
INFORMATION BULLETIN
"RAO UES of Russia
Restructuring Process"

**Results of 2004 and the
1st Six Months of 2005**



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INTRODUCTION

The reform directions were determined and legislated in 2001-2003. In July 2001, the main directions of the power industry reform were approved by the Russian Government's Decree On Restructuring the Electric Power Industry of the Russian Federation. The spring of 2003 saw the coming into effect of the legal acts that became the legal framework for the restructuring process, including the Law On the Electric Power Industry and the Law On Specific Features of Functioning of Electric Power Industry During the Transitional Period and on Introduction of Amendments into Certain Legislative Acts of the Russian Federation and on Recognizing Certain Legislative Acts of the Russian Federation to Have Lost Their Force in Connection with the Adoption of the Federal Law "On the Electric Power Industry." In pursuance of these laws, several normative acts were adopted. Today, the process of forming the regulatory framework for the electric power industry is continuing as per the Government's Plan of Measures toward Restructuring the Electric Power Industry for 2005-2006.

The main objectives of the power industry reform are to attract additional investments in this sector and enhance its efficiency in order to ensure a stable energy base for the economic growth and development of this country and its social sphere.

First of all, the reform envisages the restructuring of electric power industry: instead of the former vertically-integrated companies that combined all functions pertaining to the industry, the reform process involves the establishment of entities specializing in specific types of activity related to either natural monopoly activities (electric power transmission and operational dispatcher control) or those in which the creation of competitive relations is justifiable (electric power production and sales, repairs and services). In this connection, most of the generation, sales, and repair companies will become privately-owned entities in the future and compete with one another. In the natural monopoly sphere, on the other hand, we can see the strengthening of the state control: the law envisages the increase in the share of federal control over the organization that controls trunk grids (Federal Grid Company) and over System Operator that deals with the operational dispatcher control within the Unified Energy System of Russia (UES of Russia). On completion of the reform, the Federal authorities will gain a full control of key infrastructural organizations. This will make it possible to create conditions for the development of a competitive market of the electric power industry - i.e., a market with its prices to be controlled by the State, and its participants to have an equal access to the infrastructure and compete with each other.

One of the key reform directions is the formation of a competitive market of electric power. The unregulated sector of the wholesale market - a free trade sector (FTS) - was launched on November 1, 2003. For the time being, its volume and geographic coverage considerable gives ground the indicators of the State-regulated market sector. However, the reform presupposes a further expansion of competition. On May 1 2005, the transitional model of the wholesale power (capacity) market was launched within the Unified Power System (UPS) of Siberia, with due account for the specifics of the Siberian power system.

After January 1, 2006, it is planned to change the existing transitional model of the wholesale power market (in the European zone and Siberia). The regulated sector will be based on bilateral contracts whose key terms will be determined by the State, which is why these contacts are called regulated bilateral contracts (RBC).



With regard to consumers, the bilateral contracts regulated by the State will make it possible for consumers to mitigate the transition to a competitive environment, guaranteeing them certain supply volumes at stable prices. The sales volume under regulated bilateral contracts will gradually be reduced, with the specific volume of the competitive market to increase on that account.

The reform also envisages the liberalization of the retail power trade; this process, however, is still smoother and more gradual in character than the transformation of the wholesale market. The priority here is to ensure stable conditions for electric power supply and prevent rapid price changes. To guarantee this, the retail markets are still more State-regulated than the wholesale market. The implementation of a transitional model of the retail market, where a part of supplies will be provided at competitive prices, is scheduled for 2006. However, the State will still retain its control over prices for individual consumers even when the transitional retail market model is in operation.

The first companies already established during the reform process are the organization that controls the unified national (All-Russian) electric power grid (FGC) and System Operator (UES SO-CDA). Both of them were established in the summer of 2002 as wholly-owned subsidiaries of RAO UES of Russia. The formation of these companies' assets still continues, but even now one can say that System Operator controls the entire "vertical" of the power system administration, including the Regional Dispatch Administration (RDA) which prior to the reform was owned by regional electric power companies. This "vertical" has basically been established: by late 2004, the subsidiaries of System Operator assumed the functions of regional dispatch administrations of all AO-Energo companies (other than those that are part of the isolated (from the UES of Russia) power systems, where individual companies still retain all functions appertaining to the electric power industry). The RDA property is still to be handed over to System Operator: according to the Government's Reform Plan, this process is to be completed by late 2006. Under the new structure, naturally, the execution of instructions of System Operator is obligatory for all dispatcher systems in this country.

Under the target industry model, over 75% of System Operator, as well as Federal Grid Company, will be State-owned, as for the industry these are backbone companies that ensure unity and reliability for the power system and perform natural monopoly functions.

In this Information Bulletin on RAO UES of Russia's Restructuring Process, we present the results and key events of the Company's restructuring in 2004 and the 1 six months of 2005. We hope that here you can find full and reliable information on the restructuring process and plans.

At the end of this Information Bulletin, you can find a list of RAO UESR's definitions and terms related to restructuring of the power industry, as well as a subject index.





RESULTS OF 2004



RESULTS OF 2004

The main reform result, in terms of Corporate restructuring, is the establishment of Federal Grid Company of the Unified Energy System (FGC UES) and UES System Operator - Central Dispatch Administration (UES SO-CSA). These infrastructural organizations, as per Decree 526 Decree 526 On Restructuring the Electric Power Industry of the Russian Federation adopted by the Russian Federation Government on July 11, 2001, wholly-owned subsidiaries of RAO UES of Russia.

In 2004, the organizational establishment of a unified operation dispatch control vertical was practically completed: UES SO-CSA assumed the functions of regional dispatch administrations - former subsidiaries of RAO UES of Russia. The process of consolidating the Unified National (All-Russia) Power Grid was launched, resulting in the establishment of seven Interregional Trunk Grid Companies were established. In the process of integration of distribution grids, IDGC North-West and IDGC Centre and Northern Caucasia (Interregional Distribution Grid Companies) were established.

The number and composition of major participants of the generation market - Wholesale Generation Companies (WGCs) - was determined on the basis of Resolution of the RF Government No.1254-r of 1 September 2003 and Resolution of the RF Government No.1367-r of 25 October 2004. Establishment of seven WGCs was started, with six of them to include heat power plants and one to consolidate hydro power generation assets. In 2004, three of the planned seven WGCs were incorporated.

Power plants not included in WGCs are to be consolidated in smaller in size Territorial Generation Companies (TGCs). As of now, all necessary decisions have been made to establish all the WGCs and one half of the fourteen planned TGCs. In 2004, two TGCs followed the state registration procedure.



POWER MARKET DEVELOPMENT

On November 1, 2004, it was a year since the launch of the free trade sector (FTS) of the wholesale power market under the Federal wholesale market of electric power (capacity) in the European part of Russia and the Ural Region. This market's operations were stipulated by RF Government Resolution of October 24, 2003, "Electric Power Wholesale Market - Transition Period Regulations." As per this Resolution, sellers may sell at free prices 15% of their power production and buyers may purchase up to 30% of their consumption volumes.

Despite positive tendencies, the established transitional market model showed several objective limitations. Its internal resources for development are exhausted (with the permitted turnover of 15% of power production, the actual volume of sales in the free trade sector froze at 9-10%), while the market price signals are distorted under the pressure of tariffs of the regulated sector. Moreover, the transitional model worked only in the European part of Russia and in the Ural region.

Given that, the reform promotion depends primarily on expanding the wholesale market and changing the rules of interaction between its participants.

KEY EVENTS

Functioning of the wholesale electric power (capacity) market

The wholesale electric power (capacity) market was actively developing during the entire year of 2004. An institutional and technological infrastructure was being created. A system for hourly planning of power generation and consumption 24 hours before real time was developed; principles for determining volumes and costs of deviations for the market participants were put in operation; competitive pricing mechanisms in the free trade sector (FTS), participation in which is voluntary, were introduced.

As it had been expected, in 2004 the overwhelming majority of market participants competitive in the free trade sector adapted themselves quite easily to the market environment, developing optimal price bid strategies and obtaining maximum benefits from buying and selling electric power at non-regulated prices, which was evidenced by the dynamics of prices in the free trade sector throughout 2004. The FTS has been operating for over a year now, and the experience gained during that period showed that competition between electric power producers is possible and attractive for consumers, and that it can enhance efficiency of enterprises operating in the power industry.

In 2004, the transitional model operated only in the European part of Russia and the Ural Region. The expansion of the territorial coverage of the transitional wholesale market, to include the unified power system of Siberia, is scheduled for the second quarter of 2005. In doing so, functional specifics of the Siberian UPS will be taken into account.

As of December 31. One hundred and twenty-eight participants entered into contracts on joining the trading system, with 54 of them being organizations that are independent on RAO UES of Russia. Since the launch of the system, 94 entities participate in trading.



Regulations on development of the transitional wholesale electric power (capacity) market adopted in 2004

The RF Government's Regulation of 27.12.2004 No. 861 "On Approval of the Rules for Non-discriminatory Access to Eclectic Power Transmission Services and for Provision of These Services, the Rules for Non-discriminatory Access to Operation Dispatch Control Services, the Rules for Non-discriminatory Access to Services of Sales System Administrator of the Wholesale Market and for Provision of These Services, and the Rules for Technological Connection of Corporate Entities' and Individuals' Power-receiving Devices (electric power installations) to Power Grids" laid a legislative foundation for governing the relations between consumers (entities of the wholesale and retail power markets), grid organizations, System Operator, and the Sales System Administrator of the market. This instrument is purported to contribute to development of competition in the electric power production and sales market, as well as protection of consumers. This document also determined a legal framework for the Federal Tariff Service of the Russian Federation to develop methodological instructions for the enhancement of interaction between power market participants.

The adoption of the Supplement to the RF Federal Tariff Service's Decree of 24.08.2004 No. 44-e/Z "Methods for Calculating the Costs of Deviations of Actual Power Production (Consumption) Volumes of Wholesale Market Participants from Their Planned Hourly Production (Consumption) Volumes" made it possible to mitigate the "penalties" stipulated for participants of the deviation sector of the wholesale market for deviations of actual values of hourly power (capacity) production/consumption from their planned values, determined 24 hours before real time. The main changes that positively affected the financial situation of participants - both purchasers and suppliers - of the deviation sector of the wholesale market were as follows:

- cancellation of hour-differentiated approach to the cost of deviations;
- reduction of penalization coefficient applied for calculation of the cost of deviations for suppliers and purchasers - participants of the deviation sector of the wholesale market;
- introduction of new standard levels for deviation values;
- introduction of standard levels for deviations on the external initiative (beyond the control of wholesale market participants) for participants of the deviation sector of the wholesale market, including purchasers.

"The Basis of price formation with regard to electrical and thermal power in the Russian Federation" approved by the Russian Federation Government's Regulation of 26.02.2004 No. 109 "On price formation with regard to electrical and thermal power in the Russian Federation" determined the main principles and methods for regulation of tariffs (prices) for electrical and thermal power, as well as relevant services, including the method of economically justifiable expenses. It also became possible to set tariffs during the fiscal year for newly-established organizations, planning to be involved in regulated types of activity, and to adjust previously made tariff-related decisions in accordance with the current legislation.

Measures taken for participants' adaptation to conditions of new wholesale market

During 2004, RAO UES of Russia assisted its subsidiaries and affiliates in adapting themselves to new functioning conditions of the wholesale electric power (capacity) market. It also provided them with consultations on participation in the new wholesale market, including:

- rules for competitive selection of bids to be submitted for participation in the free trade sector of the wholesale market;
- rules for calculation of initiatives and the deviation costs;
- issues related to payments for capacity.

A meeting of the Working Team on the Functioning of the Transitional Wholesale Electric Power (Capacity) Market was convened under the All-Russia Convention of Prizewinners Industry Specialists held on October 22-23, 2004.



RAO UESR RESTRUCTURING

The restructuring of regional electric power systems (other than isolated AO-Energo companies) in Russia's power industry will result in the establishment of a great number of new companies - generation companies, grid companies, sales companies, as well as repair and service enterprises. Within their specific business profiles, new companies will be significantly different in terms of both production-and-technical characteristics and financial-and-economic indicators.

Comparatively small new companies established after the profile-based unbundling of AO-Energos tend to be considerably less attractive in terms of investment and run into additional risks related to the deterioration of safety and continuity of power supply to consumers. Moreover, the liberalization of the market might lead to the take-over of comparatively small companies, mostly in the sphere of power generation, by larger companies and, therefore, to monopolization of the industry.

In order to prevent negative consequences of the process of the profile-based unbundling of AO-Energos, Stage Two of the power industry restructuring presupposes consolidation of newly-established companies by means of a horizontal interregional integration. The Interregional integration, i.e. amalgamation of companies, is intended to ensure greater financial stability for new integrated companies as well as safety and reliability of power supply to consumers.

New companies are to be integrated to sizes that would ensure equal initial conditions for their operations, with the obligatory condition being that none of the new companies would be able to significantly influence power prices. This process is supposed to ensure a competitive environment in the power market.



RESTRUCTURING OF AO-ENERGO COMPANIES IN TERMS OF UNBUNDLING BY ACTIVITY TYPE

The requirement of ringfencing of basic activities of existing AO-Energo companies was stipulated in Decree 526 On Restructuring the Electric Power Industry of the Russian Federation adopted by the Russian Federation Government on July 11, 2001. In compliance with this Decree, the RAO UESR Board of Directors developed and authorized the "basic" model for restructuring AO-Energo companies which envisages establishment, on the basis of AO-Energo, one or several generation companies, a distribution grid company, and a sales company, with pro rata distribution of shares of newly-established companies between shareholders of AO-Energos. Projects for the restructuring of the majority of AO-Energos are based on the "basic" model for restructuring in terms of unbundling by activity type. Some projects for the unbundling of AO-Energos by activity type may follow the "non-basic" model, provided that the RAO UESR Board of Directors decides to restructure specific AO-Energos as per individual projects.

Stage Two includes interregional consolidation of mono-profile companies. As of December 31, 2004, projects for the restructuring of 52 AO-Energos were approved; with 48 projects to be implemented as per the "basic" model and 4, "non-basic" model.

Seventy-two AO-Energos of the Holding Company are restructured according to restructuring projects approved by the RAO UESR Board of Directors.

