



# **The Investment Policy of JSC «Russian Grids»**

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## **I. General provisions**

### **1.1 The purpose of development of the document**

This Investment Policy of JSC «Russian Grids» (hereinafter - the Policy) is an internal document of JSC «Russian Grids» (hereinafter - the Company) and establishes the goals, tasks and principles of realisation of investment activity of the Company and subsidiaries and dependent companies of JSC «Russian Grids» (hereinafter – the SDCs).

### **1.2 The target user of the document**

This Policy is the basic document in the field of investment activity of the Company and its SDCs. Main objectives, tasks and the principles of investment activity are fixed in this Policy, have a priority over norms of other internal documents regulating the investment activity.

In relation to SDCs of the Company this Policy contains provisions of general (methodological) character with the description of process of interaction of the Company with SDCs at realisation of the Strategy of development of the electric grid complex of the Russian Federation confirmed by Order of the Government of the Russian Federation from 03.04.2013 № 511-r, regarding the investment activity.

## **II. The analysis of the current situation, key tendencies and prospects of their change**

To execute Decree of the President of the Russian Federation from November, 22nd, 2012 № 1567 «About Open Joint Stock Company «Russian Grids» (hereinafter - Decree of the President of the Russian Federation № 1567), with a view of the further development of the electric grid complex of the Russian Federation, work coordination on management of this complex, containment of growth of tariffs for end users of electric energy on the basis of JSC «Russian Grids» the organisation was created to manage the electric grid complex of the Russian Federation, in particular, by means of entering the Russian Federation stocks of JSC «FGC UES» being in the federal property into the authorised capital of JSC «Russian Grids».

As a result of realisation of Decree of the President of the Russian Federation № 1567 for today the Group of Companies JSC «Russian Grids» has concentrated the basic assets of the electric grid complex of the Russian Federation (70 percent of distribution and 90 percent of the transmission grids in Russia).

The condition and reliability of assets of the industry is determined by investments of recent years into their replacement and modernisation. At the moment the electric grid complex is characterised by considerable physical and technological obsolescence of electric grids. The share of the distribution electric grids which have expired their standard term of operation, constitutes in 2014 50 percent, 7 percent of electric grids have operated over 2 standard terms. General

depreciation of distribution electric grids has reached 70 percent. Depreciation of the transmission electric grids constitutes about 50 percent.

Thus the gain of preferential categories of consumers on grid connection during the last years constitutes up to 25 % annually. Expenses on renovation and modernisation are displaced with expenses on grid connection that creates threat for reliability of power supply of existing consumers.

Entering new privileges on grid connection for consumers up to 150 kW since 2015 will lead to essential growth of non-compensated losses in the conditions of acting tariff restrictions.

Key tendencies of last years is stagnation of demand for the electric power and strengthening of measures on restriction of growth of tariffs that has led in recent years to deficit of financing of investment programs of electric grid organisations.

The establishment of sanctions concerning the companies of financial sector and separate industries of economy of the Russian Federation imposes restrictions on possibility of attraction of not tariff sources of development financing of the electric grid complex, such as borrowed funds, means of private investors. Thus possibilities of use of public funds (budget investments, grants) also are strongly limited.

Thereupon the basic priorities of investment activity of the Company are:

- effective distribution of accessible resources between directions of investments;
- increase of efficiency of investment activity of the grid organisations;
- enhancement of process of forward planning;
- creation of conditions for provision of return of investments into the electric grid complex.

## 2.1 Statutory acts on investment activity

At the organisation (management) of investment activity the Company and SDCs are guided by the following acts of the Russian Federation.

