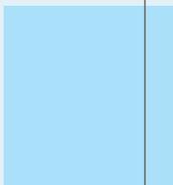
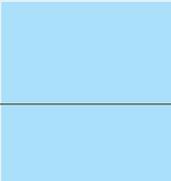


INSTITUTE OF PRICING AND REGULATION OF NATURAL MONOPOLIES

Founded in 1995



Rail Transport

Gas

Electricity

Heat

Water Supply and Sewage



Ilya Dolmatov

Director

In 2015, we celebrated the 20th anniversary of our Institute. During this period, we have managed to maintain a leading position in applied research, consulting and expert advisory services for infrastructure industries. Having started as a specialized centre for tariff calculations, we currently offer a wide range of services: from expert examinations of tariff decisions, investment and energy efficiency programmes to research and consultancy projects both at the company and industry-wide levels. We actively participate in law-making projects, conduct educational activities, and help promote advanced know-how and practices.

Our goal is to provide assistance in the creation of an effective regulatory system for the infrastructure sector, thus making regulated companies' services accessible for consumers as long as resources and stimulus for their operation and development are available.

About the Institute

20 Years of Activity

The Institute of Pricing and Regulation of Natural Monopolies is a subdivision of National Research Institute Higher School of Economics (HSE). It is a leading think tank of the Government of the Russian Federation and the Russian President involved in drafting new regulatory laws, as well as developing national programmes and strategies at both the federal and regional levels. The Institute was founded within HSE in 1995 on the basis of the Research Institute of Pricing under the Ministry of Economic Development of the Russian Federation.

Diversified Specialization

The Institute covers issues related to the functioning and development of all key infrastructure sectors in Russia.

Regional Focus

The Institute actively engages in practical work at the regional level. Over the past 10 years, we have conducted over 250 expert projects and 70 consulting projects in more than 50 regions in Russia.

Highly Qualified Staff

Specialists working at the Institute are highly qualified and have many years of experience.

Work Quality

Projects conducted by the Institute meet standard international requirements for academic research, as well as global professional standards for applied projects. The work executed is reviewed according to HSE's standards.

Wide Range of Clients and Partners

The Institute's partners and clients include the Russian Ministries of Energy and Economic Development, the Russian Federal Antimonopoly Service, regional regulatory authorities, local self-governing organizations, regulated companies and consumers.

Institute Profile

- **Expert review**

Every year, the experts of the Institute carry out dozens of professional reviews on tariff regulation for infrastructure companies.

- **Applied and Basic Research**

One of the Institute's key areas of focus is applied and basic research on the different aspects of regulation in the infrastructure sector.

- **Analysis and Advisory Services**

Analysis and advisory services are rendered on issues related to day-to-day management, as well as strategic development in the infrastructure sector.

- **Training and Education**

The Institute offers professional education programmes on tariff regulation. A key feature of these programmes is their practical focus.

- **Proactive Projects**

The Institute consistently presents the results of its scientific research for discussions at academic seminars and roundtables

Key Products

- → **Tariff applications** and price (tariff) reviews;
- → **Investment programme evaluations** and monitoring of their implementation;
- → Developing energy efficiency and **conservation programmes**;
- → Methodological and regulatory **projects**;
- → Infrastructure **development concepts**;
- → Corporate **strategies**;
- → **Analytics** and reports;
- → Price **forecasts** for infrastructure development;
- → **Economic modelling**;
- → **Education programmes**, roundtable discussions, seminars and conferences.

Expert Reviews

Focus

- **For Regulators:**

Expert reviews of the required gross proceeds (allowed revenue) and tariffs of regulated companies;

Investment programme evaluations (costs, efficiency, tariff impact, etc.);

Monitoring of the implementation of investment programmes (reports and on-site audits).

- **For Regulated Companies:**

Preparation of tariff applications;

Expert reviews of tariff justification and required gross proceeds (allowed revenue);

Development of investment programmes, energy efficiency and energy conservation programmes.

- **Arbitrage Services:**

Expert reviews on dispute and pre-trial differences and terms of concessionary agreements;

Legal reviews on:

- tariff regulations;
- assessments of losses and debt.

Results (2005-2015)

Over the past 10 years, the Institute has conducted **250** expert reviews, including **100** reviews requested by courts.

As a result, the regulated companies were able to recover losses of approximately 1 billion RUB. The government was able to save more than 2 billion RUB for the budget.