KEY EVENTS

As of December 31:

- The state registration of new companies split off in the process of restructuring of the following AO-Energo companies:

<ul style="list-style-type: none"> ↓ 4 AO-Energo companies, as per the "basic model" Belgorodenergo Voronezhenergo 	<ul style="list-style-type: none"> Bryanskenergo Kalugaenergo 	<ul style="list-style-type: none"> ↓ 1 AO-Energo company, as per the "non-basic model" Pskovenergo
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- The RAO UESR Board of Directors approved projects for the restructuring of the following AO-Energo companies:

<ul style="list-style-type: none"> ↓ 13 AO-Energo companies, as per the "basic model" Altaienergo Buryatenergo Kolenergo Krasnoyarskenergo Lenenergo Mosenergo Novgorodenergo 	<ul style="list-style-type: none"> Omskenergo Tomskenergo Tyumenenergo Khakasenergo Chitaenergo 	<ul style="list-style-type: none"> ↓ 3 AO-Energo company, as per the "non-basic model" Samaraenergo Saratovenergo Ulyanovskenergo
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- The Boards of Directors of the following AO-Energo companies approved restructuring projects in terms of unbundling by activity type (establishment of new companies):

<ul style="list-style-type: none"> ↓ 15 AO-Energo companies Altaienergo Buryatenergo Krasnoyarskenergo Kurskenergo 	<ul style="list-style-type: none"> Lenenergo Mosenergo Novgorodenergo Omskenergo 	<ul style="list-style-type: none"> Orenburgenergo Stavropolenergo Tomskenergo Tulenergo 	<ul style="list-style-type: none"> Tyumenenergo Khakasenergo Chitaenergo
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- Extraordinary general meetings (EGM) on corporate restructuring were held in the following AO-Energo companies:

↓ *34 AO-Energo companies, in 2004*

Arkhenenergo	Novgorodenergo
Astrakhanenergo	Omskenergo
Belgorodenergo	Penzaenergo
Vladimirenergo	Permenergo
Volgogradenergo	Rostovenergo
Voronezhenergo	Ryazanenergo
Dagenergo	Sverdlovenegero
Ivenergo	Smolenskenergo
Karelenergo	Stavropolenergo
Kirovenergo	Tambovenergo
Kostromaenergo	Tverenergo
Kurskenergo	Tomskenergo
Lipetskenergo	Tulenergo
Marienergo	Udmurtenergo
Mordovenergo	Chelyabenergo
Mosenergo	Chuvashenergo
Nizhnovenergo	Yarenergo

↓ *3 AO-Energo companies, 2003*

Bryanskenergo
Kalugaenergo
Oreleenergo

- New companies to be singled out AO-Energos held their annual general meetings (AGM) to approve their Articles of Association and elect their executive bodies:

↓ *30 AO-Energo companies*

Astrakhanenergo	Kalugaenergo	Nizhnovenergo	Tambovenergo
Belgorodenergo	Karelenergo	Oreleenergo	Tverenergo
Bryanskenergo	Kirovenergo	Penzaenergo	Udmurtenergo
Vladimirenergo	Kostromaenergo	Permenergo	Chelyabenergo
Volgogradenergo	Kurskenergo	Rostovenergo	Chuvashenergo
Voronezhenergo	Lipetskenergo	Ryazanenergo	Yarenergo
Dagenergo	Marienergo	Sverdlovenegero	
Ivenergo	Mordovenergo	Smolenskenergo	



SPLIT-OFF OF UNPG (UNIFIED NATIONAL POWER GRID) FACILITIES

Pursuant to Federal Law No. 35-FZ of March 26, 2003 "On the Electric Power Industry" and Federal Law No. 36-FZ of March 26, 2003 "On Specific Features of the Electric Power Industry Functioning during the Transition Period", as a result of the restructuring of the power industry the State is to retain control over trunk power grids.

Pursuant to Clause 4 "On the Functioning of the Electricity Sector over the Transition Period, on the Introduction of Changes in Certain Legislative Acts of the Russian Federation, and on the Acknowledgment of Certain Legislative Acts of the Russian Federation as Inoperative due to the Adoption of the Federal Law 'On the Electric Power Industry'", the Russian Federation Government adopted Resolution No. 1939-r of 23.12.2003 on the establishment of 7 Interregional Trunk Grid Companies (hereinafter, ITGC): ITGC Center, ITGC North-West, ITGC Volga, ITGC South, ITGC Ural, ITGC Siberia, and ITGC East. As of their establishment, the share of the Russian Federation in the authorized capitals of these companies was 85% and the share of FGC UES, 15%.

The year 2004 saw the process of establishment of all Interregional Trunk Grid Companies (ITGCs), which were to consolidate trunk grid assets of AO-Energos. The establishment of individual independent companies on the basis of these assets is fraught with considerable operational and financial risks due to insignificant volumes of these assets, which might lead to potential failures in power grid operation. Therefore, trunk grids of AO-Energos will be integrated in ITGCs, in order to prevent such failures and minimize risks related to operations of small companies.

KEY EVENTS

Interregional Trunk Grid Companies

February. FGC UES and the Russian Federal Property Fund (RFPF) established 7 Interregional Trunk Grid Companies (ITGCs):

- February 5, 2004: ITGC Ural,
- February 6, 2004: ITGC South,
- February 9, 2004: ITGC Siberia,
- February 9, 2004: ITGC Center,
- February 10, 2004: ITGC East and ITGC North-West,
- February 11, 2004: ITGC Volga.

Preparation for the Hand-over of UNPG AO-Energo Facilities to ITGCs

May. FGC UES and RAO UES of Russia issued Decree No. 115/236 of 19.05.2004 "On the Launch of Measures for the Hand-over of Power Grid Facilities to ITGCs".

As of December 31. The creation of a unified power grid property base of 53 AO-Energos.

Establishment of FGC UES Tariffs for UNPG Facilities of AO-Energos

December 23. By Decree 394-e/25 of 23.12.2004 issued by the Federal Tariff Service of the Russian Federation, tariffs were set from 01.01.2005 for FGC UES services related to power transmission within the UNPG and covering power grid facilities owned by FGC UES as well as other proprietors or other rightful owners in the following areas:

- Belgorod Region: 47.14 RUR/MWh;
- Kaliningrad Region: 75.92 RUR/MWh;
- Khakas Republic: 55.20 RUR/MWh.

Similar tariffs set by the Federal Tariff Service's Decree 215-e/2 of 01.12.2004 covering only FGC UES-owned facilities used by it were cancelled. A uniform tariff for FGC UES services was established for each constituent of the Russian Federation.



RESTRUCTURING OF THE RDA (REGIONAL DISPATCH ADMINISTRATION) SYSTEM

UES SO-CDA was established on July 17, 2002, on the basis of the Central Dispatch Administration of the Unified Energy System by virtue of Decree 526 On Restructuring the Electric Power Industry of the Russian Federation adopted by the Russian Federation Government on July 11, 2001. The only founder of UES SO-CDA is RAO UES of Russia. UES SO-CDA assumed RDA functions from 2 AO-Energos in 2002, 58 AO-Energos in 2003, and 2 AO-Energos in 2004.

The System Operator controls all operating practices of the Unified Energy System of the Russian Federation and is entitled to issue instructions that are obligatory for all operation and dispatch control entities.

The Administration is in charge of UDA (unified dispatch administration) functions within one integrated energy system. Each regional energy system has its Regional Dispatch Administration (RDA) that controls operation modes of major power plants and grid services.

UES SO - CDA, established as a wholly-owned subsidiary of the RAO UESR, is to become an owner of CDA, UDA, and RDA assets are currently owned by AO-Energos. The ringfencing of UES SO-CDA is supposed to be performed by splitting it off in the process of restructuring of RAO UES of Russia in 2006.

In order to ensure reliability of power supply to consumers in the process of restructuring of the power industry of the Russian Federation, UES SO-CDA is supposed to be ringfenced in two stages: Stage One includes the transfer of operation and dispatch control functions from AO-Energos to UES SO - CDA, as well as the transfer of RDA functions and the lease-based hand-over of RDA property owned by AO-Energos. During Stage Two, it is planned for UES SO-CDA to purchase RDA assets by means of borrowed funds (estimated at about RUR 1.5 bln) from the market. It is intended to service the debt in the capital market by means of including these expenses in UES SO-CDA tariffs.

In the course of restructuring of RAO UES of Russia, the share of the State in the authorized capital UES SO-CDA will amount to at least 52%. In the future, it is planned to increase the share of the State in the authorized capital UES SO-CDA up to the level of 75% plus one share by all legal means (including the exchange of the State-held shares of WGCs and TGCs for the shares of UES SO-CDA).

KEY EVENTS

January. Chairman of the RAO UESR Management Board A. B. Chubais approved the plan to reform operation and dispatch administrations of the power systems of the Pskov and Novgorod Regions.

April 1. Operation and dispatch control functions were transferred from Pskovenergo to Leningrad RDA, and from Novgorodenergo to Novgorod RDA.

As of December 31:

- Operation and dispatch control functions were transferred from 62 AO-Energos to UES SO-CDA.
- UES SO-CDA established RDA-subidiaries, all of which basically assumed operation and dispatch control functions from joint-stock companies operating in the electric power and electrification industry.
- RDA's property owned by AO-Energo companies (other than independent and isolated AO-Energos) was leased to UES SO-CDA.
- UES SO-CDA continues buying out RDA's property leased from AO-Energo companies.



RESTRUCTURING OF AO-ENERGO COMPANIES AND AO-ENERGO POWER PLANTS IN TERMS OF UNBUNDLING BY REPAIR ACTIVITY TYPE

The purpose of restructuring of repair businesses is to enhance efficiency of core businesses of power companies by enhancing the efficiency of using funds for repair operations and technical retooling, and to develop competitive market relations in the sphere of repair operations and technical retooling. According to the "Strategy Concept of RAO UES of Russia for 2003-2008 (5+5)", repair and service organizations in the target structure of the power industry are to become independent on power companies, with the intention to create a competitive repair and service market. To that end, by decision of the RAO UESR Board of Directors it was recognized as expedient to conduct the restructuring of repair businesses of AO-Energos at a faster rate than the restructuring of AO-Energos - in other words, the repair and service market is to be created before the final creation of the competitive electric power market.

May 22, 2003. RAO UES of Russia established a Project Group on the restructuring of repair businesses and creation of the repair service market.

August 1, 2003. The Board of Directors of RAO UES of Russia decided to lower the affiliation level for repair and service organization with regard to RAO UES of Russia, AO-Energos, and AO-Power Plants.

Stage One of the creation of the repair and service market, under the restructuring of RAO UES of Russia, includes the split-off of repair businesses of AO-Energos as per one of the following schemes:

- the split-off of repair subdivisions to establish subsidiaries of AO-Energos and AO-Power Plants, followed by the sales of the block of shares of these repair subsidiary companies to potential outside purchasers;
- at request of minority shareholders of AO-Energos, the establishment of separate repair companies under restructuring of AO-Energo companies, followed by the sales of the blocks of shares of these repair companies owned by RAO UES of Russia.

Moreover, at request of shareholders of AO-Energos and in case there are also offers from other potential investors, other mechanisms may be considered for the split-off of repair businesses under restructuring of AO-Energo companies.

Stage Two of the market creation includes the lowering of affiliation levels for repair companies with regard to AO-Energos, and AO-Power Plants, and RAO UES of Russia, with the exception of companies providing monopoly types of repair services.

KEY EVENTS

March 3. Belgorodenergo organized the first in the power industry bidding for the sale of its wholly-owned subsidiary Belgorodenergoremont - a specialized repair enterprise established on the basis of repair and operational services of the company. Members of the Bidding Committee considered 6 bids, with only 4 of them having been accepted. The winner that offered the highest price was Elektrostroy (Moscow).

As of December 31. The "Repairs" project group approved projects for the split-off of repair businesses for 70 AO-Energos and 32 AO-Power Plants. Eleven AO-Power Plants are not supposed to split-off any repair businesses.

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|--|---------------------------------------|
| ■ The Project's approval by the RAO UESR's Business Unit | 69 AO-Energos and 21 AO-Power Plants |
| ■ The RAO UESR Board of Directors | 68 AO-Energos and 21 AO-Power Plants. |
| ■ Board of Directors of AO-Energos | 67 AO-Energos and 21 AO-Power Plants |

The state registration of 161 subsidiary repair companies (including 40 power grid repair companies):

- | | |
|--|----------------|
| ■ Before October 1, 2003: | 123 companies; |
| ■ From October 1, 2003 to January 1, 2004: | 39 companies; |
| ■ After January 1, 2004: | 99 companies. |



ESTABLISHMENT OF WHOLESALE GENERATION COMPANIES (WGCS)

One of the main conditions for the launch and effective operations of the competitive electric power market is the demopolization of power production as well as attraction of private investments in this sphere.

According to the main measures for the restructuring of Russia's power industry, approved by Decree 526 On Restructuring the Electric Power Industry of the Russian Federation adopted by the Russian Federation Government on July 11, 2001, it is stipulated to establish major generation companies - participants of the wholesale electric power market.

WGCs are to become the key players of the wholesale power market ensuring operations of the entire infrastructure of the wholesale market.

The configuration for 7 Wholesale Generation Companies was stipulated in Resolution of the RF Government No.1254-r of 01.09.2003 and Resolution of the RF Government No.1367-r of 25.10.2004.

WGCs are established as per the restructuring project approved by the RAO UESR Board of Directors.

KEY EVENTS

Within the framework of measures toward ensuring the rights of minority shareholders, it was decided that not less than two representatives of minority shareholders of RAO UES of Russia be included in the Board of Directors for each newly-established WGC before the split-off of RAO UES of Russia (the RAO UESR Board of Directors' decision of September 3, 2004)

October 25. The Russian Federation Government signed Resolution No. 1367-r On the Establishment of Seventh Generation Company of the Wholesale Electric Power Market (HydroWGC) whose establishment had been envisaged in the Russian Federation Government Resolution No. 1254-r of September 1, 2003.

October 27. The state registration of Fifth Generation Company of the Wholesale Electric Power Market (WGC-5) was completed at the Interregional Inspectorate of the Russian Federation Ministry of Taxation for the City of Yekaterinburg, Sverdlovsk Region.

November 23. The state registration of Third Generation Company of the Wholesale Electric Power Market (WGC-3) was completed at Interregional Inspectorate of the Russian Federation Ministry of Taxation No. 2 for the Republic of Buryatia (Ulan-Ude).

December 24. The state registration of Federal Hydrogeneration Company (HydroWGC) was completed at the Interregional Inspectorate of the Russian Federation Ministry of Taxation for the Zheleznodorozhny District of the City of Krasnoyarsk, Krasnoyarsk Region.

September 2004 - January 2005. By decision of the Chairman of the RAO UESR Management Board, the following individuals were appointed as directors general for thermal WGCs and as Chairman of the Management Board for HydroWGC (their positions as of the date of appointment are indicated in the parentheses):

- WGC-1: Vladimir Khlebnikov (First Deputy Chairman of the ATS Management Board);
- WGC-2: Mikhail Kuzichev (Director General of Krasnoyarskenergo);
- WGC-3: Maxim Kuznetsov (Director General of Volgogradenergo);
- WGC-4: Andrey Kitashov (Director General of Permenergo);
- WGC-5: Anatoly Bushin (Director General of Konakovo SDPP);
- WGC-6: Vladimir Sanko (Director General of Northern Power Management Company);
- HydroWGC: Vyacheslav Sinyugin (member of the RAO UESR Management Board).



ESTABLISHMENT OF TERRITORIAL GENERATION COMPANIES (TGCs)

Territorial Generation Companies (TGCs) are companies that will become entities of the wholesale electric power market and retail electric and heat energy market.

The principles of interregional integration were stipulated in the Main Guidelines for the Restructuring of Russia's Power Industry approved by Decree 526 On Restructuring the Electric Power Industry of the Russian Federation adopted by the Russian Federation Government on July 11, 2001.

TGCs are established by means of interregional integration of generation assets of regions power companies in order to create effective and financially stable large companies that would successfully operate in the competitive wholesale electric power market as well as in the sphere of regional heat supply to consumers.