Document	Reference to approving / administrative document
<b>The federal legislation of the Russian Federation</b>	
The town-planning code of the Russian Federation	Federal law from 29.12.2004 № 190-FZ
The federal law «About electric power industry»	Federal law from 26.03.2003 № 35-FZ
The federal law «About investment activity in the Russian Federation performed in the form of capital investments»	Federal law from 25.02.1999 № 39-FZ
The federal Law «About energy conservation and energy efficiency and modification of separate acts of the Russian Federation»	Federal law from 23.11.2009 № 261-FZ
The federal law «About the business accounting»	Federal law from 06.12.2011 №

Document	Reference to approving / administrative document
	402-FZ
The order of the Government of the Russian Federation «About pricing in the field of regulated prices (tariffs) in the electric power industry»	Order of the Government of the Russian Federation from 29.12.2011 № 1178
The order of the Government of the Russian Federation «About schemes and programs of perspective development of the electric power industry»	Order of the Government of the Russian Federation from 17.10.2009 № 823
The order of the Government of the Russian Federation «About the approval of the Rules of non-discriminatory access to services in electric energy transmission and rendering these services, the Rules of non-discriminatory access to services in operational-dispatching management in the electric power industry and rendering these services, the Rules of non-discriminatory access to services of the operator of the trading system of the wholesale market and rendering these services and the Rules of grid connection of power installations of consumers of electric energy, electric energy generating facilities, and also electric grid facilities belonging to grid organisations and other persons»	Order of the Government of the Russian Federation from 27.12.2004 № 861
The order of the Government of the Russian Federation «About investment programs of subjects of the electric power industry»	Order of the Government of the Russian Federation from 01.12.2009 № 977
The order of the Government of the Russian Federation «About the approval of standards of disclosing of the information of subjects of the wholesale and retail markets of electric energy»	Order of the Government of the Russian Federation from 21.01.2004 № 24
The order of the Government of the Russian Federation «About the approval of the Strategy of development of the electric grid complex of the Russian Federation»	Order of the Government of the Russian Federation from 03.04.2013 № 511-r
The order of the Ministry of Energy of Russia «About the approval of the form of the investment program of subjects of the electric power industry in which the state participates in authorised capital, and grid organisations»	Order of the Ministry of Energy of Russia from 24.03.2010 № 114
Accounting rules	Orders of the Ministry of Finance of Russia
The Forecast of social and economic development of the Russian Federation for 3 year planned period and the Forecast of long-term social and economic development of the Russian Federation, developed by the Ministry of Economic Development of Russia	Approved by the Government of the Russian Federation

The Company (SDCs) forms, realizes and control over execution of investment programs taking into account provisions of the specified acts.

## **2.2 The composition of the subjects participating in decision-making on forming of investment programs of the Company and SDCs of JSC «Russian Grids»**

### **External participants of decision-making:**

In conformity with Order of the Government of the Russian Federation from 01.12.2009 №977 the approval of investment programs of subjects of the electric power industry, including SDCs of JSC «Russian Grids», is performed by the Ministry of Energy of Russia or the authorised enforcement authority of the subject of the Russian Federation.

Since 2013 within the limits of increase of transparency of investment activity the following consulting-advisory bodies have begun work, forming recommendations for the Ministry of Energy of Russia or subjects of the Russian Federation concerning investment activity of subjects of the electric power industry:

1. Councils of consumers of JSC «Russian Grids» and SDCs of JSC «Russian Grids».
2. Council of consumers at the Governmental Commission concerning development of the electric power industry and Advisory Council at the Government of the Russian Federation.

Also investment programs of SDCs of JSC «Russian Grids» are considered at public hearings with attraction of experts and consumers which are conducted by the Ministry of Energy of Russia and authorised executive authorities of subjects of the Russian Federation.

### **Internal participants of decision-making:**

1. Shareholders' general meetings of the Company and SDCs of JSC «Russian Grids» (implement the rights and legitimate interests by means of election of representatives in Boards of directors of the Company and SDCs, participation and voting regarding questions of the agenda of Shareholders' general meetings of the Company and SDCs, elections of representatives in Audit commissions of the Company and SDCs);
2. The Board of Directors of the Company and Boards of directors of SDCs taking into account recommendations of consulting-advisory bodies:
  - 2.1 Committee on investment, the technical policy, reliability, power efficiency and innovations at the Board of Directors of JSC «Russian Grids»;
  - 2.2 Committees on strategy, development, investment and reforming at the Boards of directors of SDCs;
  - 2.3 Committee on investment of JSC «FGC UES».
3. The Management Board of the Company and Management Boards of SDCs (joint executive body) taking into account recommendations:
  - 3.1 Commissions on investment of JSC «Russian Grids»;
  - 3.2 Structural divisions of the Company and SDCs.

