

# ROSSETI KUBAN'S POSITION ON THE MARKET

**Rosseti Kuban's business is electricity delivery and distribution in grid of 110 kV and below between the settlements, in the countryside, individual cities, and district centers of Krasnodar Territory (including Sochi) and the Republic of Adygea.**

Rosseti Kuban serves an area of 83.8 thousand sq.km and over 6 mn people in the Krasnodar Territory and the Republic of Adygea.

The largest taxpayer, the Company is actively involved in the region's social and economic life by providing jobs and employment for suppliers in related industries, as well as by arranging various social programs and charitable activities.

Rosseti Kuban PJSC is a public company whose shares are admitted to trading on the Moscow Stock Exchange.

The Company's core business is a natural monopoly regulated by the state in terms of:

- setting the electricity delivery and grid connection tariffs;
- ensuing non-discriminatory access to such services on equal footing.

## Company Profile in 2020

Total length of transmission lines	<b>92.226 thousand km (circuit-wise)</b>
Maximum design capacity of the grid	<b>8,952.8 MVA</b>
Design capacity utilization rate	<b>4,982 MVA (55.6% of maximum capacity)</b> Underuse of design capacity due to creating backups for power failures or scheduled repair
Total number of metering points connected to the Company's grids under the signed electricity delivery contracts	<b>1,156,490</b>
Power grid branches	<b>11</b>

The Company's share in the regional electricity transmission market was

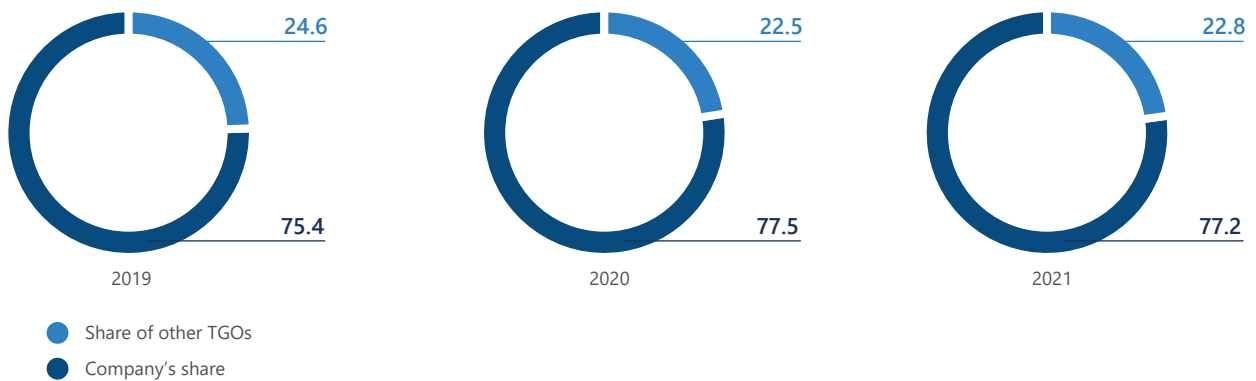
ROSSETI KUBAN IS THE LARGEST POWER GRID COMPANY IN THE KRASNODAR TERRITORY AND THE REPUBLIC OF ADYGEA.

**77.5%**

of the regional revenue requirement (RR)

in 2020.

The Company's share in the regional electricity transmission market (of RR for the region), %



The Company keeps retrofitting and upgrading its grid facilities at a high rate while also dynamically increasing its grid connection figures, which suggests the Company will remain the leading provider in the regional electricity transmission market.

The largest companies engaged in similar activities in the Krasnodar Territory and the Republic of Adygea are: NESK Elektroseti JSC, Oboronenergo JSC, Russian Railways, and NGT-Energy JSC.

## The Company's Operating Flows Scheme



The Company's grids receive electricity:

- from the ENES grids (generated by FGC UES), which accounted for 77% in the reported year;
- directly from the generation facilities (18% in the reporting year);
- from related grids (Stavropolenergo, a branch of IDGC of North Caucasus; Karachaevo-Cherkesskenenergo; Rostovenergo, a branch of IDGC of South), which accounted for 5% in the reported year.

Consumers of the Company's electricity transmission services are:

- guaranteeing suppliers (NESK and TNS energo Kuban in the reporting year), which are actors in the wholesale and retail markets that sell electricity to end users connected to the Company's and other grid operators' grids;
- electricity sales companies (51 in the reporting year), which are actors in the wholesale and retail markets that sell electricity to end users connected to the Company's and other grid operators' grids;
- consumers (94 in the reporting year) that signed direct contracts to purchase electricity from Rosseti Kuban (Novoroscement JSC, Tamanneftegaz CJSC, Eurochem - Belorechenskie Minudobrenia LLC, Ptitsefabrika Primorskaya LLC, Agrofirma-Plemzavod Pobeda JSC, Kubanmeliovodkhoz Administration FSBI, Sad-Gigant JSC, Verkhnebakansky Cement Plant JSC, Abrau-Durso CJSC, Novoroslesexport JSC, RAMO-M JSC, NMTP PJSC, Formika-Yug LLC, Kanevskoy Gas Equipment Plant Ltd, IPP JSC, etc.).

The Company receives pay for its electricity transmission services from electricity providers as well as from "direct" consumers.

To compensate for in-grid electricity losses, the Company purchases accordingly from the last-resort suppliers: TNS energo Kuban and NESK.

Since 2007, a common pot technique for calculating tariffs for power transmission for all consumers has been applied in the region: for all consumers of Kuban and Adygea of the power transmission service, a single pot tariff is applied, regardless of the grid operator and the grid they are connected to.

## THE MAIN TARIFF-CONTRACTUAL MODEL USED FOR CALCULATIONS IS THE "POT AT THE TOP":

the status of a system-forming network organization – "pot holder" is enshrined for Rosseti Kuban. According to this model, Rosseti Kuban collects funds paid by consumers for the electricity transmission services (regardless of the grid operator and the grid they are connected to), after which the Company settles accounts with lower-level grid operators, to the grids of which the electric energy consumers' electric load is connected, for individual tariffs.