By decision of the RAO UESR Board of Directors, the configuration for Territorial Generation Companies (TGCs) is based on generation assets of AO-Energo companies (other than power plants included in WGC or power plants of isolated AO-Energos):

The majority of currently approved models for the establishment of TGCs envisage the establishment of TGCs as subsidiaries of RAO UES of Russia, either with the possibility for minority shareholders of corresponding AO-Energos to participate in them or by means of the co-establishment of TGCs by several AO-Energo companies. After that, generation property of AO-Energos (Regional Generation Company) is leased to TGCs. Stage Two of the establishment of TGCs includes the addition of regional generation companies to TGCs. The configuration for 14 TGCs was approved by decision of the RAO UESR Board of Directors of 23.04.2004 pursuant to Decree 526 On Restructuring the Electric Power Industry of the Russian Federation adopted by the Russian Federation Government on July 11, 2001.

KEY EVENTS

April 23. The Board of Directors of RAO UES of Russia:

- approved the configuration for TGCs (a total of 14 TGCs will be established), the scheme for co-establishment of TGCs by several AO-Energos presupposing the lease of AO-Energos' generation equipment to TGCs;
- decided to establish two Regional Generation Companies on the basis of Mosenergo's heat power plants;
- approved the mechanism for the split-off of monoconsumer-oriented power plants.

November 26. The Board of Directors of RAO UES of Russia:

- approved the establishment of TGC-1 under the co-establishment and lease scheme by Kolenergo, Lenenergo, and Karelenenergo;
- approved the establishment of TGC-13 under the lease scheme as a wholly-owned subsidiary with shareholders of Krasnoyarskenergo subsequently becoming shareholders of TGC-13.

December 7. The state registration of TGC-14 with the Inspectorate of the Russian Federation Ministry of Taxation for the Inogorodinsk Administrative District, Chita.

December 9. The state registration of TGC-9 with the Inspectorate of the Russian Federation Ministry of Taxation for the Sverdlovsk District, Perm.

December 24. The Board of Directors of RAO UES of Russia approved the establishment of TGC-5 as a wholly-owned subsidiary, with shareholders of AO-Energos, whose generation assets to be leased to TGC-5, subsequently becoming shareholders of TGC-5;



ESTABLISHMENT OF INTERREGIONAL DISTRIBUTION GRID COMPANIES (IDGCs)

In the course of restructuring of regional power companies, distribution grid assets of AO-Energos are transferred to balances of Distribution Grid Companies (DGCs) which, as per the "basic" restructuring project, retain as a rule the corporate name of the energy system.

The principles of interregional integration of DGCs were envisaged in the Main Guidelines for the Restructuring of Russia's Power Industry approved by Decree 526 On Restructuring the Electric Power Industry of the Russian Federation adopted by the Russian Federation Government on July 11, 2001. DGCs are established during the second phase of the first stage of restructuring by means of integration of companies established in the course of profile-based unbundling of AO-Energos.

DGCs will be integrated in four Interregional Distribution Grid Companies (IDGCs) - holding companies established as wholly-owned subsidiaries of RAO UES of Russia. IDGCs will be established on the basis of the UES boundaries. The integration of Distribution Grid Companies is aimed at establishing major stable companies with high capitalization and attractive for both strategic and portfolio investors.

KEY EVENTS

The approach to the "basic" model for the interregional consolidation of grid companies was approved by decision of the RAO UESR Board of Directors (Protocol No. 113 of 03.04.2002). As per the decision of the RAO UESR Board of Directors (Protocol No. 168 of 23.04.2004), it is planned to establish IDGCs by paying up for additional IDGC shares with shares of distribution grid companies established on the basis of restructuring of AO-Energos.

February 24. The Board of Directors of FGC UES determined the following corporate measures for the restructuring of the power grid complex of the UNPG's AO-Energos and the distribution power grid complex of AO-Energos:

- the transfer of rights to use UNPG facilities belonging to AO-Energos to FGC UES;
- the establishment of Distribution Grid Companies (DGCs) on the basis of AO-Energo restructuring projects;
- the establishment of IDGC holding companies by means of interregional integration of DGCs.

April 23. The Board of Directors of RAO UES of Russia:

- § approved the following configuration for IDGCs:
 - IDGC-1 as part of Unified Energy Systems (UES) of the Central Region and UES of Northern Caucasia;
 - IDGC-2 as part of UES of North-West;
 - IDGC-3 as part of UES of Ural and UES of Mid-Volga;
 - IDGC-4 as part of UES of Siberia;The decision on the establishment of IDGC-5 in the Far East Region will be made in the context of decisions on restructuring of regional AO-Energo companies;
- § considered the principles for IDGC management for the transitional period of the power industry restructuring and decided on transferring IDGC shares for the transitional period under trust management to FGC.

December 17. The state registration of IDGC Centre and Northern Caucasia was completed at Interregional Inspectorate No. 1 of the Russian Federation Ministry of Taxation for City of Tver, Tver Region.

December 23. The state registration of IDGC North-West was completed at Interregional Inspectorate No. 15 of the Russian Federation Ministry of Taxation for the City of Saint Petersburg.





THE 1ST SIX MONTHS OF 2005



THE 1ST SIX MONTHS OF 2005

The results of the RAO UESR reform achieved in the 1 six months of 2005 are a demonstrative evidence of a necessity for continued active efforts to restructure Russia's electric power industry.

The structural transformation, alongside with the process of market creation, affects primarily RAO UES of Russia and its subsidiaries and affiliates. The restructuring process, launched as early as in mid 2002, started with the establishment of Federal Grid Company and System Operator - the organizations that form the basis for ensuring reliable operation of the electric power industry - split off of RAO UES of Russia. The year 2004 saw the launch of the unbundling of AO-Energo companies. At present, 37 regional power companies of 61 AO-Energos to be restructured has completed this process.

The power industry production sector that is being under restructuring includes primarily generation companies of the wholesale market (or WGCs - Wholesale Generation Companies) and Territorial Generation Companies (TGCs). WGCs are to become major participants of the wholesale market. By now, all seven WGCs envisaged by the reform plan have been established. Six of them include major heat power plants and one, hydroelectric power plants. The composition of WGCs is selected in such a way that they could have comparable starting conditions in the market, with each WGC to integrate power plants located in different regions of the country. Due to this, none of the WGCs would be able to establish its monopoly. The establishment of WGCs is still an ongoing process.

Unlike Wholesale Generation Companies, Territorial Generation Companies (TGCs) integrate power plants, not included in WGCs, located in several neighboring regions; they are mainly heat power plants generation not only electricity but heat as well. TGCs will not only sell electric power but also supply heat to consumers in their regions. By now, 10 out of 14 planned TGCs have been established.

RAO UESR RESTRUCTURING SCHEDULE STATUS AS OF 30.06.2005

RESULTS	PBU	Lease-based TGC	Merger-based TGC	Other TGC*	WGC Holding	IDGC	ITGC
Total number of restructuring projects	72	8	10	2	7	4	6
Number of projects approved by the RAO UESR Board of Directors	61	10	6	2	7	4	6
Number of projects with state registration stage implemented	37	10	–	1 (TGC-3)	7	3	6
Number of projects implemented	6 (Белгородэнерго, Калугаэнерго, Мосэнерго, Новгородэнерго, Ставропольэнерго, Томскэнерго)	–	–	1 (TGC-3)	–	–	–

PBU – projects for profile-based unbundling of AO-Energo companies
TGC – projects for forming Territorial Generation Companies
WGC: – (Holding) projects for forming Wholesale Generation Companies
ITGC – projects for forming Interregional Distribution Grid Companies
ITGC – projects for forming Interregional Trunk Grid Companies

other*:
TGC-3 (Moscow Generation Company): to be established on unbundling of Mosenergo
TGC-7 (Volga Territorial Generation Company): to be established on restructuring of SMUEK (Samaraenergo, Saratovenergo, and Ulyanovskenergo) as per the "basic" model.



RAO UESR RESTRUCTURING SCHEDULE FOR 2005-2007

Measure description	2004		2005				2006				2007			
	Period	Total	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Profile-based unbundling of AO-Energy companies														
over current period		18	7	2	9*	2*								
accumulative result		52	59	61	70*	72*								
including those that require adjustments		3	2**	2**	2**									
adjustments introduced (Kolenergo)		1	0	0										
over current period		5	22	10	8	4	1	2	8*	6*				
accumulative result		5	27	37	45	49	50	52	60*	66*	72*			
Formation of Territorial Generation Companies (TGC)														
Restructuring projects approved by the RAO UESR Board of Directors		9	12	6 (TGC-2, 4,5,6,8,9)	14	2		3 (TGC-7, 10,14)						
Merger started						2 (TGC-1,13)								
Merger accomplished								4 (TGC-2,3,8,9)	2 (TGC-4,6)	2 (TGC-1,13)	3 (TGC-7,10,14)			
Formation of Wholesale Generation Companies (WGC)														
Transition to unified shares (completion of placement of additional shares of WGCs, other than WGC-5)					1 (WGC-5)	1		4 (WGC-1,2,4,6)		1 (WGC-7)				
over current period					1	2	2	6	7	4				
accumulative result					1	2	2	6	7	4				
Completion of WGC restructuring based on merger							2 (WGC-3,5)		4 (WGC-1,2,4,6)	6				
accumulative result							2		6					
Formation of Interregional Distribution Grid Companies (IDGC)														
IDGC of the Central and North Caucasia Regions (total: 31 DGCs)								24	25					
DGC included from the start								7	6					
balance to be incl														
IDGC of the North-Western Region (total: 6 DGCs)								4	6					
DGC included from the start								2	0					
balance to be incl														
IDGC of the Ural and Mid-Volga Regions (total: 15 DGCs)								11	12					
DGC included from the start								4	3					
balance to be incl														
IDGC of Siberia (total: 9 DGCs)								3	5					
DGC included from the start								6	4					
balance to be incl														
State registration of Trunk Grid Companies														
over current period		1		3	34	4	1	2	3					
accumulative result		1		4	38	42	43	45	48					

** Indicative timeframe
*** Continued restructuring (new projects) Altaienergo and Kubanenergo

POWER MARKET DEVELOPMENT

The positive evaluation of the reform results in 2004 by the Russian Federation Government determined the necessity for further development of the electric power market, and assisted in the detailed elaboration of long-run objectives and ways of achieving them.

The first six months of 2005 saw successful functioning of the "5-15%" competitive sector of the wholesale power market in the European part of Russia and in the Ural region. The Operation Center for improving the model for the transitional wholesale power market was created in the mid January of 2005 by a joint decree issued by RAO UES of Russia, SO-CDA, FGC UES, and ATS. One of its tasks was to prepare the launch of the transitional wholesale power market within the Unite Power System of Siberia, which started operating on May 1, 2005.

KEY EVENTS

JANUARY - FEBRUARY 2005

As of June 30, 2005. The total of 135 participants joined ATS. Among them there are 76 organizations independent of RAO UES of Russia. 114 entities participated in the auctions. The share of FTS in the aggregate energy volume generated in the European part of Russia and Urals equaled to 9.7%, and in the Siberian price zone, 2.5%.

FEBRUARY 2005

February 11, 2005. At its meeting, the Interdepartmental Committee for Power Industry Restructuring (comprising the Federal Antimonopoly Service of the Russian Federation, the Ministry of Industry and Energy of the Russian Federation, and the Ministry of Economic Development of the Russian Federation), chaired by V. B. Khristenko, considered an improved model for Russia's transitional wholesale power market and authorized the Package Plan of Measures Toward Improving the Transitional Wholesale Power (Capacity) Market For 2005-2006.

In order to promote implementation of the power market development plan, the Operation Center for improving the model for the transitional wholesale power market with participation of all infrastructural market organizations was created in mid January by a joint decree issued by RAO UES of Russia, SO-CDA, FGC UES, and ATS.

Key objectives of the Operation Center are as follows:

1. to ensure the launch of the "5-15%" transitional wholesale power (capacity) market in areas covered by Unified Energy Systems of Siberia: May 1, 2005;
2. to prepare and introduce competitive balancing power market: autumn 2005;
3. to coordinate restructuring of the regulated sector of the wholesale market and to introduce the regulated bilateral contract system: January 1, 2006;
4. to discuss the concept for the capacity market and the systemic service market and to ensure its further implementation: 2006.

МАРТ 2005 г.

March 25, 2005. At its meeting, the Interdepartmental Committee for Power Industry Restructuring (comprising the Federal Antimonopoly Service of the Russian Federation, the Ministry of Industry and Energy of the Russian Federation, and the Ministry of Economic Development of the Russian Federation), chaired by V. B. Khristenko, considered the mechanisms of cross-subsidy elimination and discussed the ways of compensation of the sales companies' out-profits from extrabudgetary sources.



APRIL - JUNE 2005

The issue of the Russian Government's Resolution No. 219 of April 15, 2005 "On Amending the Russian Government Resolution No. 643 of October 24, 2003," as well as the launch of the transitional model of the wholesale power (capacity) market within the UPS of Siberia on May 1, 2005, were the main event of Q2 2005.

The transitional period wholesale market model of the Unified Power System of Siberia corresponds to that functioning in the Ural-European price zone. The main particularity of the Unified Power System of Siberia is the specific structure of its generation. The share of electric power produced by hydroelectric power plants in the total power production of the Unified Power System of Siberia exceeds 50%. As these particularities are taken into account in the market model, a greater economic and technological effect for all types of generation facilities is achieved from the introduction of this model.

The introduction of the second price zone of the wholesale market within the Unified Power System of Siberia gives enough time for preparing for new conditions of functioning in the competitive market environment to power buyers and suppliers of the Siberian Region, as well as to the new power production/consumption planning and accounting system.

Notwithstanding a relatively short period of its operation, the system of interaction of entities of the wholesale market has shown stable functioning in new conditions. The volumes realized in the competitive sector has already reached maximum possible values, which is an evidence of a high activity of entities participating in the competitive selecting of price bids conducted 24 hours before real time.

Free prices forming in the competitive sector within the UPS of Siberia are quite adequate, which is an evidence of optimal price strategies of participants and their preparedness for operations in radically new conditions.

APRIL 2005

April 22-23, 2005. The All-Russian Meeting "On Results of AO-Energos' Operations in the 2004/2005 Autumn-Winter Period and the Power Industry Reform Progress," discussed such issues as the launch of a competitive market within the Unified Power System of Siberia; the electric power balancing market model; the restructuring concept for the regulated sector of the wholesale market (the introduction of regulated bilateral contracts, the cancellation of the cross-subsidy system and the transitional model for the functioning of retail markets).

MAY 2005

May 14. Under the measures toward launching an improved model of the wholesale market, RAO UES of Russia signed a Decree on preparation for the launch of an improved model of the electric power wholesale market for 2005-2006. This Decree determines priority measures to be taken by entities controlled by the RAO UES of Russia as well as infrastructural organizations (FGC UES, UES SO-CDA, ATS, and Inter-RAO UES), and provides for ensuring timeliness for taking such measures. The indicated measures include:

- launch of the competitive balancing market of electric power: before September 1, 2006;
- transformation of the regulated sector of the wholesale market of electric power (capacity) into a system of regulated bilateral contracts: before January 1, 2006;
- launch of the market of generating facilities: before May 1, 2006;
- launch of the market of systemic services: before May 1, 2006.