The Company's executive bodies, advisory-consultative joint bodies and structural divisions of the Company perform the organisation and coordination of investment activity within the limits of business process of the Company "Corporate governance".

### **2.3 The system of the organisation (management) of SDCs of JSC «Russian Grids», regarding the investment activity**

JSC «Russian Grids» has the following basic documents describing the system of the organisation of management of the investment activity in the Company, and also the basic sample documents for SDCs of JSC «Russian Grids» developed and confirmed in the Company:

1. The Regulations of consideration and presentation for consideration at the Board of Directors of the Company of the summary investment program.
2. The Format of presentation of the Summary investment program and reports on execution to the Company's Board of Directors.
3. The standard provision about investment activity SDCs of JSC «Russian Grids».
4. The standard regulations of formation, adjustment of the investment program and reporting preparation about its execution in SDCs of JSC «Russian Grids».
5. Sample Scenary conditions of forming of investment programs of SDCs of JSC «Russian Grids».
6. The Regulations for evaluation of the activity of affiliated and dependent Companies of JSC «Russian Grids» regarding capital construction at realisation of investment programs.
7. Sample contracts and technical specifications on the organisation of construction, modernisation and reconstruction of electric grid facilities.
8. The Regulations on the organisation of construction, modernisation and reconstruction of electric grid facilities of SDCs.
9. The Standard of performance of a public technological and price audit of investment projects.

### **2.4 Description of the process of forming, coordination and approval of investment programs of SDCs in JSC «Russian Grids» and the summary investment program of JSC «Russian Grids»**

Formation of investment programs is an annual procedure including creation of two basic planned documents on the investment activity:

- the long-term investment program (for 5 years or for a tariff regulation period);
- the short-term investment program (for 1 year), a part of the long-term investment program.

Adjustment of the investment program can be performed for the purpose of its reduction in conformity with the changed external factors, actual execution of

the previous period. Within the limits of the given procedure adjustment of the short-term (for 1 year) investment program is performed and decisions on necessity and validity of changes for the long-term period are made. Influence of changes of external factors, including the social and economic forecast of development of the Russian Federation, on the long-term investment program is considered within the limits of the procedure of forming the long-term investment program.

A draft of the investment program of SDCs is formed by corresponding specialized divisions of SDCs according to the Regulations of forming, adjustment of the investment program and reporting preparation about its execution, confirmed by the Board of Directors of SDCs, in volume of the sources approved by JSC «Russian Grids», and it is submitted for coordination to JSC «Russian Grids».

The draft of the investment program of SDCs is considered at a session of the Commission on investment of JSC «Russian Grids».

Following the results of positive decisions of the Commission on investment of JSC «Russian Grids» on approval of drafts of investment programs of SDCs a draft of the summary investment program of the Company with preliminary consideration by the Management Board of the Company and Committee on investment, the technical policy, reliability, power efficiency and innovation at JSC «Russian Grids» Board of Directors is submitted for consideration by the Board of Directors of the Company.

After consideration of the draft of the summary investment program of JSC «Russian Grids» by the Board of Directors of the Company the draft of the investment program of SDCs is considered by the Board of Directors of SDCs, and, in case of approval, General director of SDCs is instructed to organise the approval of the investment program according to Order and requirements of Order of the Government of the Russian Federation from 01.12.2009 № 977.

Consideration and approval of drafts of investment programs by the Boards of directors of SDCs and the draft of the summary investment program of the Company should be performed prior its sending for the approval to the authorised executive authorities.

