

BRIEF ON KEY BUSINESS ISSUES

№8/2017 19.05.2017 Kyiv

Coal stocks at power plants

Once fully supplied with anthracite from the NCT area, in April-May 2017 Ukrainian TPPs received 135 k/mts of anthracite from DTEK's Russian coal mine Obukhovskaya; the first freight of 75 k/mts of imported anthracite from South Africa is scheduled to arrive early next week.

The current emergency state in the energy sector declared by the Cabinet of Ministers on 15th February, and extended three times since then, allows to keep strict control over depletion of coal stocks at TPPs.

	18.05. 2016	01.05. 2017	18.05. 2017	2017/2016, % increase	18.05.2017/ 01.05.2017, % increase	min level of stocks*	2017/min stocks, %	coal reserves for 1 month of work**	Work without supply, days
DTEK TPPs	1 232	1 536	1 822	48%	19%	1 491	122%	1 353	42
G+DG grade including:	872	1 321	1 542	77%	17%	1 113	138%	1 242	38
Zaporiz'ka	101	262	296	192%	13%	238	124%	242	38
Ladyzhins'ka	117	269	315	170%	17%	195	161%	212	46
Burshtyns'ka	228	353	446	95%	26%	365	122%	363	38
Dobrotvirs'ka	63	90	101	59%	13%	68	148%	107	29
Kurahivs'ka	362	347	385	6%	11%	246	156%	318	38
A+T grade including:	360	214	280	-22%	31%	377	74%	111	78
Krivoriz'ka	181	33	71	-61%	116%	100	71%	-	-
Prydniprovs'ka	79	31	67	-15%	117%	104	64%	-	-
Luhans'ka	101	151	143	41%	-5%	173	82%	111	40
Other Ukrainian TPPs	799	366	354	-56%	-3%	513	69%	214	51
G+DG grade	290	209	189	-35%	-10%	273	69%	157	37
A+T grade	509	157	165	-68%	5%	240	69%	57	89
All Ukrainian TPPs	2 031	1 902	2 176	7%	14%	2 004	109%	1 567	43
G+DG grade	1 162	1 531	1 731	49%	13%	1 387	125%	1 399	38
A+T grade	869	371	445	-49%	20%	617	72%	168	82

* - level of coal stocks for 01.06.2017 according to the ministerial forecast balance (dated 03.03.17)

** - on the basis of coal reserves for 1 month of work in the mode of the ministerial forecast (dated 03.03.17) balance on May 2017

DTEK resumed power export to Moldova

On 1st April 2017 DTEK started exporting electricity to Moldova. In 12 months we will supply over 3 bln kWh. This will allow to increase the output of nuclear power plants in Ukraine which otherwise can't be used for domestic consumption. The remainder of the volume will be covered by TPPs which are using G-grade coal. At the end of last year we purchased 91% of the export transmission capacity at an open auction.

Power export to Moldova also bears tangible economic benefits for the Ukrainian economy at large. The country will improve its trade balance by increasing export revenues in hard currency (about \$150 mln). Due to the increased utilization of nuclear power plants the overall unit cost of power generation will decrease. Also,

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export volumes will cover approximately UAH 500 mln of cross subsidies for the Ukrainian households which otherwise would be carried in the tariff for the Ukrainian industrial and commercial consumers. Along with the economic element we should not underestimate the geopolitical one. Ukraine managed to win back a critical power export market which for the past two years was exclusively dominated by the Russian company Inter RAO. In its turn Moldova has got rid of its energy dependence on the Russian Federation and the unrecognised Transnistrian Moldovan Republic.

The [report](#) released by the Group of Observers on 2017 procurement of electricity in Moldova is now available on the [website](#) of the Energy Community Secretariat. The Group of Observers (comprising representatives of the Energy Community Secretariat, EU Delegation to Moldova, EU High-Level Advisers' Mission to Moldova, national regulatory authority ANRE and Ministry of Economy in Moldova) took note of positive developments compared to previous years. However, much remains to be improved in future, while the mid-term goal should be deeper electricity market reform in Moldova and further integration with a (liberalized) Ukrainian power market.

DTEK Energy to improve efficiency of its TPPs in line with international standards

DTEK Energy pioneered introduction of energy management at its 8 TPPs. The goal of this initiative is to reduce consumption and losses of energy resources. The new energy management system is expected to be certified according to the international standard ISO 50001. DTEK ESCO, the project consultant, will train more than 100 TPPs' employees. It has already launched 3 energy efficiency projects at TPPs; another 20 projects are in the pipeline for 2017. Implementation of the energy management system will yield first results in savings already this year.

Implementation of DTEK Zakhidenergo privatization commitments challenged

On 18th May 2017 the Special Commission for privatization under Verkhovna Rada met to discuss implementation of DTEK Zakhidenergo privatization commitments. The meeting was initiated by Victoria Voytsitska, *Samopomich* MP. Ms. Voytsitska opened the meeting announcing further review of privatization contracts of all energy companies, privatized during 2011-12. If implemented, these plans would negatively affect the investment climate.

Speaking at the meeting the Acting CEO of DTEK Energy Mr. Sakharuk emphasized that:

- the Company has been fulfilling all of its obligations according to the privatization terms; this has been confirmed by regular inspections of the State Property Fund of Ukraine;
- DTEK has invested more than UAH 2.25 bln in DTEK Zakhidenergo;
- salaries are reviewed on the regular basis; ecological and social projects are implemented.

Representatives of the State Property Fund of Ukraine, Lviv regional administration and mayor of Ladyzhyn confirmed Dmitry's statements. As the quorum was missing, no decision was taken. The Special Commission members resolved to resume work at the end of June.

Back in April 2015, the Kyiv Commercial Court reconfirmed the legality of Zakhidenergo privatization, having rejected the suit by *Business-Invest* company (part of *Privat* group), which contested privatization of 45,103% of Zakhidenergo power generating company in 2011.

Announced blockade of Burshtyns'ka TPP

As reported by the social media, *Samopomich* MP Semenchenko declared intentions to extend second wave of coal supply blockade to DTEK's Burshtyns'ka TPP in the Western Ukraine. The main reason for the announced blockade is that Burshtyns'ka and Dobrotvors'ka TPPs aren't supposedly using Ukrainian coal. In fact, both TPPs run on Ukrainian G-grade coal; 74% of coal sold by the Lviv-Volyn coal basin in 1Q2017 was procured by DTEK.