This Decree also determines high-priority measures to be taken by RAO UES of Russia during 2005 with regard to such systemic issues as:

- introduction of regional generation facilities in the wholesale market of electric power (capacity) during 2005;
- settlement of the cross-subsidy problems;
- development of the retail market.



May 25, 2005. A seminar with participation of profile ministers and departments was held to discuss the proposed model for the balancing market of electric power.

In Q2 2005, the Operation Center for improving the model for the transitional wholesale power market, created in mid January 2005 by a joint decree issued by RAO UES of Russia, SO-CDA, FGC UES, and ATS in order to promote implementation of the development plan, was working systematically along the following lines: 1) directions of a competitive balancing market of electric power, and 2) transformation of the regulated sector of the wholesale market into a system of regulated bilateral contracts.

With regard to the preparations for the implementation of the regulated bilateral contract system, the concept of the regulated bilateral contract system, as well as the planning schedule for the launch of this system, was approved by the infrastructural organizations.

JUNE 2005

June 2. The model for the transformation of the regulated sector of the wholesale market into a system of regulated bilateral contracts was reviewed and approved by the RAO UESR Restructuring Committee.

Under measures toward preparing for the launch of the balancing market of electric power, the concept and the main principles of the balancing power market functioning have been approved by all organization departments of RAO UES of Russia and by the founders of ATS and the ATS Supervisory Board. In this connection, ATS, UES SO-CDA, RAO UES of Russia established a Working Team for developing a regulatory base for the balancing power market functioning.

Moreover, the contractual model of the balancing market of electric power has been approved, and the standard form of contract is being further developed. Also, the planning schedule for the launch of a balancing market of electric power has been approved.

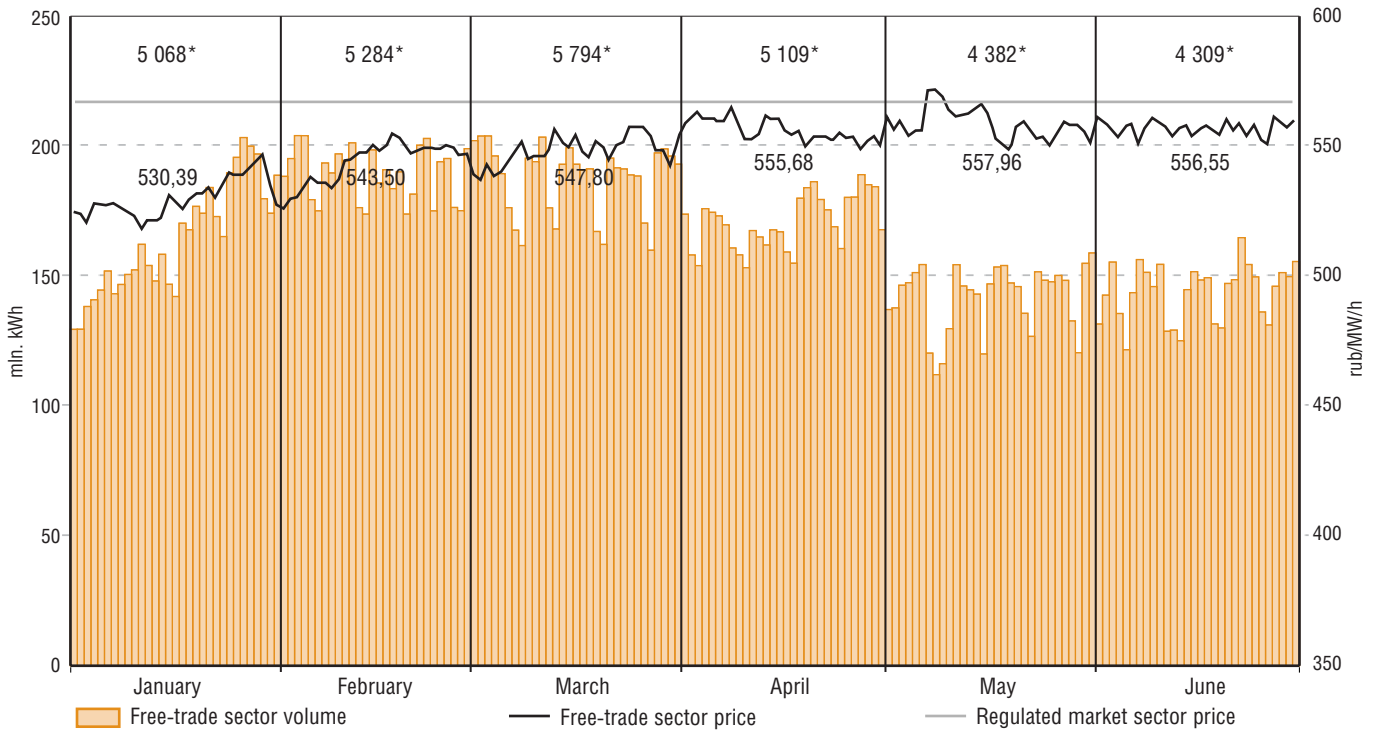
The decisions adopted at different levels in the first six months of 2005 made it possible to for RAO UES of Russia, together with the infrastructural organizations of the wholesale market and the Russian Federation Government, to start discussions on necessary amendments to be introduced in the regulatory documents on the implementation of the enhanced wholesale market model. In this connection, the work on the project for amending Regulation No. 643 issue by the Russian Federation Government on October 24, 2003, has been initiated.

PARTICIPANTS IN THE FREE TRADE SECTOR

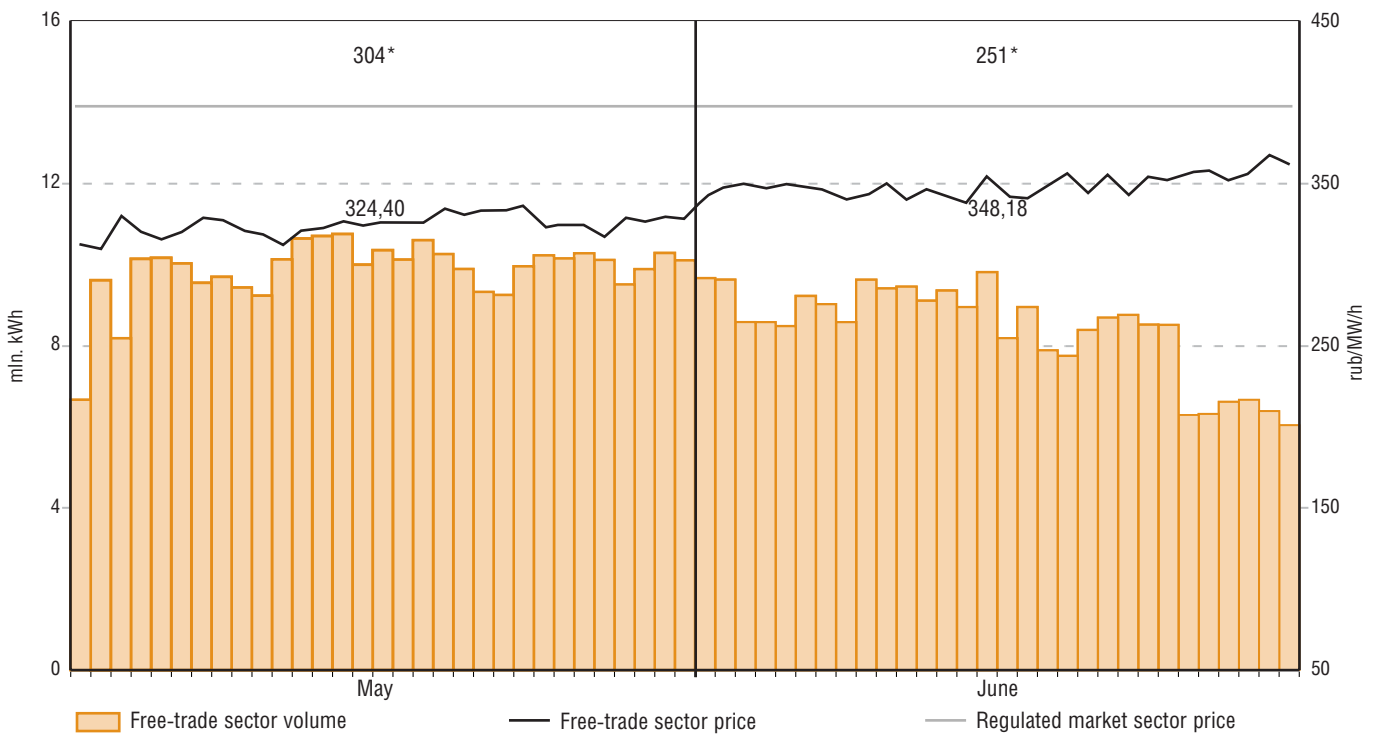
	January 2005	February 2005	March 2005	April 2005	May 2005	June 2005
Total	89	95	95	97	115	114
<i>including</i>						
buyers	54	60	57	56	62	62
sellers	22	22	22	23	29	30
buyers and sellers	13	13	16	18	24	21
Among the traders - those independent of RAO UES	24	28	29	31	39	38
<i>of them in the Price Zone of the European part of Russian and Ural</i>					99	98
<i>including</i>						
buyers					59	59
sellers					22	23
buyers and sellers					18	16
Among the traders - those independent of RAO UES					35	34
<i>of them in the Price Zone of Siberia</i>					21	21
<i>including</i>						
buyers					8	8
sellers					7	7
buyers and sellers					6	6
Among the traders - those independent of RAO UES					8	8
Share of the Free Trade Sector in the total generation volume						
in the Price Zone of the European part of Russian and Ural	7,9	8,6	9	9,3	9,2	9,7



TRADE RESULTS IN THE FREE TRADE SECTOR IN JANUARY - JUNE 2005



TRADE RESULTS IN THE SIBERIAN PRICE ZONE IN MAY - JUNE 2005



* Electric power purchase amount in free-trade sector over the month, mln. kWh



RAO UESR RESTRUCTURING

On the basis of new conditions, the market infrastructure is being formed: the RAO UESR Board of Directors has made a decision on changing the scheme for ringfencing entities of Unified National Power Grid; Interregional Distribution Grid Company of Ural and Volga has been incorporated.

New entities continue being established in this sector. The state registration of all 7 Wholesale Generation Companies has been completed. To date, the Federal Financial Market Service has registered initial issues and reports on the results of the issue of ordinary shares of all seven WGCs. In the 1st six months of 2005, 10 Territorial Generation Companies have been registered; TGC-8 and TGC-14 have started their operating activities.

A lot of work has been completed toward restructuring regional subsidiaries and affiliates of RAO UES of Russia.

As of June 30, 2005. The RAO UESR Board of Directors approved projects for the restructuring of 61 AO-Energo companies. In 45 AO-Energos, extraordinary general meetings on restructuring have been held. Thirty-seven power companies have completed the profile-based unbundling procedure.



ESTABLISHMENT OF WHOLESALE GENERATION COMPANIES (WGCS)

KEY EVENTS **JANUARY - JUNE 2005**

During the 1st six months of 2005, a considerable part of work has been accomplished toward the establishment of WGCs.

At present, all the established WGCs have been incorporated, and their authorized capitals have been paid for. WGC Directors General have created professional managerial teams, taken measures toward getting familiarized with the power plants included in corresponding WGCs, with those power plants having come under their corporate governance.

The implementation of the target WGC model has been launched. In June, the RAO UESR Board of Directors approved the parameters for WGC-3 and WGC-5 to transfer to a single share and merge with corresponding subsidiary AO-Power Plants.

CHRONOLOGY OF EVENTS

January. The first stage of WGC-5 and WGC-3 was completed: RAO UES of Russia refunded the registered capitals of the said companies, including by equity stakes of corresponding AO-plants.

March 4. The state registration of the Fourth Wholesale Power Market Generation Company (WGC-4) with Surgut Inspectorate of the Federal Tax Administration.

March 9. The state registration of the Second Wholesale Power Market Generation Company (WGC-2) with Izobilniy (Stavropol Territory) Inspectorate No. 2607 of the Federal Tax Administration.

March 17. The state registration of the Sixth Wholesale Power Market Generation Company (WGC-6) with Rostov-on-Don Leninskiy district Inspectorate of the Federal Tax Administration.

March 23. The state registration of the First Wholesale Power Market Generation Company (WGC-1) with Tyumen oblast Inspectorate No. 3 of the Federal Tax Administration.

March 24. RAO UES of Russia announced its intention to initiate an open request for proposals for the purpose to engage an investment bank to implementation of the project for exchange of stocks belonging to WGC subsidiaries and affiliates for WGC stocks.

April 22, 2005. RAO UES of Russia completed making monetary resource payments for authorized capitals of WGC-1, WGC-2, WGC-4, and WGC-6.

April 27, 2005. The Appraisal Committee under the RAO UESR Board of Directors approved the results of the computation of electric power prices for scenarios developed by NERA company within the framework of the project related to forecasting of prices and volumes in the electric power market. These results will be used for appraisal work within the framework of the WGC establishment measures.

April 2005. Under way is the procedure for selecting investment banks for assisting in the implementation of projects related to a conversion to a single share in thermal WGCs.

May 3, 2005. RAO UES of Russia secured the authorized capital of WGC-4 with its shares of Berezovsk SDPP-1 and paid in full for the authorized capital of WGC-4.



May 3, 2005. The FFMS registered the initial issue and report on the results of the issue of ordinary shares of WGC-4.

May 6, 2005. RAO UES of Russia secured the authorized capital of WGC-2 with its shares of Pskov SDPP, Stavropol SDPP, and Troitsk SDPP and paid in full for the authorized capital of WGC-2.

May 11, 2005. The FFMS registered the initial issue and report on the results of the issue of ordinary shares of WGC-2.

May 16, 2005. RAO UES of Russia secured the authorized capital of WGC-6 with its shares of Krasnoyarsk SDPP and paid in full for the authorized capital of WGC-6. Earlier, on May 6, 2005, RAO UES of Russia secured the authorized capital of WGC-6 with its shares of Ryazan SDPP, Kirishi SDPP, and Novochoerkassk SDPP.

May 17, 2005. The FFMS registered the initial issue and report on the results of the issue of ordinary shares of WGC-6.

May 23, 2005. RAO UES of Russia secured the authorized capital of WGC-1 with its property of Verkhnetagil SDPP and paid in full for the authorized capital of WGC-1.

May 24, 2005. The Federal FFMS registered the initial issue and report on the results of the issue of ordinary shares of WGC-1.

May 2005. A consortium of investment banks invited by RAO UES of Russia took measures toward assisting in the implementation of projects related to a conversion to a single share and a merger of AO-Power Plants with WGC-5 and WGC-3. Under the measures toward a conversion to a single share in these WGCs, appraisal work was completed as well as work toward determining the share exchange coefficient and share conversion coefficient for mergers.

