

# BRIEF ON KEY BUSINESS ISSUES

№25 09.10.2015 Kyiv

## Coal stocks at DTEK and other power plants, k/mts

As of 8<sup>th</sup> October Ukrainian TPPs accumulated 2.1 mln tonnes of coal, compared to average monthly figure of 2.4 mln tonnes in October 2014. In September average daily coal supplies to TPPs reached 70.8 k/mts, while the required level should be 105-120 k/mts per day. 34% of coal stocks are located on two TPPs: Burshtynska (synchronized with the European grid and mostly working off the Ukrainian grid) and Luhanska TPP (cut off the Ukrainian grid in the course of military hostilities in Donbas).

	01.10.2014	08.10.2015	2015/2014	min. essential level of stocks*	2015/min stocks
<b>DTEK TPPs</b>	<b>1 531</b>	<b>1 560</b>	<b>102%</b>	<b>1 650</b>	<b>95%</b>
G+DG grade including:	1 348	773	57%	1 306	59%
Zaporiz`ka	142	142	100%	232	61%
Ladyzhins`ka	242	123	51%	200	61%
Burshtyns`ka	416	250	60%	362	69%
Dobrotvirs`ka	74	42	56%	100	42%
Zuyivs`ka	60	51	85%	180	28%
Kurahivs`ka	414	166	40%	232	72%
A+T grade including:	184	786	428%	344	229%
Krivoriz`ka	81	223	276%	166	134%
Prydniprovs`ka	50	121	243%	80	152%
Luhans`ka	53	442	836%	98	451%
<b>Other Ukrainian TPPs**</b>	<b>233</b>	<b>585</b>	<b>251%</b>	<b>863</b>	<b>68%</b>
G+DG grade	26	341	1331%	270	126%
A+T grade	208	244	118%	593	41%
<b>All Ukrainian TPPs</b>	<b>1 765</b>	<b>2 145</b>	<b>122%</b>	<b>2 513</b>	<b>85%</b>
G+DG grade	1 373	1 114	81%	1 576	71%
A+T grade	391	1 030	263%	937	110%

\* on the basis of coal reserves for 1 month of work in the mode of the ministerial forecast balance for 2015

\*\*including TPPs situated in the non-controlled areas

## Coal delivery out of temporarily occupied territories of Donbas

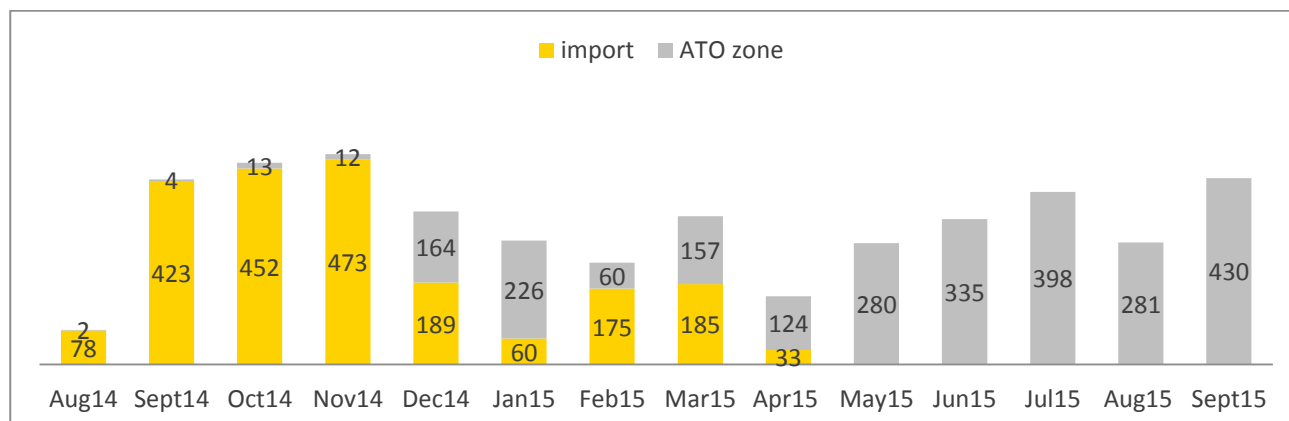
From 1<sup>st</sup> January to 7<sup>th</sup> October 2409 k/mts of coal were supplied to our TPPs; this amount consists of 429 k/mts delivered via Russia (to Luhanska TPP) and 1980 k/mts delivered directly to our TPPs through the temporarily occupied territories of Donbas (Luhanska, Prydniprovsk and Kryvorizka TPPs).

Average daily supplies of coal from the temporarily occupied territories reached 14 k/mts this September. Reopening of the Nikitovka - Mayorska railroad section in mid-August allowed delivery of some 300 k/mts of coal. Following the Minsk agreements, three more railroad sections remain in the priority list for restoration, namely Nikitovka - Konstantynivka, Yasynuvata - Avdiivka, Olenivka - Pivdenodonbaska. The works have not been performed as they are to be approved by the armed forces of both sides.