After the approval by the Ministry of Energy of Russia or the authorised executive authorities of the subject of the Russian Federation the Summary investment program of the Company, generated following the results of the approval of investment programs of all SDCs according to the requirement of Order of the Government of the Russian Federation from 01.12.2009 № 977, is submitted for consideration by the Board of Directors of the Company.

The Company's Board of Directors considers the Summary investment program of the Company for the next planned period in the 4th quarter of the year previous the planned period.

The adjusted investment program passes the same procedures of the coordination and approval, as the originally generated investment program.

The Summary investment program of the Company, adjustment of the Summary investment program of the Company, quarterly reports on its execution are considered by the Company's Management Board, Committee on investment,



the technical policy, reliability, power efficiency and innovation at the Board of Directors of JSC «Russian Grids» and the Company's Board of Directors.

The investment program of SDCs, adjustment of the investment program of SDCs, quarterly reports on its execution are considered by the Company's Management Board, Committee on strategy, development, investment and reforming at the Board of Directors of SDCs and the Board of Directors of SDCs.

The information on investment programs (about drafts of investment programs) and reports on their realisation according to Order of the Government of the Russian Federation from 21.01.2004 № 24 is published on official sites of SDCs of JSC «Russian Grids» on the Internet, annually till March, 1st in formats of appendices to Order of the Ministry of Energy of Russia from 24.03.2014 №114 in volume, sufficient for the information disclosing, provided by Order of the Government of the Russian Federation from 21.01.2004 №24. After the direction for the approval in the authorised executive authorities the draft of the investment program of SDCs of the Company is repeatedly published on an official site of SDCs of JSC «Russian Grids» on the Internet till April, 1st.

The summary investment program of JSC «Russian Grids» after its approval by the Board of Directors of JSC «Russian Grids» is also published on the official site of JSC «Russian Grids» on the Internet.

### **III. The goals of the investment policy**

The priority goals and directions of the investment policy of the Company are specified by the Strategy of development of the electric grid complex of the Russian Federation confirmed by Order of the Government of the Russian Federation from 03.04.2013 № 511-r, and consist in the following:

1. Creation of the optimum mechanism of corporate governance over investment activity of SDCs of JSC «Russian Grids».

Achievement of the given goal is directed on forming on the basis of JSC «Russian Grids» of the uniform centre of responsibility performing methodological support and coordination of investment activity in SDCs, increase of responsibility of SDCs for execution of investment programs, as regarding observance of terms of realisation of investment projects, and minimisation of their cost.

2. Provision of reliability of power supply to consumers.

Limitation of investment resources shows increased requirements to carried out events for reliability of the applied equipment and materials, and also to transition to a qualitatively new level of forming of programs of modernisation, reconstruction and replacement of fixed assets.

3. Increase of availability of the electric grid infrastructure.

Reduction of terms of grid connection of consumers is reached, including, by timely planning of implementable projects.

It is required to solve the task to reduce terms of allocation of land plots for

construction of electric grid facilities and registration of the initial permissive documentation.

Forming of mechanisms of compensation by the consumers, who have out of time refused realisation of projects on grid connection, of necessary costs of the grid organisations will allow to exclude the overestimated requirements for the capacities demanding realisation of high cost investment projects, and to direct the released investment resources to other investment projects necessary for provision of grid connection.

4. Increase of efficiency of investment activity of the electric grid complex.

Decrease in capital costs at all stages of an investment cycle: planning of investments, trading-purchasing procedures, work with manufacturers of the equipment and capital construction. The set of the tasks solved within the given directions assumes finding of optimum cost of implementable projects taking into account the technical policy, the innovative policy and cost of ownership of the assets throughout their life cycle.

Establishment of criteria of selection of investment projects in the investment program both for newly constructed facilities, and modernisation and reconstruction projects, projects and programs of increase of power efficiency and power savings, programs of reducing of losses of electric energy and other target programs (except for grid connection of preferential categories of consumers), providing an optimum ratio between cost efficiency of investment projects/programs, level of system reliability and reliability of power supply to consumers.