May 27, 2005. The RAO UESR Board of Directors approved, as a target model for functioning of thermal WGCs, unified operating companies to be established through reorganization of thermal WGCs by means of merging them with AO-Power Plants to be included in relevant thermal WGCs. The RAO UESR Board of Directors also approved a model for functioning of thermal WGCs that envisages:

- conclusion of agency contracts between thermal WGCs and AO-Power Plants to be included in relevant thermal WGCs for the sale of AO-Power Plant-produced electric power (capacity) in the wholesale market of electric power (capacity);
- transfer of power of one-man executive agencies of AO-Power Plants, to be included in relevant thermal WGCs, to thermal WGCs (necessary measures may be taken prior to securing authorized capitals of WGCs by shares of the indicated AO-Power Plants).

June 2005. The appraisal of shares of WGC-5, WGC-3, and AO-Power Plants included in them, as well as measures toward determining share exchange coefficients and coefficients for the conversion of shares of subsidiary AO-Power Plants to shares of the relevant WGC parent company, have been completed.

June 24, 2005. The RAO UESR Board of Directors addressed the issue of approving share exchange coefficients for a transfer to a single share in WGC-5 and WGC-3, as well as share conversion coefficients for the purpose of merging subsidiary AO-Power Plants of WGC-5 and WGC-3 with the relevant WGC parent company.



PLANS FOR 2005

A target model for the functioning of thermal WGCs has been determined - a unified operating company to be established by merging corresponding AO-Power Plants with a WGC parent company. At the stage for the transition to the target model, it is planned to take measures toward an expedient introduction of thermal WGCs to the wholesale market of electric power WMEP, through appointing WGC as an agent of AO-Plants in the WMEP, and to consolidate, within WGC, a network for electric plant management by entering into a management contract.

With regard to WGC-3 и WGC-5, it is intended to complete all the indicated procedure for the consolidation of assets and management in Q1 2006; as for the remaining WGCs, in mid 2006.

The implementation of decisions on establishment of WGCs adopted by the RAO UESR Board of Directors will continue in the second half of 2005.



SCHEDULE OF KEY EVENTS RELATING TO ESTABLISHMENT OF WGCS

No	Description of WGC/RGC	Approval of WGC Project by the Board of Directors of RAO UESR	Date of state registration of WGC	Date of state registration of the last split-off RGC in TGC structure	GM WGC on such issues as: the registered capital increase by means of allocation of additional stocks of WGCs (other than WGC-5) and merger	Date of completion of main measures toward WGC establishment (completion of allocation of additional stocks of WGCs other than WGC-5) and transition to unified shares	Completion of merger-based restructuring of WGCs
1.	WGC-1, structure	V-Tagil SDPP (RAO UESR, Perm SDPP (FPS 100%), <i>Kashira SDPP-4 (Mosenergo 50,87%), Irikliino SDPP (Orenburgenergo 100%), Nizhnevartovsk SDPP (Tyumenenergo 100%), Urengoy SDPP (Tyumenergo)</i>)					
	Transition to unified shares	24.12.2004	23.03.2005	01.07.2005	28.04.2006*	31.08.2006*	31.10.2006*
2.	WGC-2, structure	Pskov SDPP (FPS 50% + share in the construction of 3rd block), Stavropol SDPP (FPS 51%), Troitsk SDPP (FPS 100%), <i>Serov SDPP (Sverdlovenergo 49%), Surgut SDPP-1 (Tyumenenergo 100%)</i>					
	Transition to unified shares	24.12.2004	09.03.2005	01.07.2005	28.04.2006*	31.08.2006*	31.10.2006*
3.	WGC-3, structure	Gusinoozersk SDPP (FPS 100%), Kostroma SDPP (FPS 51%), Pechora SDPP (FPS 51%), Kharanorsk SDPP (FPS 100%), Cherepetsk SDPP (FPS 55,79%), <i>Yu-Urals SDPP (Chelyabenergo 49%)</i>					
	Transition to unified shares	01.10.2004	23.11.2004	31.01.2005	30.09.2005*	31.12.2005*	31.03.2006*
4.	WGC-4, structure	Berezovsk SDPP-1 (FPS 100%+ share in the construction of 3rd block), <i>Smolensk SDPP (Smolenskenergo 48, 68%), Shatursk SDPP-5 (Mosenergo 50,87%), Yayva SDPP (Permenergo 49%), Surgut SDPP-2 (Tyumenenergo 100%)</i>					
	Transition to unified shares	26.11.2004	04.03.2005	01.07.2005	31.03.2006*	31.08.2006*	31.10.2006*
5.	WGC-5, structure	Konakovo SDPP (FPS 51%), Nevinnomyssk SDPP (FPS 100%), Reftino SDPP (leased from RAO UESR), M-Urals SDPP (leased from RAO UESR)					
	Transition to unified shares	03.09.2004	27.10.2004	—	30.09.2005*	30.09.2005*	31.01.2006*
6.	WGC-6, structure	Kirishi SDPP (FPS 100%), Krasnoyarsk SDPP-2 (FPS 100%), Novochoerkassk SDPP (FPS 100%), Ryazan SDPP (FPS 100%), <i>SDPP-24 (Mosenergo 50,87%), Cerepovtsy SDPP (Vologdaenergo 49%)</i>					
	Transition to unified shares	24.12.2004	17.03.2005	01.04.2005	28.04.2006*	30.09.2006*	30.11.2006*
7.	Hydro WGC, structure	Volga HEPP town of Zhigulevsk (FPS 84,11%), Botkinsk HEPP (FPS 59,84%), Kama HEPP (FPS 100%), Upper Volga Cascade HEPP (FPS 100%), Nizhni Novgorod HEPP (FPS, RAO affiliate), Saratov HEPP (FPS, RAO affiliate), Boguchansk HEPP (FPS 64,23%+ share in the construction of 1st block), Zeysk HEPP (FPS 56,39%), Sayan-Shyshenskoye HEPP (FPS 78,91%), Zaramagsk HEPPs (FPS 86, 83%), Zelenchuki HEPPs (FPS 97,29%), Irganay HEPP (FPS 50,9% + share in the construction of 2nd block), Kabbalk HEPP (FPS 66,41%), Bureysk HEPP (FPS 64,71%+ share in the construction of 1st block), Bureysk HEPP (FPS 64,71%+ share in the construction of 1st block), Novosibirsk HEPP (leased from RAO UESR), <i>Cheboksary HEPP (Chuvashenergo 100%), Zagorsk HEPP (Mosenergo 50,87), HEPP Stavropolenergo 55,13%, HEPP Dagenergo 51%, HEPP Kabbalkenergo 66,41%, HEPP Kar-Cherenergo 100%, HEPP Sevkavkazenergo 49%, HEPP Stavropolenergo 55,13</i>					
	Transition to unified shares	24.12.2004	26.12.2004	—	30.11.2005*	30.11.2006*	

1) Dates of the establishment of WGC-3 and WGC-5 have been put off (scheduled date of date transition to unified shares: June 2005) due to rescheduling of dates of completion of appraisal measures for the purpose of transition to unified shares (as of 31.05.2005. The Appraisal Committee under the RAO UESR Board of Directors did not approved "The Outlook for Prices and Volume in the Wholesale Market until 2020" developed by NERA company.

* Deadline - not later than the indicated date.

Color marked are regional generation companies to be split-off from the AO-energos being restructured.



ESTABLISHMENT OF WGC-3 AND WGC-5 IN TERMS OF A TRANSFER TO A SINGLE SHARE AND ESTABLISHMENT OF UNIFIED OPERATING COMPANIES

In pursuance of the decisions of 26.09.2003 and 27.05.2005 by the RAO UESR Board of Directors, the following consortiums of appraisal companies accredited by RAO UES of Russia were invited to assess the market value of shares of AO-Plants and WGCs:

- for WGC-3: a consortium comprising Russian Appraisal, EXPERT Consulting group;
- for WGC-5: a consortium comprising Pacholi. Audit Company, Co-invest, and Professional Appraisal Center.

Based on a competitive selection, the following consortiums of investment banks were chosen for determining share exchange/conversion coefficients that would be fair for shareholders (with due account for the appraisal of shares of AO-Plants and WGCs):

- for WGC-3: United Financial Group, Deutsche Bank;
- for WGC-5: Alfa-Bank - Merrill Lynch International.

The appraisal was completed on the basis of the Methodology and instruction for appraising the business or assets of RAO UES of Russia and subsidiaries and affiliates of RAO UES of Russia developed by Deloitte and Touche. The appraisal reports prepared by the consortium of appraisers were approved by the Appraisal Committee under the RAO UESR Board of Directors.

Completion of measures toward a transfer of WGC companies to a single share:

- WGC-3 - 4Q05
- WGC-5 - 3Q05
- WGC-3 - 1Q06
- WGC-5 - 1Q06

Restructuring in terms of a merger of AO-Plants to WGCs:

RESULTS OF APPRAISAL OF MARKET VALUE OF SHARES AND SHARE EXCHANGE/CONVERSION COEFFICIENTS

Appraisal object	Range of market value of 1 share, RUR (as per the appraisal conclusion)	Share exchange/conversion coefficients, for 1 WGC (based on recommendations of investment banks)
For WGC-3		
Ordinary shares of Kostroma SDPP	6,31 to 6,32	0,164781
Ordinary shares of Pechora SDPP	3,57 to 3,59	0,290781
Ordinary shares of Cherepetsk SDPP	4 081 to 4 183	0,000252
Ordinary shares of Kharanorsk SDPP	505 to 512	0,002047
Ordinary shares of Gusinoozersk SDPP	3 215 to 3 312	0,000319
Ordinary shares of South Ural SDPP	0,3761 to 0,3796	2,755713
Privileged shares of South Ural SDPP	0,3764	2,755713
Ordinary shares of WGC-3	1,04 to 1,05	—
For WGC-5		
Ordinary shares of Konakovo SDPP	19,02 to 19,21	0,05263
Ordinary shares of Nevinnomysk SDPP	67,28 to 72,70	0,01449
Ordinary shares of WGC-5	0,98 to 1,04	—



ESTABLISHMENT OF TERRITORIAL GENERATION COMPANIES (TGCS)

KEY EVENTS FEBRUARY 2005

February 1. TGC-14 - start of the company's operating activities.

February 10. TGC-9 - Boards of Directors of Permenergo and Sverdlovenergo arranged for 28.03.2005 a general meeting of AO-Energo shareholders to approve the contract of lease of AO-Energo generation facilities to the territorial generation company.

February 25. The Board of Directors of RAO UES of Russia approved projects for the establishment of **TGC-2, TGC-4, and TGC-6.**

February 25. TGC-14 - Boards of Directors of Buryatenergo and Chitaenergo approved a short-term contract of lease of AO-Energo generation facilities to the territorial generation company.

MARCH 2005

March 22. The state registration of **TGC-5 and TGC-8.**

March 25. The state registration of **TGC-1.**

March 25. TGC-9 - General meeting of shareholders of Permenergo and Sverdlovenergo convened to approve the contract of lease of the AO-Energo generation facilities to the territorial generation company.

March 25. The Board of Directors of the RAO UES of Russia approved participation of the **Company in Norilsk-Taimyr Energy Company** in conjunction with MMC Norilsk Nickel.

March 30. The state registration of **TGC-10.**

APRIL 2005

April 1. The state registration of **TGC-9.**

April 19. The state registration of **TGC-2.**

April 20. The state registration of **TGC-4.**

April 27. The state registration of **TGC-5.**

MAY 2005

May 23. Extraordinary General Meeting of **TGC-1** approved leasing contracts between **Lenenergo, Karelenenergogeneration, and TGC-1.**

May 27. The RAO UESR Board of Directors decided to complete the establishment of **TGC-8 and TGC-9** by means of their reorganization based on merging them with established regional generation companies included into the structure of these TGCs.



JUNE 2005

June 24. A meeting of the RAO UESR Board of Directors approved the configuration for **TGC-11 and TGC-12**.

June 27. An Extraordinary General Meeting of **Lenenergo** approved the property leasing contract between **Lenenergo and TGC-1**.

June 28. The state registration of **TGC-13**.

June 29. Extraordinary General Meetings of **Vyatka Heat Power Company, Mari Regional Generation Company, and Udmurtian Territorial Generation Company** approved the property leasing contract with **TGC-5**.

June 29. Extraordinary General Meetings of **Bryansk Generation Company, Kursk Generation Company, Lipetsk Generation Company, Orel Generation Company, Ryazan Heat Supply Company, Smolensk Generation Company, Tambov Generation Company, and Priokskaya Territorial Generation Company** decided to transfer the power of one-man executive agencies of these companies to Management Company of **TGC-4**.

June 30. Extraordinary General Meetings of **Astrakhan Regional Generation Company, Volga Generation Company, Rostov Generation Company, and Stavropol Heat Generation Company** approved the property leasing contract with **TGC-8**.

CHRONOLOGY OF EVENTS

Approval of TGC Establishment Projects

January 24. The Board of Directors of the RAO UES of Russia approved TGC-2 and TGC-4 foundation projects.

February 25. The Board of Directors of the RAO UES of Russia approved TGC-2, TGC-4 and TGC-6 foundation projects regarding the lease model involving subsequent takeover of regional generation companies in the course of AO-Energo re-organization.

March 14. The Board of Directors of the RAO UES of Russia resolved to complete the formation of TGC-9 by re-organization through takeover of Perm Generation Company and Sverdlov Generation Company followed by incorporation of the shares of the generation company emerging from re-organization of AEK Komienergo in the TGC Authorized Capital.

March 21. The Board of Directors of the RAO UES of Russia approved the takeover model for TGC-8 merging with Astrakhan Regional Generation Company, Volga Generation Company (Volgogradenergo), Rostov Generation Company and generation companies founded in the process of re-organization of Dagenergo and Stavropolenergo.

March 25. The Board of Directors of the RAO UES of Russia approved the participation of the Company in Norilsk-Taimyr Energy Company (NTEC). Open Joint-Stock Company NTEC is founded by RAO UES of Russia and MMC Norilsk Nickel. Authorized capital of the company will be 1,000,000 RUR divided into 1,000 equity stocks to be paid for in cash within three months following the state registration of NTEC. The Board of Directors of the RAO UES of Russia approved the 10-years lease of the assets its 100% affiliate company Taimyrenergo out to NTEC. Assets of Norilskenergo, a company affiliated to MMC Norilsk Nickel, shall also be leased out to NTEC. Pursuant to decision of the Board of Directors, the share of RAO UES of Russia in the authorized capital of NTEC will be 49%, while MMC Norilsk Nickel will hold the 51% interest.



April 18. Chairman of the RAO UESR Management Board A. B. Chubais signed a decree on the establishment of TGC-2 and TGC-4.

April 19. The state registration of Territorial Generation Company No. 2 (TGC-2) with the Inspectorate of Federal Tax Service of Russia for Lenin District, Yaroslavl.

April 20. The state registration of Territorial Generation Company No. 4 (TGC-4) with the Inspectorate of Federal Tax Service of Russia for Tambov.

April 25. Chairman of the RAO UESR Management Board A. B. Chubais signed a decree on the establishment of TGC-6.

April 27. The state registration of Territorial Generation Company No. 6 (TGC-6) with the Inspectorate of Federal Tax Service of Russia for Kanavinsk District, Nizhni Novgorod.