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## Dynamics of A+T coal supplies to DTEK TPPs, k/mts (100% of A-grade coal mines are located in the ATO zone)



Another obstacle for coal delivery remains shortage of diesel fuel for railroad engines. Ukrainian authorities introduced a ban on fuel supply to the temporarily occupied territories, which also applies to Ukrainian railroad engines used for transportation of coal from the temporarily occupied territories to Ukrainian thermal power plants.

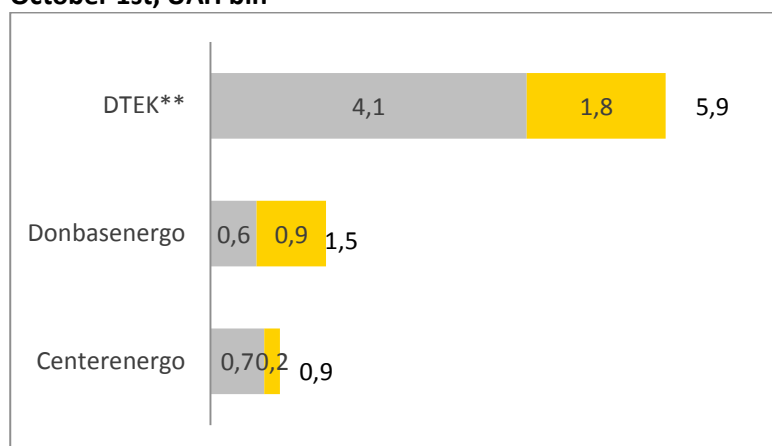
And finally, there is no permission by the Armed Forces of Ukraine and Antiterrorist Centre for 24/7 transportation through the Yasynuvata - Skotovata and Nikitovka- Mayorska sections (Donetsk region). Restoration of the round-the-clock traffic will allow doubling the cargo turnover through the already restored railroad sections.

## Electricity import

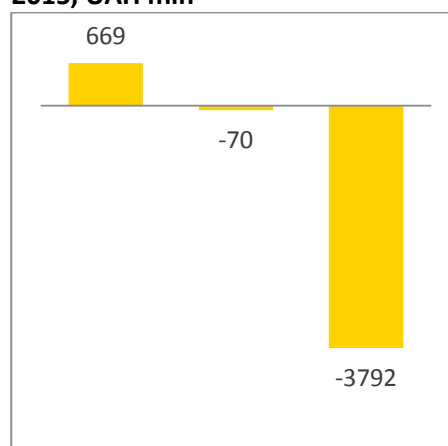
Having no capacity deficit in the system, during September Ukraine imported 128 mln kWh of electricity from Russia. This resulted in UAH 122 mln losses for the Ukrainian TPPs. From 1 to 5 power units were put on hold daily in September because of export (in total 50 unit-days per month). Among the TPPs which suffered the most due to Russian electricity import are Kryvorizka, Ladyzhynska and Kurakhivska TPPs.

## Financial performance of thermal generation for 3Q2015

### Debt of Energorynok to thermal GenCos\* as of October 1st, UAH bln



### Financial results for 8 months of 2015, UAH mln



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As of 1 October 2015, the debt of state enterprise Energorynok to Ukrainian thermal generation is UAH 8.3 bln. The debt to DTEK's TPPs reached UAH 5.9 bln, which constitutes a significant increase of UAH 1.8 bln since the beginning of 2015. The level of payment by Energorynok for the marketable goods of DTEK's TPPs for 9 months of 2015 reaches only 84,9%.

The margin of thermal generation for 8 months is (-)11,2%; losses of thermal generation for the same period are 3,2 bln. UAH.

## Visit of the US delegation to DTEK TPP

US Embassy and Department of Energy national laboratories paid a visit to Zaporizka TPP on October 6<sup>th</sup>. The delegation got acquainted with the power plant and reviewed its readiness for the winter heating season. The TPP works on the G-grade coal; at the time of the visit, its stocks had 137 k/mts of coal.

## Comments on the Antimonopoly Committee Order

On 18 September, the Antimonopoly Committee (AMC) issued an Order to initiate a case on a possible violation of the Law of Ukraine "On Protection of Economic Competition" by the electricity generating companies of the DTEK Group.

As indicated in the AMC's Order, for 4 months of 2015, the share of DTEK's TPPs in the total electricity output to the wholesale electricity market amounted to 23.1%, which is far below the threshold of 35% stipulated by law. Yet, in the AMC's opinion, any generating company has "some market power to **a certain extent** and can **significantly** influence the terms of the electricity market operation", which further leads to the conclusion about the "**signs** of the monopolistic position in the electricity market."

To support its argument about DTEK's monopolistic position, the Committee refers to the impossibility for consumers to substitute DTEK's capacities with electricity import. We are not aware of any cases when the monopolistic position was determined based on the above argument and the Ukrainian legislation has no such provisions.

According to the Order, the AMC believes the increased costs of the generating companies in 2015 to be a sign of abuse of the market position. Furthermore, the AMC regards this as DTEK's attempt to raise the wholesale electricity market price. Here it should be noted that electricity tariffs for consumers are set by the National Energy and Utilities Regulatory Commission, and in 2015, the tariffs set for the generating companies did not even cover the cost of electricity generation by DTEK's TPPs.

DTEK has always been advocating the principles of free economic competition and is ready to defend its position, including with the help of independent international experts.