#### **IV. Principles of the investment policy**

The priority goals of the investment policy are reached taking into account observance of the following principles:

1. Principle of efficiency, transparency, balance and validity of realisation of investment projects taking into account minimisation of cost of ownership of assets during their life cycle.

It is necessary to provide finding of optimum proportions between sections of the investment program and efficiency of price policy (purchasing procedures) with a view of non-admission of increase in norms of ageing of fixed assets and decrease in specific cost indexes of construction taking into account minimisation of cost of ownership of the assets during their life cycle, including by application of the innovative equipment, technical and organizational solutions.

2. Principle of provision of requirement.

From JSC «Russian Grids» the perspective development of electric grids of Russia should be performed taking into account the confirmed plans for development of the main industries of the national economy. Transition to a principle of advancing development of the infrastructure will be performed in the long term in case of sufficiency of investment resources.

3. Principle of management in cost of constructed facilities, provided by means

of consecutive realisation of corresponding policies in the field of mutual relations with suppliers of the equipment and contract organisations.

4. Principle of long-term planning. The period of investment planning constitutes not less than 5 years and should include the period of tariff adjustment based on the Regulatory Asset Base (RAB) method.

5. Principle of synchronisation of investment programs of SDCs with the cooperating grid organisations and other participants of the electric power market.

6. Principle of cost efficiency of investment activity.

It means priority inclusion in the investment program of economically effective investment projects (programs) with observance of balance of economic and technological effect, and also minimisation of negative economic effect at observance of standard requirements to system reliability and reliability of power supply to consumers.

## **V. The basic directions of development - the tasks providing realisation of the goals of the investment policy**

**The goal «Creation of the optimum mechanism of corporate governance over investment activity of SDCs of JSC «Russian Grids» is reached by solving the following tasks:**

1. Changing the system of motivation of the Company's and SDCs' management, allowing to stimulate control of observance of terms of commissioning facilities and decrease in budget cost of the facilities.

2. Creation of the mechanism of the corporate governance allowing members of the Board of Directors of the Company and to members of Boards of Directors of SDCs of JSC «Russian Grids» to take direct part in process of forming, adjustment of the summary investment program of the Company and investment programs of SDCs of JSC «Russian Grids» and to estimate the achieved results following the consideration of reports on execution of the summary investment program of the Company and investment programs of SDCs. Realisation of the given mechanism will allow to direct drafts of investment programs of SDCs of the Company for the approval to the authorised executive authorities after consideration and approval by Company's Board of Directors of SDCs.

3. Improvement of quality of planning of investment activity. Accomplishment of the given task will be performed by the approval of transparent administrative planned and reporting formats on the investment activity, synchronised with the business accounting and allowing to carry out the all-round analysis of investment activity both at a planning stage, and at an execution stage. Obligatory consideration of drafts of investment programs of SDCs of JSC «Russian Grids» at the commission on investment of JSC «Russian Grids» will allow to minimise cases of poor-quality investment planning regarding validity of inclusion of investment projects in investment programs and determinations of investment parameters of both separate investment projects, and investment program of SDCs of JSC «Russian Grids» as a whole.

4. Implementation of a production assets control system determining an index of technical condition of a facility with preserving of a system of scheduled preventive maintenance will allow to raise quality of justifications of inclusion of modernisation and reconstruction projects into the investment program.

**The goal «Provision of reliability of power supply to consumers» is reached by solving the following tasks:**

5. Determination of an optimum ratio of the investment program structure. It is reached by the annual approval of the Scenary conditions of forming of investment programs, including criteria and priorities of inclusion of projects into investment programs by the Board of Directors of JSC «Russian Grids» and SDCs of JSC «Russian Grids».

6. Annual reproduction of fixed assets in volume of annual amortisation taking into account the Company's financial and economic condition. For preserving of level of depreciation of the equipment it is necessary to direct depreciation charges in full to modernisation and reconstruction projects.