May 27. The RAO UESR Board of Directors decided to complete the establishment of TGC-8 by means of its reorganization based on merging it with Astrakhan Regional Generation Company, Volga Generation Company, Rostov Generation Company, Dagestan Heat Generation Company, and Stavropol Heat Generation Company. The issue of including generating assets of Kubanenergo in TGC-8 will be addressed after determining its restructuring schedule.

May 27. The RAO UESR Board of Directors decided that it would be expedient to complete the establishment of TGC-9 by means of its reorganization based on merging it with Perm Generation Company and Sverdlovsk Generation Company Komienenergo, with subsequent contribution of shares of Komienenergo Generation Company to be split-off from AEK Komienenergo to pay for an additional issue of shares of TGC-9.

June 24. A meeting of the RAO UESR Board of Directors approved new configurations for TGC-11 and TGC-12.

■ TGC-11 is to be established on the basis of the generation assets of Tomskenergo and Omskenergo;

■ TGC-12 is to be established on the basis of the generation assets of Altaienergo and Kuzbassenergo (other than the generation facilities to be ringfenced).

TGC Establishment on a Lease Basis

TGC-1

February 28. The Board of Directors of RAO UES of Russia decided to appoint the following individuals to the position of general director: TGC-1 - A.N. Likhachev, TGC-4 - G.A. Kochetkov.

March 5. TGC-1 - The Board of Directors of Kolenergo and Karelenenergo resolved to prioritize the Companies' activities: to commence reform of the AO-Energo generation facilities by leasing the Company's generation assets out to the territorial generation company TGC-1.

March 14. TGC-1 - The Board of Directors of Lenenergo resolved to prioritize the Company's activities: to commence reform of the AO-Energo generation facilities by leasing the Company's generation assets out to territorial generation company TGC-1.

March 17. The meeting of the TGC-1 Founders. The Founders (Lenenergo, Karelenenergo, Kolenergo) resolved to found TGC-1 with Authorized Capital of 10,000,000 RUR. Participation of the Founders in the TGC-1 Authorized Capital is as follows: Lenenergo - 63%, Kolenergo - 25%, Karelenenergo - 12%. The meeting of founders approved the TGC-1 Articles of Association, elected the TGC-1 Director General (A.N. Likhachev), the Board of Directors and the Management Board.



March 25. The state registration of Territorial Generation Company No. 1 (TGC-1) with the Interregional Inspectorate of the Federal Tax Service of Russia for Saint Petersburg.

April 7. TGC-1 - First meeting of the Board of Directors of Territorial Generation Company No.1 (TGC-1).

■ Board of Directors of TGC-1 approved a decision and a report on the results of the issue of ordinary shares of TGC-1.

■ Board of Directors of Kolenergo determined the lease price for the property to be leased to TGC-1, as well as approved the property lease contract between Kolenergo and TGC-1.

■ Board of Directors of Lenenergo assigned United Financial Group to analyze and report on the amount of lease payment for the property of Lenenergo to be leased to TGC-1; and decided to hold an in-absentia meeting of the Board of Directors to address the issue of the amount of lease payment and that of convening an extraordinary general meeting.

April 29. Board of Directors of Lenenergo scheduled a general meeting of stockholders for June 27, 2005, to address the issue of approval of the lease contract with regard to the property to be handed over to TGC-1.

May 5. The Board of Directors of TGC-1 determined the lease value of property of Lenenergo and Karelennergogeneration to be leased to TGC-1, and suggested that the general meeting of shareholders of the Company approve entering into leasing contracts between Lenenergo, Karelennergogeneration, and TGC-1 with the period of validity expiring on 31.12.2005.

May 23. Extraordinary General Meeting of TGC-1 decided to approve leasing contracts between Lenenergo, Karelennergogeneration, and TGC-1 with the period of validity expiring on 31.12.2005.

June 27. An Extraordinary General Meeting of Lenenergo approved the property leasing contract between Lenenergo and TGC-1.

TGC-2

May 14. Boards of Directors of Arkhangelsk Generation Company, Kostroma Generation Company, Novgorod Generation Company, Tver Generation Company, and Yaroslavl Power Company decided to convene on 30.06.2005 an Extraordinary General Meeting to address the issue of approval of contracts with TGC-2.

TGC-5

May 14. Boards of Directors of Vyatka Heat Power Company, Mari Regional Generation Company, and Udmurtian Territorial Generation Company decided to convene on 29.06.2005 an Extraordinary General Meeting to address the issue of approval of contracts with TGC-5.

February 14. The Management Board of RAO UES of Russia decided to appoint V. A. Lebedev as a candidate for the position of Director General of TGC-5.

March 22. The state registration of Territorial Generation Company No. 5 (TGC-5) with the Inspectorate of Federal Tax Service of Russia for Lenin District, Cheboksary.

June 3. Boards of Directors of Vyatka Heat Power Company, Mari Regional Generation Company, and Udmurtian Territorial Generation Company determined the lease value of the property of these companies, and suggested that the general meetings of shareholders of these companies approve the Property Leasing Contract with TGC-5.



June 29. Extraordinary General Meetings of Vyatka Heat Power Company, Mari Regional Generation Company, and Udmurtian Territorial Generation Company approved the Property Leasing Contract with TGC-5.

TGC-6

February 14. The Management Board of RAO UES of Russia decided to appoint V. V. Privalov as a candidate for the position of Director General of TGC-6.

TGC-7

February 14. The Management Board of RAO UES of Russia decided to appoint V. V. Nikonov as a candidate for the position of Director General of TGC-7.

TGC-8

May 13. Boards of Directors of Astrakhan Regional Generation Company, Volga Generation Company, Dagestan Heat Generation Company, Rostov Generation Company and Stavropol Heat Generation Company decided to convene on 30.06.2005 an Extraordinary General Meeting to address the issue of approval of contracts with TGC-8.

March 22. The state registration of Territorial Generation Companies No. 8 (TGC-8) with the Inspectorate of Federal Tax Service of Russia for Kirov District, Astrakhan.

June 6. Boards of Directors of Astrakhan Regional Generation Company, Rostov Generation Company, and Stavropol Heat Generation Company determined the lease value of the property of these companies, and suggested that the general meetings of shareholders of these companies, scheduled for 30.06.2006, approve the Property Leasing Contract with TGC-8.

June 29. The Board of Directors of Dagestan Heat Generation Company approved the Property Leasing Contract TGC-8.

June 30. Extraordinary General Meetings of Astrakhan Regional Generation Company, Volga Generation Company, Rostov Generation Company, and Stavropol Heat Generation Company approved the Property Leasing Contract with TGC-8.

TGC-9

January 12. TGC-9 - RAO UES of Russia approved lists of property of Permenergo and Sverdlovennergo leased out to the territorial generation company.

February 10. TGC-9 - Boards of Directors of Permenergo and Sverdlovennergo resolved the issue of assessment of the market value of the transaction involving generation facilities lease and arranged for 28.03.2005 a general meeting of AO-Energo shareholders to approve the property lease contract between AO-Energo and the territorial generation company.

March 25. TGC-9 - Federal Anti-Monopoly Service approved the acquisition of fixed production-related assets of Permenergo and Sverdlovennergo in temporary possession and use by TGC-9.

March 28. TGC-9 - General Meeting of Shareholders of Permenergo and Sverdlovennergo approved the contract on the lease of the AO-Energo generation facilities to TGC-9.



April 1. TGC-9 started its operating activity.

April 29. Board of Directors of TGC-9 approved entering into a purchase and sale contract on floating capital, and determined the price of contracts between TGC-9 and Perm Generation Company, and between TGC-9 and Sverdlovsk Generation Company.

TGC-10

February 14. The Management Board of RAO UES of Russia decided to appoint A. V. Faustov as a candidate for the position of Director General of TGC-10.

March 30. The state registration of Territorial Generation Companies No. 10 (TGC-10) with the Inspectorate of Federal Tax Service of Russia for Traktorzavodsky District, Chelyabinsk.

TGC-13

June 24. Pursuant to the RAO UESR Resolution No. 142r, TGC-13 was established; Board of Directors and Director General for this Company were elected.

June 28. The state registration of Territorial Generation Companies No. 13 (TGC-13) with the Inspectorate of Federal Tax Service of Russia for Zheleznodorozhny District, Krasnoyarsk.

TGC-14

January 20. TGC-14 - RAO UES of Russia approved lists of property of Buryatenergo and Chitaenergo leased out to the territorial generation company.

January 31. TGC-14 - Federal Anti-Monopoly Service approved the acquisition of fixed production-related assets of Buryatenergo and Chitaenergo in temporary possession and use by TGC-14.

February 1. TGC-14 started its operating activities.

February 25. TGC-14 - The Board of Directors of Buryatenergo and Chitaenergo approved a short-term contract of lease of AO-Energo generation facilities to the territorial generation company.

March 23. The state registration of equities issued by TGC-14.

April 13. Boards of Directors of Buryatenergo and Chitaenergo scheduled for 30.05.2005 extraordinary general meetings to address the issue of approval of Additional Agreements for Generation Equipment Lease Contracts between these AO-Energos and TGC-14.

April 29. Boards of Directors of Buryatenergo and Chitaenergo approved an agenda for the extraordinary general meetings scheduled for 30.05.2005 to address the issue of approval of Additional Agreements for Generation Equipment Lease Contracts between these AO-Energos and TGC-14.

May 30. General Meetings of Buryatenergo and Chitaenergo decided to approve an Additional Agreement for the Leasing Contract (property lease) between these AO-Energos and TGC-14 operating company providing for an extension of the Leasing Contract until 31.12.2005.



TGC Establishment on a Takeover Basis

TGC-2

March 28. TGC-2 - the Boards of Directors of Kostroma Generation Company and Novgorodenergo resolved to commence the arrangements for interregional integration into territorial generation company TGC-2.

March 30. TGC-2 - the Boards of Directors of Tver Generation Company and Yaroslavl Energy Company resolved to commence the arrangements for interregional integration into territorial generation company TGC-2.

March 31. TGC-2 - the Board of Directors of Vologdaenergo resolved to to commence the arrangements for interregional integration into territorial generation company TGC-2.

April 29.

- Board of Directors of Arkhangelsk Generation Company decided on setting business priorities: the launch of implementation of measures related to the Company's interregional integration into TGC-2.
- Boards of Directors of Kostroma Generation Company, Novgorod Generation Company, Tver Generation Company, and Yaroslavl Power Company approved the composition of the Tender Committee and the Regulations for a competitive selection of a consortium for performing work related to restructuring of relevant Companies based on merging with TGC-2.

TGC-4

April 28-29. Boards of Directors of Bryansk Generation Company, Lipetsk Generation Company, Ryazan Heat Supply Company, Tambov Generation Company, and Priokskaya Territorial Generation Company (split-off of Tulenergo) decided to launch the implementation of measures related to the Company's interregional integration into TGC-4.

May 11. Boards of Directors of Voronezh Generation Company, Priokskaya Territorial Generation Company, and Tambov Generation Company decided on the terms and procedure for hiring a Consortium (including an investment bank and an appraiser) for performing work related to appraisal of the market value of shares of RGCs and TGC-4, as well as work toward determining coefficients for the conversion of RGC shares to shares of TGC-4 and/or coefficients for exchange of RGC shares for shares of TGC-4.

May 11. Boards of Directors of Bryansk Generation Company, Kursk Generation Company, and Ryazan Heat Supply Company, and Smolensk Generation Company decided on the terms and procedure for hiring a Consortium (including an investment bank and an appraiser) for performing work related to appraisal of the market value of shares of RGCs and TGC-4, as well as work toward determining coefficients for the conversion of RGC shares to shares of TGC-4 and/or coefficients for exchange of RGC shares for shares of TGC-4.

May 11. Boards of Directors of Bryansk Generation Company, Kursk Generation Company, Lipetsk Generation Company, Orel Generation Company, Ryazan Heat Supply Company, Smolensk Generation Company, Tambov Generation Company, and Priokskaya Territorial Generation Company decided to convene on 29.06.2005 an Extraordinary General Meeting to address the issue of approval of contracts with TGC-4.

May 11. Board of Directors of Voronezh Generation Company decided to convene on 11.07.2005 an Extraordinary General Meeting to address the issue of approval of contracts with TGC-4.



May 13. Board of Directors of Lipetsk Generation Company decided on the terms and procedure for hiring a Consortium (including an investment bank and an appraiser) for performing work related to appraisal of the market value of shares of the RGC and TGC-4, as well as work toward determining coefficients for the conversion of RGC shares to shares of TGC-4 and/or coefficients for exchange of RGC shares for shares of TGC-4.

May 13. Board of Directors of Lipetsk Generation Company decided to convene on 29.06.2005 an Extraordinary General Meeting to address the issue of approval of contracts with TGC-4.

May 14. Board of Directors of Orel Generation Company decided on the terms and procedure for hiring a Consortium (including an investment bank and an appraiser) for performing work related to appraisal of the market value of shares of the RGC and TGC-4, as well as work toward determining coefficients for the conversion of RGC shares to shares of TGC-4 and/or coefficients for exchange of RGC shares for shares of TGC-4.

May 16. Board of Directors of Kaluga Generation Company decided on the terms and procedure for hiring a Consortium (including an investment bank and an appraiser) for performing work related to appraisal of the market value of shares of the RGC and TGC-4, as well as work toward determining coefficients for the conversion of RGC shares to shares of TGC-4 and/or coefficients for exchange of RGC shares for shares of TGC-4.

May 16. Board of Directors of Kaluga Generation Company decided to convene on 11.07.2005 an Extraordinary General Meeting to address the issue of approval of contracts with TGC-4.

June 2. Boards of Directors meetings of Bryansk Generation Company, Kursk Generation Company, Lipetsk Generation Company, Orel Generation Company, Ryazan Heat Supply Company, Smolensk Generation Company, Tambov Generation Company, and Priokskaya Territorial Generation Company resolved to address, at the General Meeting scheduled for 29.06.2005, the issue of a transfer of power of one-man executive agencies of these companies to Management Company of TGC-4.

June 2. The Board of Directors meeting of Voronezh Generation Company approved a decision to address, at the General Meeting scheduled for 11.07.2005, the issue of a transfer of power of one-man executive agencies of this company to Management Company of TGC-4.

June 3. The Board of Directors meeting of Kaluga Generation Company approved a decision to address, at the General Meeting scheduled for 11.07.2005, an additional issue of a transfer of power of one-man executive agencies of this company to Management Company of TGC-4.

June 29. Extraordinary General Meetings of Bryansk Generation Company, Kursk Generation Company, Lipetsk Generation Company, Orel Generation Company, Ryazan Heat Supply Company, Smolensk Generation Company, Tambov Generation Company, and Priokskaya Territorial Generation Company decided to transfer power of one-man executive agencies of these companies to Management Company of TGC-4.

TGC-5:

March 3-4. TGC-5 - the Boards of Directors of Kirovenergo, Mari Generation Company, Udmurtian Generation Company, Chuvashia Generation Company resolved to prioritize their activities: to commence the arrangements for interregional integration into territorial generation company TGC-5.



April 29. Boards of Directors of Mari Regional Generation Company, Udmurtian Territorial Generation Company, and Chuvashi Generation Company approved the composition of the Tender Committee and the Regulations for a competitive selection of a consortium for performing work related to restructuring of relevant Companies based on merging with TGC-5.

