other consumers" rate classification:

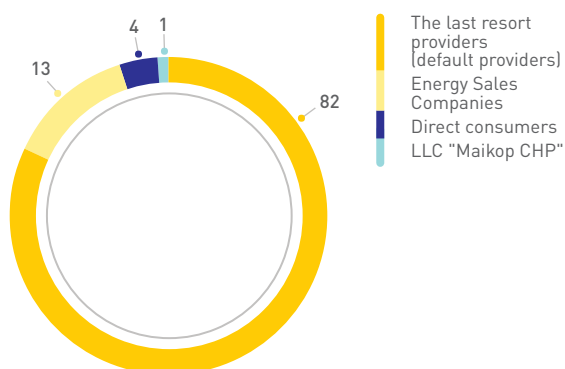
SEQ NO.	RATE CLASSIFICATIONS OF ELECTRICITY CONSUMERS (POWER)	UNIT OF MEASURE	VOLTAGE RANGES			
			HIGH VOLTAGE	MEDIUM VOLTAGE I	MEDIUM VOLTAGE II	LOW VOLTAGE
1.	Other consumers (tariffs are specified without VAT)					First half-year
1.1.	Binomial rate					
1.1.1.	– rate for the maintenance of electrical networks	rubles/ MW • months	1,129,186.90	885,434.32	1,077,011.46	1,440,219.10
1.1.2.	– rate for payment of technological consumption (losses) in electrical networks	rubles/ MW • hours	92.44	161.42	388.99	1,131.32
1.2.	Straight-line rate	rubles/ kMW • hours	1.83204	2.12775	3.28180	4.38301
2.	Other consumers (tariffs are specified without VAT)					Second half-year
2.1.	Binomial rate					
2.1.1.	– rate for the maintenance of electrical networks	rubles/ MW • months	1,162,401.83	910,277.24	1,108,226.61	1,477,709.95
2.1.2.	– rate for payment of technological consumption (losses) in electrical networks	rubles/ MW • hours	95.56	167.47	403.36	1,175.00
2.2.	Straight-line rate	rubles/ kMW • hours	1.88700	2.19158	3.38025	4.51450

For the tariff group "Population and categories of consumers equated to it:

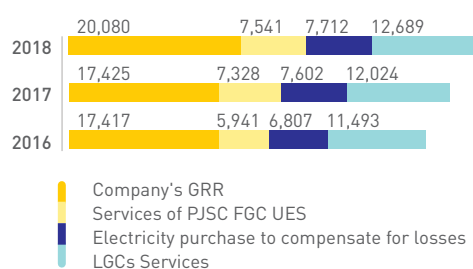
SEQ NO.	RATE CLASSIFICATIONS OF ELECTRICITY CONSUMERS (POWER)	UNIT OF MEASURE	FIRST HALF-YEAR	SECOND HALF-YEAR
1.	Population and categories of consumers equated to it (rates are indicated excluding VAT)			
1.1.	Population and similar categories of consumers, except for those specified in paragraphs 1.2 and 1.3: utility service providers (homeowners' associations, housing, and construction, housing or other specialized consumer cooperatives or management organizations), consuming electricity (power) for the provision of utilities to owners and users of residential premises and maintenance of the common property of apartment buildings; landlords (or persons authorized by them), providing citizens with residential premises of specialized housing, including residential premises in dormitories, residential premises of a temporary public housing, living quarters in the houses of the social service system of the population, living quarters of the fund for the temporary settlement of internally displaced persons, living quarters of the fund for the temporary residence of persons recognized as refugees, as well as residential premises for social protection of specific categories of citizens, acquiring electricity (power) to provide utilities services to users of such residential premises in the capacity of electricity consumption by the population and maintenance of common areas in houses, which have residential premises of specialized housing stock; legal entities and individuals, acquiring electricity (power) for consumption for household needs in settlements and suburban areas with military units and making payments under the contract of power supply, according to the indications of a standard electricity metering device. The last resort providers, energy service, power supply organizations, purchasing electricity (power) for further sale to the population and categories of consumers, similar to the one, indicated in this clause.			
	Straight-line rate (including differentiated by two and three zones of the day)	rubles/ kMW • hours	2.62623	2.50509