7. Realisation as a part of investment programs of SDCs of JSC «Russian Grids» of events providing decrease of losses in grids.

8. Provision of supply of equipment, technologies, materials and systems conforming under the characteristics to requirements of the industry reference documents, standards and reference documents of JSC «Russian Grids». Carrying out of the centralised on the site of JSC «Russian Grids» certification of equipment, materials, systems, and also estimations of production condition and the quality monitoring system at manufacturers' plants.

Performance of work on adjustment of uniform corporate technical requirements to equipment, materials and systems applied at facilities of the Company by results of operation of the certified equipment will allow to lower financial losses because of technological failures and inefficient functioning of the equipment.

**The goal «Increase of availability of the electric grid infrastructure» is reached by solving the following tasks:**

9. Reducing of terms of allocation of land plots for construction of electric grid facilities and registration of the initial permissive documentation.

10. Introduction of tools of the balanced responsibility of consumers and the regional authorities for essential changes of parametres of grid connection during its realisation. Strengthening of interaction of the Company and SDCs of the Company with administrations of subjects of the Russian Federation will allow to minimise construction of not loaded facilities and will raise general level of loading of the electric grid equipment in the service area of SDCs of JSC «Russian Grids».

**The goal «Increase of efficiency of investment activity of the electric grid complex» is reached by solving the following tasks:**

**At a planning and designing stage:**

11. Optimisation of cost of construction with observance of the balance between sufficient technical solutions and the technical policy.

- *Introduction of institute of technological and price audit of investment projects.*

Now within the limits of execution of orders of the Government of the Russian Federation the Company and SDCs perform public technological and price audit of investment projects with the cost from 1,5 billion rbl. and above. The given procedure is directed on development of offers on efficiency increase of investment projects, including optimisation of technical solutions and investment costs, optimisation of terms of realisation of investment projects, and also on provision of publicity of accepted decisions by results of the conducted technological and price audit.

Audit carrying out under the priority investment projects as determined by internal documents of the Company will be the next step of introduction of technological and price audit.

- *Approval of the incorporated collection book (including transmission and distribution grids) of the enlarged cost indexes of power lines of 0.4-750 kV and substations of 35-750 kV.*

The collection of the enlarged cost indexes is the main document which is intended for the integrated calculations of cost of construction (reconstruction) of electric grid facilities at a stage of investment planning. The Collection Book introduction will allow to generate uniform approaches at planning of cost of investment projects in the transmission and distribution grids. The given Collection Book, after its approval by JSC «Russian Grids» and entering into the register of the industry budget specifications of the Ministry of Construction and Utilities of Russia, will be used simultaneously with the integrated specifications of the price of sample technological solutions of capital construction of facilities of the electric power industry regarding electric grid facilities (after their approval by the Ministry of Energy of Russia) at inclusion of investment projects into investment programs of SDCs of JSC «Russian Grids».

- *Introduction and application of mechanisms of decrease in value of investment projects.*

- The approval of the Technique of planning of decrease in investment costs for 30 % concerning level of 2012 at forming of investment programs of SDCs of JSC «Russian Grids».

- Decrease in value of investment projects at a stage of planning taking into account application of the optimised Collection Book of the enlarged cost indexes and integrated specifications of the price of sample technological solutions of capital construction.

- Creation of the Commission to control over pricing that will allow to raise efficiency of technical solutions offered to change and to exclude unreasonable rise in price of cost of investment projects.

- Forming of an assignment to design an investment project taking into account observance of parity of cost and applied technical solutions.

- *Introduction of annual monitoring of specific cost of investment projects within the limits of benchmarking and the comparative analysis of specific cost indexes of construction per unit of physical parameters (km, MVA).*

The comparative analysis (benchmarking) is an effective tool of increase of efficiency of capital expenses, allowing to supervise specific cost of construction for the purpose of non-admission of unreasonable growth of cost of construction of electric grid facilities at forming, adjustment and execution of investment programs. Results of benchmarking are a basis for accepting of administrative decisions.