May 6. Board of Directors of Vyatka Generation Company decided on the terms and procedure for hiring a Consortium (including an investment bank and an appraiser) for performing work related to appraisal of the market value of shares of the RGC and TGC-5, as well as work toward determining coefficients for the conversion of RGC shares to shares of TGC-5 and/or coefficients for exchange of RGC shares for shares of TGC-5.

TGC-6

April 1-12. Boards of Directors of Mordovian Generation Company, Nizhni Novgorod Generation Company, Vladimir Generation Company, Penza Generation Company, and Ivanovo Generation Company decided on setting business priorities: the hand-over of the Company's property to Territorial Generation Company TGC-6.

April 14-15. Boards of Directors of Nizhni Novgorod Generation Company, Vladimir Generation Company, Ivanovo Generation Company, Mordovian Generation Company, Penza Generation Company approved the composition of the Tender Committee and the Regulations for a competitive selection of a consortium for performing work related to restructuring of relevant Companies based on merging with TGC-6.

April 20. The meeting of Penza Generation Company's Tender Committee (on selecting a consortium for performing work related to restructuring of the Company based on merging with TGC-6) approved a technical assignment and scheduled for 03.05.2005 a meeting on summing up the results of the competitive selection.

June. Boards of Directors meetings of regional generation companies under TGC-6 were held to approve Consortiums for appraising the market value of shares of RGCs and TGC, as well as work toward determining coefficients for the conversion of RGC shares to shares of TGC and/or coefficients for exchange of RGC shares for shares of TGC.

June 17. Board of Directors of Penza Generation Company approved a consortium comprising an appraisal organization and an investment bank - Alfa-Bank, Moscow.

June 27. Board of Directors of Vladimir Generation Company approved a consortium comprising an appraisal organization and an investment bank - Alfa-Bank, Moscow.

June 28. Boards of Directors of Ivanovo Generation Company, Mordovian Generation Company, and Nizhni Novgorod Generation Company approved a consortium comprising an appraisal organization and an investment bank - Alfa-Bank, Moscow.

TGC-8

March 25. TGC-8 - the Boards of Directors of Astrakhan Regional Generation Company, Volga GC (Volgogradenergo), Rostov Generation Company, and Stavropolenergo resolved to prioritize their activities: to commence the arrangements for interregional integration into territorial generation company TGC-8.



March 31. TGC-8 - the Board of Directors of Dagenergo resolved to prioritize the Company's activities: to commence the arrangements for interregional integration into territorial generation company TGC-8.

May 13, 2005. Boards of Directors of Astrakhan Regional Generation Company, Volga Generation Company, Dagestan Heat Generation Company, Rostov Generation Company and Stavropol Heat Generation Company decided on the terms and procedure for hiring a Consortium (including an investment bank and an appraiser) for performing work related to appraisal of the market value of shares of RGCs and TGC-8, as well as work toward determining coefficients for the conversion of RGC shares to shares of TGC-8 and/or coefficients for exchange of RGC shares for shares of TGC-8.

PLANS FOR 2005

Approval of TGC Establishment Projects

July. A meeting of the RAO UESR Board of Directors is scheduled to consider projects for the establishment of TGC-11 and TGC-12.

TGC Establishment on a Lease Basis

July. It is planned to launch operating activity of TGC-5 and TGC-8

TGC Establishment on a Takeover Basis

July. It is scheduled to hold Boards of Directors of the regional generation companies included in the structures of TGC-2, 4, 5, 8, and 9 to approve attracted candidatures of Consortiums for performing work related to appraisal of the market value of shares of RGCs and TGCs, as well as work toward determining coefficients for the conversion of RGC shares to shares of TGCs and/or coefficients for exchange of RGC shares for shares of TGCs.

July 11. It is scheduled to hold Extraordinary General Meetings of Voronezh Generation Company and Kaluga Generation Company to decide on a transfer power of one-man executive agencies of these companies to Management Company of TGC-4.

IMPLEMENTATION OF TGC ESTABLISHMENT PROJECTS AS OF 30.06.2005

TOTAL number of Territorial Generation Companies (TGCs) to be established		14
Establishment model DETERMINED by the RAO UESR Board of Directors		12
Establishment model NOT YET DETERMINED by the RAO UESR Board of Directors		2 (TGC-11, 12)
including those of approved projects:		
I	COMPLETED TGC state registration	11 (TGC-1, 2, 3, 4, 5, 6, 8, 9, 10, 13, 14)
II	LAUNCH of operational activity	2 (TGC-9, 14)
III	LAUNCH of a merger of regional generation companies (RGCs) with TGCs	6 (TGC-2, 4, 5, 6, 8, 9)
IV	HELD General Meetings of RGCs to address restructuring in terms of a merger with TGCO	
V	HELD Joint General Meetings of company to be restructured to address restructuring-based alterations and adjustments in TGC Articles of Association	0
VI	HELD General Meetings of RGCs to address restructuring in terms of a merger with TGCO	



TGC ESTABLISHMENT SCHEDULE AS OF 30.06.2005

TGC	AO-Energo Split-off		Lease/Co-establishment		Takeover of RGC by TGC/ Establishment of the Holding Company		
	AO-Energo/RGC	State registration of RGC	State registration of TGC	HStart of operational activities	Takeover beginning	Takeover completion (Registration on the Uniform State Register of Legal Entities)	
TTK-1	Kareloenergogeneratsiya	01.01.2005					
	Kolenergo	01.10.2005					
	Lenenergo	01.10.2005	25.03.2005 (complete)	01.10.2005	01.10.2005	01.11.2006	
TTK-2	Arkhenrgo Generation Company	01.04.2005					
	Vologdaenergo (NEMC)	01.10.2005					
	Kostroma Generation Company	01.01.2005					
	Novgorod Generation Company	01.04.2005					
	Tver Generation Company	11.01.2005					
Yaroslavl Generation Company	11.01.2005		19.04.2005 (complete)	to be determined	01.04.2005 (complete)	01.06.2006	
TTK-3	Mosenergo	01.04.2005	01.04.2005 (вып.)	-	-	-	
TTK-4	Bryansk Generation Company	01.10.2004					
	Voronezh Generation Company	31.08.2004					
	Kaluga Generation Company	01.04.2004					
	Kursk Generation Company	01.02.2005					
	Lipetsk Generation Company	11.01.2005					
	Orel Generation Company	01.04.2005					
	Ryazan Heat Supply Company	11.01.2005					
	Smolensk Generation Company	01.02.2005					
	Tambov Generation Company	11.01.2005					
	Heat and Power Company (Belgorodenergo)	01.10.2004					
	Priokskaya Territorial Generation Company (Tulenergo)	01.04.2005		20.04.2005 (complete)	not based on the lease model	01.04.2005 (complete)	01.07.2006
	TTK-5	Vyatka Power Heat Company (Kirovenergo)	01.05.2005				
		Mari Regional Generation Company	01.01.2005				
Udmurtia Territorial Generation Company		01.01.2005					
TTK-6	Chuvashia Generation Company	01.01.2005					
	Vladimir Generation Company	01.01.2005					
	Ivanovo Generation Company	01.01.2005					
TTK-7	Mordovia Generation Company	01.02.2005					
	Nizhni Novgorod Generation Company	01.02.2005					
	Penza Generation Company	01.01.2005					
	Orenburgenergo	01.07.2005					
TTK-8	Samaraenergo (MVIMEC)	01.04.2006					
	Saratovenergo (MVIMEC)	01.04.2006					
	Ulyanovskenergo (MVIMEC)	01.04.2006					
TTK-9	Astrakhan Regional Generation Company	11.01.2005					
	Volzhskaya Generation Company (Vologradenergo)	01.01.2005					
	Dagestan Heat Generation Company	03.05.2005					
	Kubanenergo	01.07.2006					
	Rostov Generation Company	11.01.2005					
	Stavropol Heat Generation Company	01.04.2005					
TTK-10	Komienergo	01.07.2006					
	Perm Generation Company	01.04.2005					
	Sverdlovsk Generation Company	01.04.2005					
TTK-11	Kurganenergo	01.04.2006					
	Tyumenenergo	01.07.2005					
	Chelyabinsk Generation Company	01.02.2005					
TTK-12	Omskenergo	01.08.2005					
	Tomskenergo	01.04.2005					
TTK-13	Altaienergo	project not yet approved					
	Kuzbassenergo	01.07.2006					
	Krasnoyarskenergo	01.10.2005					
TTK-14	Tyvaenergo	project not yet approved					
	Khakasenergo	01.07.2005					
	Byryatenergo	01.01.2006					
	Chitaenergo	01.04.2006					



TGC ESTABLISHMENT KEY EVENTS (INDICATIVE)

No	Ref. TGC	TGC State Registration	Operating Activities Start	Acquisition of Regional generation Companies (GRC) and TGC - Start	RGC General Meeting - Re-Organization through Merging with TGC	Joint General Meeting of the Re-Organized Companies & Introduction of Amendments in TGC Articles of Association	Completion of Merger (entry in the Uniform State Register of Legal Entities)	Remarks
1.	TGC-1	25.03.2005	01.10.2005	01.10.2005	24.06.2006	10.09.2006	01.11.2006	
2.	TGC-2	19.04.2005	To be determined	01.04.2005	05.02.2006	25.04.2006	01.06.2006	
3.	TGC-3	01.04.2005	—	—	—	—	—	To be established upon Mosenergo split-off
4.	TGC-4	20.04.2005	not based on the lease model	01.04.2005	10.12.2005	03.03.2006	01.07.2006	
5.	TGC-5	22.03.2005	01.07.2005	01.05.2005	12.01.2006	31.03.2006	01.06.2006	
6.	TGC-6	27.04.2005	not based on the lease model	01.04.2005	24.12.2005	04.04.2006	01.07.2006	
7.	TGC-7	01.08.2005	01.01.2006	01.04.2006	21.12.2006	06.03.2007	01.05.2007	State Registration of Volga Territorial Generation Company founded by Samaraenergo, Saratovenergo, and Ulyanovskenergo
8.	TGC-8	22.03.2005	01.07.2005	03.05.2005	10.02.2006	28.04.2006	01.06.2006	Kubanenergo generation facilities excluded
9.	TGC-9	09.12.2004	01.04.2005	01.04.2005	12.01.2006	31.03.2006	01.05.2006	Komienergo generation facilities excluded
10.	TGC-10	30.03.2005	not based on the lease model	01.04.2006	21.12.2006	06.03.2007	01.05.2007	
11.	TGC-11	октябрь 2005	—	—	—	—	—	Establishment model not approved by the RAO UESR Board of Directors
12.	TGC-12	октябрь 2005	—	—	—	—	—	Establishment model not approved by the RAO UESR Board of Directors
13.	TGC-13	28.06.2005	not based on the lease model	01.10.2005	24.06.2006	10.09.2006	01.11.2006	Tyvaenergo generation facilities excluded
14.	TGC-14	07.12.2004	01.02.2005	01.04.2006	22.12.2006	06.03.2007	01.05.2007	



SPLIT-OFF OF UNPG (UNIFIED NATIONAL POWER GRID) FACILITIES

KEY EVENTS **APRIL 2005**

April 1. The state registration of Trunk Grid Company split-off of *Mosenergo*.

April 1. The state registration of Belgorod Trunk Grid Company split-off of *Belgorodenergo*.

CHRONOLOGY OF EVENTS

February 25. The Board of Directors of RAO UES of Russia adopted the decision on amending the split-off schedule for UNPG (Unified National Power Grid) facilities (AO-energос).

The Board of Directors canceled Clauses 2.1 and 2.2 of its decision dated August 15, 2002 on the bundling procedure and order of establishment of interregional grid companies on the basis of AO-energo trunk grids and approved the new split-off procedure for UNPG facilities being the part of A)-energос.

The new procedure shall be as follows:

- Split-off of a Trunk Grid Company (TGC) in the course of AO-energo restructuring;
- In accordance with the separation balance sheet, handing over to TGC of AO-energo electric grid complex belonging to UNPG and monetary funds required for reimbursement of expenses;
- Since 2006 - transfer of UNPG facilities belonging to TGC for use by UES Federal Grid Company (UES FGC) along with establishment of corresponding transfer tariffs, and for 2005 - for use by ITGC Center;
- Entering of TGC stocks belonging to RAO UESR created at the restructuring of AO-energос (amounting to 100% minus 1 stock for the wholly owned subsidiaries of RAO UESR) into the registered capital of FGC UES;
- Annexing of all TGCs in the course of their separation from AO-energос to the unified ITGC (Interregional Trunk Grid Company), along with simultaneous annexing of the six newly established ITGC.

March 31. Completed state registration of Tomsk Trunk Grids separated from Tomskenergo.



REGISTRATION SCHEDULE FOR TRUNK GRID COMPANIES

	2004 Total	Q1	Q2	2005 Q3	Q4	Q1	Q2	2006 Q3	Q4
over current period	1		3	34	4	1	2	3	
accumulative result	1		4	38	42	43	45	48*	

* Excluding Altaienergo, Kalmenergo, Komienergo, Kubanenergo, Kuzbassenergo, Samaraenergo, Saratovenergo, Sevkavkazenergo, Tyvaenergo, Ulyanovskenergo, for which no Trunk GC split-off schedule has been determined yet

DATES OF STATE REGISTRATION OF TRUNK GRID COMPANIES

No. of AO-energo/TGC	Timeframe (not later) Date of state registration of TGC	No. of AO-energo/TGC	Timeframe (not later) Date of state registration of TGC
1. Kaluga Trunk Grid Company	01.04.2005	25. Ryazan Trunk Grids	01.08.2005
2. Tomsk Trunk Grids	01.04.2005	26. Sverdlovsk Trunk Grids	01.08.2005
3. Belgorod Trunk Grid Company	01.04.2005	27. Smolensk Trunk Power Grids	01.08.2005
4. Trunk Grid Company (Mosenergo)	01.04.2005	28. Tambov Trunk Grid Company	01.08.2005
5. Arkhangelsk Trunk Grid Company	01.07.2005	29. Tver Trunk Grids	01.08.2005
6. Astrakhan Trunk Grids	01.08.2005	30. Tula Trunk Grid Company	01.08.2005
7. Bryansk Trunk Grid Company	01.08.2005	31. Udmurtian Trunk Grids	01.08.2005
8. Vladimir Trunk Power Grids	01.08.2005	32. Chelyabinsk Trunk Power Grids	01.08.2005
9. Volgograd Trunk Power Grids	01.08.2005	33. Chuvashi Trunk Grids	01.08.2005
10. Voronezh Trunk Grid Company	01.08.2005	34. Yaroslavl Trunk Grids	01.08.2005
11. Dagestan Trunk Power Grids	01.08.2005	35. Omskenergo	01.08.2005
12. Ivanovo Trunk Power Grids	01.08.2005	36. Orenburgenergo (100% affiliate)	01.08.2005
13. Karelian Trunk Grids	01.08.2005	37. Tyumenenergo (100% affiliate)	01.08.2005
14. Kirov Trunk Power Grids	01.08.2005	38. Khakasenergo (100%)	01.07.2005
15. Kostroma Trunk Grids	01.08.2005	39. Buryatenergo	01.01.2006
16. Kursk Trunk Grids	01.08.2005	40. Vologdaenergo (MVIMEC)	01.10.2005
17. Lipetsk Trunk Grids	01.08.2005	41. Kolenergo	01.10.2005
18. Rostovenergo Trunk Grid Company	01.08.2005	42. Lenenergo	01.10.2005
19. Mari Trunk Grids	01.08.2005	43. Krasnoyarskenergo	01.10.2005
20. Mordovian Trunk Grid Company	01.08.2005	44. Chitaenergo	01.04.2006
21. Nizhni Novgorod Trunk Grid Company	01.08.2005	45. Kurganenergo	01.04.2006
22. Orel Trunk Grid Company	01.08.2005	46. Komi Republic Trunk Power Grid	01.07.2006
23. Penza Trunk Grid Company	01.08.2005	47. Kuban Trunk Grid Company	01.07.2006
24. Perm Trunk Grid Company	01.08.2005	48. Kuzbassenergo Trunk Power Grid	01.07.2006



ESTABLISHMENT OF IDGCS (INTERREGIONAL DISTRIBUTION GRID COMPANIES)

KEY EVENTS FEBRUARY 2005

February 28. The state registration of Ural and Volga Interregional Distribution Grid Company (IDGC Ural and Volga).