SEQ NO.	RATE CLASSIFICATIONS OF ELECTRICITY CONSUMERS (POWER)	UNIT OF MEASURE	FIRST HALF-YEAR	SECOND HALF-YEAR
1.2.	The population, living in urban areas in houses equipped in the prescribed manner with stationary electric stoves and (or) electrical heating installations and equated to them: utility service providers (homeowners' associations, housing, and construction, housing or other specialized consumer cooperatives or management organizations), consuming electricity (power) for the provision of utilities to owners and users of residential premises and maintenance of the common property of apartment buildings; landlords (or persons authorized by them), providing citizens with residential premises of specialized housing, including residential premises in dormitories, residential premises of a temporary public housing, living quarters in the houses of the social service system of the population, living quarters of the fund for the temporary settlement of internally displaced persons, living quarters of the fund for the temporary residence of persons recognized as refugees, as well as residential premises for social protection of specific categories of citizens, acquiring electricity (power) to provide utilities services to users of such residential premises in the capacity of electricity consumption by the population and maintenance of common areas in houses, which have residential premises of specialized housing stock; legal entities and individuals, acquiring electricity (power) for consumption for household needs in settlements and suburban areas with military units and making payments under the contract of power supply, according to the indications of a standard electricity metering device. The last resort providers, energy service, power supply organizations, purchasing electricity (power) for further sale to the population and categories of consumers, similar to the one, indicated in this clause.			
	Straight-line rate (including differentiated by two and three zones of the day)	rubles/ kMW • hours	1.49912	1.33560
1.3.	Population living in rural settlements and equated to them: utility service providers (homeowners' associations, housing, and construction, housing or other specialized consumer cooperatives or management organizations), consuming electricity (power) for the provision of utilities to owners and users of residential premises and maintenance of the common property of apartment buildings; landlords (or persons authorized by them), providing citizens with residential premises of specialized housing, including residential premises in dormitories, residential premises of a temporary public housing, living quarters in the houses of the social service system of the population, living quarters of the fund for the temporary settlement of internally displaced persons, living quarters of the fund for the temporary residence of persons recognized as refugees, as well as residential premises for social protection of specific categories of citizens, acquiring electricity (power) to provide utilities services to users of such residential premises in the capacity of electricity consumption by the population and maintenance of common areas in houses, which have residential premises of specialized housing stock; legal entities and individuals, acquiring electricity (power) for consumption for household needs in settlements and suburban areas with military units and making payments under the contract of power supply, according to the indications of a standard electricity metering device. The last resort providers, energy service, power supply organizations, purchasing electricity (power) for further sale to the population and categories of consumers, similar to the one, indicated in this clause.			
	Straight-line rate (including differentiated by two and three zones of the day)	rubles/ kMW • hours	1.49912	1.33560
1.4.	Categories of consumers equivalent to the population, with the exception of the pricing basics specified in clause 71 (1):			
1.4.1.	Associations of private gardeners and market-gardeners – are non-profit organizations established by citizens voluntarily to assist its members in solving common social and economic problems of individual gardeners and market-gardeners and country houses. The last resort providers, energy-service, power supply organizations, acquiring electricity (power) for further sale to the class of consumers, equivalent to the population specified in this clause.			
	Straight-line rate (including differentiated by two and three zones of the day)	rubles/ kMW • hours	2.62623	2.50509
1.4.2.	Legal entities, acquiring electricity (power) for consumption by convicted persons in premises for their maintenance, are subject to the availability of separate electricity metering for the specified premises. The last resort providers, energy-service, power supply organizations, acquiring electricity (power) for further sale to the class of consumers, equivalent to the population specified in this clause.			
	Straight-line rate (including differentiated by two and three zones of the day)	rubles/ kMW • hours	2.62623	2.50509
1.4.3.	Religious organizations contained at the expense of the parishioners. The last resort providers, energy-service, power supply organizations, acquiring electricity (power) for further sale to the class of consumers, equivalent to the population specified in this clause.			
	Straight-line rate (including differentiated by two and three zones of the day)	rubles/ kMW • hours	2.62623	2.50509
1.4.4.	Associations of citizens, acquiring electricity (power) for use in their outbuildings (cellars, sheds): non-profit associations of citizens (garage construction, garage cooperatives) and citizens, owning detached garages, acquiring electricity (power) for purposes of consumption for household needs, and not used for commercial activities. The last resort providers, energy-service, power supply organizations, acquiring electricity (power) for further sale to the class of consumers, equivalent to the population specified in this clause.			
	Straight-line rate (including differentiated by two and three zones of the day)	rubles/ kMW • hours	2.62623	2.50509

Structure of revenue for services rendered by Kubanenergo PJSC for electricity transmission in the context of groups of contractors for 2018, %



Dynamics of the Gross Revenue Requirement of a Grid Company (GRR) structure for the transmission of electricity by Kubanenergo PJSC, million rubles



Dynamics of the gross revenue requirement (GRR) of Kubanenergo PJSC, million rubles

2016		2017		2018	
BOILER GRR	COMPANY GRR KUBANENERGO PJSC	BOILER GRR	COMPANY GRR KUBANENERGO PJSC	BOILER GRR	COMPANY GRR KUBANENERGO PJSC
41,658	17,417	44,379	17,425	48,023	20,080

The amount of required gross boiler revenue according to the adopted tariff decision of REC-DPR KR in 2018, the cost of electricity transmission services of Kubanenergo PJSC amounted to 48,023 million rubles, including 20,080 million rubles for the Company's maintenance.

Analysis of changes in the average approved REC-DPR KR rate for electricity transmission services of Kubanenergo PJSC

NAME OF AN INDICATOR	2016	2017	2018
The average tariff, cop./kW • h	235.60	240.26	252.38
Growth, %	17.02	1.98	5.04

Compared to 2017, the average tariff for electricity transmission services in 2018 at Kubanenergo PJSC was increased by 5.04%.

INFORMATION ON TARIFFS FOR ELECTRICITY TRANSMISSION SERVICES FOR 2018 WAS POSTED ON THE COMPANY'S OFFICIAL WEBSITE IN THE SECTION "FOR CONSUMERS/ ELECTRICITY TRANSMISSION/ TARIFFS FOR ELECTRICITY TRANSMISSION SERVICES".