12. Application of innovative equipment, technical and organizational solutions taking into account observance of requirements of the innovative and technical policies of the Company.

13. Forming of the investment program on the basis of a system of criteria and priorities of inclusion of projects into the investment program with provision of priority inclusion of projects with economic and power efficiency, provision of availability of cost efficiency of formed investment programs as a whole for SDCs of the Company. The main priorities are:

- provision of a reliable electricity supply taking into account accomplishment of the events confirmed by the Ministry of Energy of Russia for regions with raised risks of operation through the autumn-winter period and for readiness to operate through the autumn-winter period, accomplishment of instructions of supervising and controlling bodies, realisation of events at facilities in an emergency and pre-emergency condition, at social significant facilities, timely completion of emergency stock;
- accomplishment of instructions, orders and resolutions of the Government of the Russian Federation on realisation of strategically important projects;
- realisation of investment projects providing execution of obligations under contracts of delivery of capacity and schemes of commissioning capacity;
- timely execution of obligations on grid connection of consumers (taking into account execution of necessary requirements by applicants).

At decision-making on expediency of inclusion of an investment project into the investment program it is necessary, including, to consider its influence on the system reliability of the power supply system as a whole.

Selection of investment projects (events) in the investment program should be performed on the basis of the balanced criteria and priorities, including requirements of positive economic benefit for the Company (SDCs of the Company). For projects providing observance of standard requirements to the system reliability and reliability of power supply to consumers for which positive economic benefit cannot be reached, it is necessary to observe the balance of economic and technological effects and to minimise negative economic benefit at the expense of optimisation of physical, technical and cost parameters of the project.

Consideration and discussion of investment programs demands development of quantity indicators of estimation of efficiency of the investment program and

investment projects. The given indicators should allow to estimate expediency of allocation of investments, and the calculation procedure of indicators should be transparent and based on authentic and verified data.

14. Planning and management of indicators of the investment activity set by internal and external documents, which includes:

- Provision of the balanced conformity of volumes of capital investments, financing and commissioning of fixed assets. Besides, with a view of optimum distribution of investment resources and the control over terms of construction of facilities an important parametre of forming of the investment program is an indicator of volume of construction in progress. For management of financing of a project and the course of its realisation it is required to control over the level of accounts receivable and payable to contracting organizations, enlarged activity progress charts.

- The control over the parametres set by the Scenary conditions as a whole under the investment program and under the major projects, specified by internal documents.

One of conditions of qualitative accomplishment of the given task is automation of investment activity down to the level of branches of SDCs.

15. Synchronisation of investment programs of SDCs with cooperating grid organisations and other participants of the electric power market. Namely:

- Synchronisation of investment programs of SDCs of JSC «Russian Grids» IDGC/DGC with the investment program of JSC «FGC UES».

- Synchronisation of investment programs of SDCs of JSC «Russian Grids» with plans of generating companies and other participants of the electric power market regarding terms and volumes of construction and reconstruction of adjacent facilities.

**At the stage of work with suppliers of equipment:**

16. Focus on work with manufacturers at delivery of equipment and conclusion of long-term contracts with fixation of single quotations for all period of action.

17. Accomplishment of events on import substitution for development and wide use of potential of domestic producers, and also cost reduction of the Company and SDCs for the account of reduction of a share of the equipment, materials and services of foreign companies.

18. Standardization of requirements to the equipment:

- Approval at the level of the Company of standard requirements to the equipment and their communication to manufacturers of the equipment taking into account experience of the foreign infrastructural companies and provision of interchangeability of the equipment of various manufacturers.

- Introduction of the given requirements will allow to strengthen competition between manufacturers of the equipment and to receive discounts from them.

**At the capital construction stage:**

19. Conformity of constructed capital construction projects to requirements on reliability, safety, operational characteristics and the confirmed design-budget documentation.