Number of expert reviews by evaluation category

Economic feasibility studies of required gross proceeds (allowed revenue) and reviews of tariff calculation	77
Investment programme evaluations and monitoring of their implementation	56
Expert reviews of tariff regulation disputes	9
Expert reviews of the economic feasibility of actual costs and calculation of loss estimates for regulated companies	95

Number of expert reviews per sector

Economic sector	Total	Court-requested reviews
Electricity	78	8
Heat supply	99	77
Water supply and sewage	15	2
Gas	50	0
Rail transport	25	17

Applied and Basic Research

Focus

- Correlation between tariffs for infrastructure companies' services and major macroeconomic indicators;
- Influence of pricing policy in infrastructure sectors on the competitiveness of Russian industries;
- Improving the system of tariff regulation: focus areas, measures, impact, etc.;
- Strategic development of economic sectors/regions/companies;
- Power market modelling in Russia in the context of uncertainty;
- Impact of government decisions on regulated prices and budgetary proceeds;
- Factor analysis of the financial, economic and operational indicators of infrastructure sectors;
- Efficiency analysis (benchmarking) of regulated companies in the electricity, heat and water supply sectors.

Results (2005-2015)

Macroeconomics

Developing medium-term price forecasting models for electricity, heat supply and rail transport sectors;
Evaluation and forecasting models for Russia's FPC energy consumption.

Electricity

Efficiency analysis (benchmarking) for electricity networks;
Economic tools for evaluation of the impact of the implementation of long-term capacity mechanisms.

Heat supply

Comparative performance analysis methodology on tariffs for thermal energy supplied from different heat sources (based on selected regions).

Water supply and sewage

Benchmarking of water supply companies.

Gas

Concepts for development of the internal gas market;
Evaluation of gas prices based on technological and environmental factors.

Rail transport

Proposals for improvements of the regulatory model of the Russian suburban transportation system.

Analysis and Advisory Services

Focus

- Development of methodological documents on tariff regulation;
- Designing economic models for the operation and development of infrastructure institutions;
- Developing corporate strategies;
- Providing consulting services for business processes for regulated institutions.

“... The results of the research have helped us to draw up scenarios of the company’s development for the period up until 2020 ...”

(OAO Express Primoriya on a development project for suburban transport services for the period up until 2020);

“... The price forecasting model has been improved, an analytical unit has been added ... new modeling tools have been developed that allow for long-term forecasts of thermal energy tariffs ...”

(Russian Ministry of Economic Development on a project to develop a model for midterm pricing and tariff forecasting);

“... The essential foundations for the company’s long-term strategy were laid through proposals and recommendations on a methodology for business review, and approaches suggested for development scenarios, as well as assessments of long-term performance and areas of growth ...”

(OOO AtomTeploElectroSet on a strategic development project for the period up until 2035).

Results (2005-2015)

Electricity	<p>Participation in the development of a RAB-based methodology for calculating tariffs, methods for separate accounts on electricity/energy payments, and criteria for grid operators;</p> <p>Import substitution programme for ROSSETI;</p> <p>Recommendations on cost minimization of electricity purchased for Gazprom;</p> <p>Developing sections of the Energy Strategy for the City of Moscow for the period up until 2030;</p> <p>Advanced business model for Gazprom Energy.</p>
Heat supply	<p>Strategy for Gazprom for the 2016- 2018 period with a view to 2020.</p>
Water supply and drainage	<p>Feasibility estimates of business indicators for OOO NOVOGOR-Prikamiye.</p>
Gas	<p>Improving statutory regulations on relations in the gas sector;</p> <p>Model development based on performance evaluations of low-tonnage production and LNG sales at gas distribution stations.</p>
Rail transport	<p>Development of a strategy for OAO Express Primoriya for the period up until 2020;</p> <p>Development of a strategy for OAO PPK for the period up until 2030.</p>

Training and Education

Focus

Regular Programmes:

- Pricing in the electricity sector;
- Pricing in the heat supply sector;
- Pricing in water supply and sewage;
- Pricing in the gas sector;
- Pricing for suburban transportation services;
- Economic feasibility analysis.
- Regular Programmes:
- Pricing in the electricity sector;
- Pricing in the heat supply sector;
- Pricing in water supply and sewage;
- Pricing in the gas sector;
- Pricing for suburban transportation services;
- Economic feasibility analysis.

Corporate Programmes

Educational programmes for regulated companies and the regulatory authorities.

Meetings, Conferences and Roundtable Discussions

Organising industry events on current issues regarding the regulation of infrastructure sectors.

“... The Institute’s roundtable discussions with participants in educational projects aim at solving real problems of tariff regulation ... and deserve high marks ...”

(Acknowledgments of the Arkhangelsk Regional Government for participation and assistance during the Third All-Russian Seminar held in Arkhangelsk)

Results (2005-2015)

- Conference - “Regulation of Natural Monopolies: Yesterday, Today, Tomorrow”;
- More than 700 participants from all regions of Russia successfully completed their training (more than a half of them are civil servants);
- All-Russian conferences in Arkhangelsk, Sochi and Karelia;
- Corporate seminars for major infrastructure companies (Transenergo, Russian Railways, SGC, Gazprom Energy, REC Moscow, etc.);
- More than 30 professional development programmes;
- Roundtables on current issues of infrastructure regulation.