- *Implementation of a control system over quality of capital construction will allow to provide:*

- Conformity of cost of construction and terms of commissioning of a facility with the confirmed design-budget documentation.

- Decrease of resource intensity and materials consumption of capital construction.

- Achievement of required technical characteristics of commissioned facilities of capital construction.

- Revealing, forecasting and decrease in probability of origin of risks in capital construction.

Tasks of the Control system over the quality of capital construction:

- Timely revealing of poor-quality construction.

- Prevention of transfer of results of poor-quality construction to the subsequent stages of realisation of the project or rendering essential influence on the facility with complete construction.

- Revealing of infringements in the capital construction, admitted at the previous stages of realisation of the project, before accepting the work at a current stage.

- Exception of deviations from requirements of the confirmed engineering specifications, norms and rules to the detriment of quality of capital construction.

- Prevention of cases of poor-quality capital construction, non-admission of their repeating and occurrence at the subsequent stages of capital construction.

- *Realisation of the construction control representing a set of control events, directed on check of accomplishment of work at construction of capital construction projects on their conformity to requirements of the design documentation and prepared on its basis working one, to results of engineering researches, requirements of the town-planning plan of the ground area, requirements of technical regulations with a view of safety of buildings and constructions.*

20. Control over the course of realisation of investment projects with application of the unified reporting and means of automation of the control over realisation of investment projects.

21. Standardization of contract obligations on the basis of the international norms, including:

- Gradual transition to sample forms of international construction contracts of the International Federation of Consulting Engineers (FIDIC).



– Standardization of requirements to financial provision of execution of contracts, including possibility of replacement of a bank guarantee to the contractor for a guarantee of the head company with an investment rating.

## **VI. The control over realisation of the policy and its actualisation**

With a view of a concrete definition of separate provisions of the Investment policy the Company can accept other functional policies, which are an integral part of the Investment policy.

The control over execution of the Investment policy will be performed by means of:

- organizational-administrative documents and local statutory acts of the Company, which will be issued during realisation of the Investment policy,
- consideration of reports on execution of investment programs,
- carrying out of an analysis of accounting and statistical reporting data of activity of SDCs of JSC «Russian Grids».

Actualisation of the Investment policy is performed under the decision of the Board of Directors of JSC «Russian Grids» in the following cases:

- adjustment of the Strategy of development of the electric grid complex of the Russian Federation confirmed by Order of the Government of the Russian Federation from 03.04.2013 № 511-r;
- revealing of contradictions of provisions of the Investment policy of JSC «Russian Grids» to the legislation of the Russian Federation;
- at the initiative of a member the Board of Directors of JSC «Russian Grids».

## **VII. Appendix # 1: Terms and determinations**

### **The basic concepts**

Investment activity	using investments and realisation of practical actions with a view of profit taking and (or) achievement of other positive effect.
Investment program	a set of investment projects, their basic characteristics and financing volumes, constituted for one year (short-term) within the limits of the period of tariff regulation and for not fewer than five years (long-term), formed on the basis of standard documents and confirmed according to the legislation of the Russian Federation.
Investment project	a set of agreed actions on realisation of investments having justification of their economic, and-or technical, and-or social expediency, volume and terms of realisation of the long-term investments, including the design-budget documentation developed according to acting standards, a report of an appraiser is used for projects on consolidation of electric grid assets.
Summary investment program of the Company	The Company's program, which investment parametres are generated in cost (financing, commissioning of fixed

	assets) and physical (commissioning of transformer capacity (MVA) and power lines (km)) expression, and also sources of financing by summation of the given investment parameters from investment programs of SDCs (related parties).
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### **The basic abbreviations**

Company	Open Joint Stock Company «Russian Grids»
SDCs of JSC «Russian Grids» (SDCs)	Affiliated and dependent companies of JSC «Russian Grids», including IDGC/DGC and JSC «FGC UES»
Reference Document	Specifications and technical documentation