Teachers

Guest speakers at the Institute’s educational programmes include representatives from FAS Russia, the Russian Ministry of Economic Development, Ministry of Energy, Ministry of Construction, Housing and Utilities, HSE, the NP Market Council, the GP and ESK Association, the Russian Association for Water Supply and Water Disposal, and NP ZHKH Razvitie, as well as representatives of the expert community and practicing trainers from regulated companies.

“... Both the qualifications and vast real-life experience of the speakers on tariff regulation have set the grounds for high quality professional training ...”

OOO SGC on the Institute’s corporate seminar)

Higher Education Activities

The Institute is an associated unit of HSE's Faculty of Economics. In addition, the Institute's specialists deliver courses on functioning and development of energy and commodity markets at the Faculty of World Economy and International Affairs and at other leading Russian universities.

Key aspects of work with students:

- Internship programmes (5-7 students every year);
- Supervision of term papers and theses;
- Engaging students in applied research projects.

Partner institutions:



Pilot Projects



“Russia’s Power Sector: Key Figures and Development Trends” Report

A research and information paper providing operational, financial and economic indicators on the power sector. The report may be used by the federal and regional authorities, consumers, energy companies, investors and other interested parties to determine development strategies for the sector, as well as individual regions and companies.



Retail Electricity Price Forecast for Subjects of the Russian Federation for the period until 2020

This forecast is based on an original model utilized by the Institute. It taps statistical reporting, as well as the executive authorities’ decisions with respect to state tariff regulations. The forecast provides insight into electricity price rates for both market agents and the executive authorities.



Glossary of terms used in the regulation of public and infrastructure services

Russian translation of the glossary “Body of Knowledge on Infrastructure Regulations”, published by the Public Utility Research Center at the University of Florida. This glossary is recognized globally and considered a standard interpretation of the terms used in public and infrastructure services.



“Pricing Models for the Subjects of Natural Monopolies’ Services in Foreign Countries” Review

This review goes into great detail, describing the approaches to pricing and tariff regulation used in infrastructure sectors citing the example of the UK.



“About Tariffs” web portal

A professional forum dedicated to improving the legal basis for tariff regulation, as well as providing an analysis on legal practices used in disputes resolution. (protariff.ru)

Management



Ilya Dolmatov

Director, Candidate of Sciences in Economics

- Member of the Expert Board on Antimonopoly, Tariff and Pricing Policy under the State Duma;
- Leads the Working Group on Tariff and Pricing of the Association of Trans-Regional Social and Economic Cooperation of the Central Federal District;
- Member of the editorial board at Electric Power Plants magazine;
- Author of many publications on pricing policy, new methods for tariff regulation and infrastructure companies' investment activities;
- Years of employment: 13.



Evgeniy Yarkin

Academic Supervisor, Professor

- Honored Economist of the Russian Federation;
- Honorary Regulator of Natural Monopolies;
- Honorary Worker of the Price and Tariff Regulation Authorities;
- Author of many books on cost and pricing, as well as publications on regulation within the infrastructure sector;
- Years of employment: 41.



Irina Volkova

Deputy Director, Doctor of Sciences in Economics

- Russia's leading expert on smart energy development; author of various highly quoted publications and monographs; coauthor of A Concept for Development of a Smart Energy System in Russia for the Russian Ministry of Energy;
- Expert of the EnergyNet Working Group under the National Technology Initiative;
- Leads strategic and management consulting projects for leading energy companies;
- Member of the Institute of Electrical and Electronics Engineers, as well as the Science and Engineering Board at Rosseti company;
- Years of employment: 28.



Irina Zolotova

Deputy Director

- Author and developer of price forecasting models in power industry, as well as models for assessing the effectiveness of investment projects in the infrastructure sector;
- Author of a series of articles and publications on current issues related to pricing and forecasting in the power sector;
- Member of the Working Group on Strategy and Release of Analytical Reports on Energy Efficiency, Energy Conservation of Coordination Council under the Central Federal District Association;
- Years of employment: 16.



Evgeniy Yarkin

Institute founder

The 1990s were difficult times for Russian economics. The rules were changing, values and priorities were being reconsidered. In 1995, while establishing the Institute, we set the objective of preserving the work and expertise of the leading economists of the research institutions of the Soviet State Committee on Pricing for the benefit of national scientific and industrial community.

Today, I am proud to say that we have managed to multiply this inheritance.

An effective regulation system must correspond with current economic realities, as well as strike a balance between consumers and producers. Over the past 20 years, during the establishment of a market-driven economy in Russia, we actively participated in building a new system of infrastructure management, while also helping to reform the infrastructure sectors.

Our work today and tomorrow aims at improving state regulation.

Contacts

Institute of Pricing and Regulation of Natural Monopolies
National Research University Higher School of Economics

Address

20 Myasnitskaya Street, Moscow, Russia, 101000
Tel.: (495) 772 95 90 *44177, *44109

E-mail

ipcrem@hse.ru

Web

protariff.ru
ipcrem.hse.ru
facebook.com/IPCREM



www.hse.ru