APRIL 2005

April 13, 2005. The RAO UESR Management Board approved the following composition of IDGCs in accordance with the configuration of Interregional Distribution Grid Companies approved by the RAO UESR Board of Directors:

■ § Interregional Distribution Grid Company Centre and Northern Caucasia

↓ *IDGC-1 as part of Unified Energy Systems of the Central Region and UES of Northern Caucasia)*

Kalugaenergo	Kostromaenergo
Rostovenergo	Stavropolenergo
Voronezhenergo	Tambovenergo
Kurskenergo	Vologdaenergo
Bryanskenergo	Tverenergo
Dagenergo	Kubanenergo
Smolenskenergo	Yarenergo
Nizhnovenergo	Kalmenergo
Power Grid Company (split-off of Belgorodenergo)	Astrakhanenergo
Oreleenergo	Sevkavkazenergo
Moscow City Power Grid Company	Volgogradenergo
Moscow Region Power Grid Company	Ingushenergo
Vladimirenergo	Lipetskenergo
Ivenergo	Kabbalenergo
Tulenergo	Ryazanenergo
	Karachai-Cherkessenergo

■ § Interregional Distribution Grid Company North-West

↓ *IDGC-2 as part of UES of North-West*

Pskovenergo	Kolenergo
Lenenergo	Arkhenenergo
Karelenergo	Novgorodenergo

■ § Interregional Distribution Grid Company Ural and Volga

↓ *IDGC-3 as part of UES of Ural and UES of Mid-Volga*

Marienergo	Udmurtenergo
Sverdlovenergo	Samaraenergo
Penzaenergo	Mordovenergo
Tyumenenergo	Saratovenergo
Kirovenergo	Permenergo
Kurganenergo	Ulyanovskenergo
Chuvashenergo	Chelyabenergo
Orenburgenergo	

■ § Interregional Distribution Grid Company Siberia

↓ *IDGC-4 as part of UES of Siberia*

Tomsk Distribution Company (split-off of Tomskenergo)	Altaienergo
Chitaenergo	Khakasenergo
Krasnoyarskenergo	Kuzbassenergo
Omskenergo	Buryatenergo
	Tyvaenergo



MAY 2005

Boards of Directors Interregional Distribution Grid Companies (IDGCs) approved candidature of appraisal companies/consortiums for performing work toward appraising the market value of one ordinary share within a 100% IDGC block of shares, as well as one ordinary share and one privileged share of companies whose shares will be used for paying for an additional issue of IDGC shares and for purchasing from minority shareholders, including:

May 10. The Board of Directors of IDGC Ural and Volga approved a Consortium that includes Ernst & Young, International Appraisal Center, and NP Consult;

May 12. The Board of Directors of IDGC North-West approved a Consortium that includes Ernst & Young, International Appraisal Center, and NP Consult;

May 18. Board of Directors of IDGC Centre and Northern Caucasia approved a Consortium that includes Top-Audit, Deloitte & Touche CIS, and Professional Appraisal Center.



IDGC ESTABLISHMENT SCHEDULE

No AO-Energo	2004												2005				2006								
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4									
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	
IDGC Volga and Ural																									
1. MariEnergo																									
2. Penzaenergo																									
3. Kirovenergo																									
4. Chuvashenergo (100)																									
5. Udmurtenergo																									
6. Mordovenergo																									
7. Chelyabenergo																									
8. Permenergo																									
9. Sverdlovennergo																									
10. Tyumenenergo (100)																									
11. Samaraenergo																									
12. Saratovenergo																									
13. Ulyanovskenergo																									
14. Orenburgenergo (100)																									
15. Kurganenergo																									
IDGC North-West																									
1. Pskovenergo																									
2. Karelienergo (100)																									
3. Arkhenergo																									
4. Novgorodenergo																									
5. Lenenergo																									
6. Kolenergo																									
IDGC Siberia																									
1. Tomskenergo																									
2. Omskenergo																									
3. Khakasenergo (100)																									
4. Buryatenergo																									
5. Chitaenergo																									
6. Krasnoyarskenergo																									
7. Altaienergo																									
8. Kuzbassenergo																									
9. Tyvaenergo																									

✗ Not included in the second issue

✓ AO-Energo split-up completion - the date of Interregional Trunk GC shares acceptance onto DGC balance sheet

g.r. Split-up completion date (TGC excluded)

idnc date of registration of DGC shares as payment for the second issue of IDGC shares

RESTRUCTURING OF AO-ENERGO COMPANIES IN TERMS OF UNBUNDLING BY ACTIVITY TYPE

KEY EVENTS **JANUARY 2005**

January 17. Buryatenergo - It was decided at the General Meeting of AO-Energo shareholders to reorganize the Company by unbundling into *Buryatgeneratsiya, Buryatenergosbyt, Buryatia Trunk Power Grids, and Buryatia Management Company*.

FEBRUARY 2005

February 22. Khakasenergo (wholly-owned subsidiary of RAO UES of Russia) - It was decided at the General Meeting of AO-Energo shareholders (Board of Directors of RAO UES of Russia) to reorganize the Company by unbundling into *Khakas Generation Company, Khakas Energy Management Company, Khakasenergosbyt, and Khakas Trunk Grid Company*.

February 23. Orenburgenergo (wholly-owned subsidiary of RAO UES of Russia) - It was decided at the General Meeting of AO-energo shareholders (Board of Directors of RAO UES of Russia) to reorganize the Company by unbundling into *Orenburg Heat Generation Company, Irlinsk SDPP, Orenburgenergosbyt, and Orenburg Trunk Power Grids*

February 25. Board of Directors of RAO UES of Russia approved reform projects of:

- **Kurganenergo** - in accordance with the basic reform model, by unbundling *Kurgan Generation Company, Kurgan Power Sales Company, and Kurgan Trunk Grid Company*;
- **Kalmenergo** - in accordance with the non-basic reform model, by establishing *Kalmenergosbyt - a wholly-owned subsidiary of RAO UES of Russia*.

MARCH 2005

March 5. Tyumenenergo (wholly-owned subsidiary of RAO UES of Russia) - It was decided at the General Meeting of AO-energo Shareholders (Board of Directors of RAO UES of Russia) to reorganize the Company by unbundling into *Surgut SDPP-1, Surgut SDPP-2, Nizhneartovsk SDPP, Urengoy SDPP, Tyumen Trunk Grid Company, Tyumen Regional Generation Company, and Tyumen Power Sales Company*.

March 23. Board of Directors of RAO UES of Russia:

- Approved the project of reorganization and restructuring of *Ingushenergo, Kabbalkenergo, Karachayevo-Cherkessenergo, and Sevkvkazenergo* managed by *Caucasus Energy Management Company*;
- Approved the project of restructuring of *Kamchatskenergo* envisaging establishment of wholly-owned subsidiaries of the Company, including: *Kamchatka HPPs, Central Power Grids, Kamchatka South Power Grids, Pauzhetsk Geothermal Power Plant, Automobile Operating Company, and Kamchatka Heat Transporting Company*;
- Approved a 10-year lease of *Taimyrenego* assets to the established by the company (together with Mining-And-Metallurgical Company Norilsk Nickel) *Norilsk-Taimyr Energy Company*.

March 30. Kolenergo - It was decided at the General Meeting of AO-energo shareholders (Board of Directors of RAO UES of Russia) to reorganize the Company by unbundling into *Kola Generation Company, Kola Power Sales Company, Kola Trunk Power Grids, Murmansk HPP, and Apatity HPP*.

March 31. **Vologdaenergo** - It was decided at the General Meeting of AO-energo Shareholders to reorganize the Company by unbundling into *Cherepovets SDPP, Vologda HPP, Vologda Power Sales Company, and Vologda Trunk Power Grids*.



March 31. **Tomskenergo** obtained state registration certificates for the unbundled companies: **Tomsk Energy Management Company, Tomsk Distribution Company, Tomsk Power Sales Company, Tomskenergoremont, Tomskelectrosetremont, and Tomsk Trunk Power Grids.**

APRIL 2005

April 1. Completion of the state registration of **44 new companies** established as a result restructuring of **Arkhenergo, Belgorodenergo, Mosenergo, Nizhnovenergo, Novgorodenergo, Oreleenergo, Tulenergo, Permenergo, Stavropolenergo, and Sverdlovenegero.**

April 7. The Boards of Directors of **Samaraenergo, Saratovenergo, and Ulyanovskenergo** decided to convene on May 23, 2005, extraordinary general meetings "On approval of contracts on the establishment of **Volga Territorial Generation Company, Volga Interregional Distribution Company, and Volga Interregional Power Sales Company.**"

April 8. Lenenergo - It was decided at the General Meeting of AO-Energo shareholders to reorganize the Company by unbundling to establish **Petersburg Generation Company, North-Western Power Management Company, Petersburg Sales Company, and Petersburg Trunk Grids.**

April 27. Kalmenergo - The AO-Energo Board of Directors decided to restructure the Company as per the "non-basic" model and to lease **Kalmenergo's** assets required for core operations to **Kalmenergosbyt operating company** established by RAO UES of Russia.

April 30. Krasnoyarskenergo - It was decided at the General Meeting of AO-Energo shareholders to reorganize the Company by unbundling to establish **Krasnoyarsk Generatsiya, Krasnoyarskenergobyt, Krasnoyarsk Trunk Power Grids, and Tyvaenergo-Holding.**

MAY 2005

May 1. The state registration of **Kirovenergo Management Company, Kirovenergobyt, and Vyatka Heat Power Company** established as a result restructuring of **Kirovenergo.**

May 3. The state registration of **Dagestan Thermal Generation Company and Dagenegero Management Company** established as a result restructuring of **Dagenegero.**

May 3. Tyumenenergo (wholly-owned subsidiary of RAO UES of Russia) - The General Meeting of shareholders (the RAO UESR Management Board) approves Articles of Association and elected executive bodies (Board of Directors, Auditing Committee, and Director General) of the following companies to be established: **Surgut SDPP-1, Surgut SDPP-2, Nizhnevartovsk SDPP, Urengoy SDPP, Tyumen Trunk Grid Company, Tyumen Region Generation Company, and Tyumen Power Sales Company.**

May 18. Omskenergo - The General Meeting of shareholders approves Articles of Association and elected executive bodies (Board of Directors, Auditing Committee, and Director General) of the following companies to be established: **Omsk Power Generation Company, Omsk Power Sales Company, Omsk Trunk Grid Company, and Omsk Management Company.**



May 23. *Samaraenergo, Saratovenergo, and Ulyanovskenergo* (non-basic restructuring project) - Extraordinary General Meeting of shareholders established *Volga Territorial Generation Company, Volga Interregional Distribution Company, and Volga Interregional Power Sales Company*.

May 27. The RAO UESR Board of Directors approved the non-basic restructuring project for *Komienergo*. According to this project, the Company will be reorganized by unbundling into *Komi Regional Generation Company, Trunk Power Grid of the Komi Republic, and Komi Power Sales Company*.

JUNE 2005

June 2. The Annual General Meeting of *Buryatenergo* approved Articles of Association and elected executive bodies (Board of Directors, Auditing Committee, and Director General) of the established *Buryatgeneration, Buryatenergosbyt, Buryat Trunk Power Grid Company, and Buryat Management Company*.

June 18. The Board of Directors of *Kolenergo* scheduled for 05.08.2005 an Extraordinary General Meeting to approve Articles of Association and elect executive bodies (Board of Directors, Auditing Committee, and Director General) for each company to be established.

June 29. The Board of Directors of *Vologdaenergo* scheduled for 17.08.2005 an Extraordinary General Meeting to approve Articles of Association and elect executive bodies (Board of Directors, Auditing Committee, and Director General) for each company to be established.

June 24. The RAO UESR Board of Directors approved a project for the restructuring of *Kuzbassenergo* as per the "basic model" envisaging the Company's restructuring by unbundling into *Kuzbass Regional Power Grid Company, Kuzbass Power Sales Company, and Kuzbassenergo Trunk Power Grids*.

CHRONOLOGY OF EVENTS

Unbundling of AO-Energos, State Registration of the New Companies

January - June. A total of 122 new companies, split off of 33 AO-Energo companies, have been registered, including:

■ January 1:

↓ *Vladimirenergo*

Vladimir Generation Company

Vladimir Power Sales Company

Vladimir Energy Company (registered on 15.01.05)

↓ *Volgogradenergo*

Volga Generation Company

Management Company "Volga-Don Energy Complex"

Volgogradenergosbyt

↓ *Ivenergo*

Ivanovo Generation Company

Ivanovo Power Sales Company

Ivanovo Management Energy Company (registered on 14.01.05)

↓ *Kareleenergo*

Karelenergogeneratsiya

Management Company "Kareleenergo"

Karelia Power Sales Company



↓ *Kostromaenergo*

Kostroma Generation Company
Kostroma Power Sales Company

↓ *Marienergo*

Mari Regional Generation Company
Mari Regional Management Company
Marienergobyt

↓ ***Penzaenergo***

Penza Generation Company
Penza Energy Management Company
Penza Power Sales Company
Penza Energy Maintenance Company

↓ *Udmurtenergo*

Udmurtian Territorial Generation Company
Udmurtian Management Energy Company
Udmurtian Power Sales Company

↓ *Chuvashenergo*

Chuvashi Generation Company
Chuvashi Management Company
Chuvashi Power Sales Company
Cheboksary HEPP

■ January 11:

↓ *Astrakhanenergo*

Astrakhan Regional Generation Company
Astrakhan Energy Management Company
Astrakhan Power Sales Company

↓ *Lipetskenergo*

Lipetsk Generation Company
Lipetsk Energy Management Company
Lipetsk Power Sales Company

↓ *Rostovenergo*

Rostov Generation Company
Rostovenergo Management Company
Rostovenergo Energobyt

↓ *Ryazanenergo*

Ryazan Heat Supply Company
Ryazan Management Company
Ryazan Power Sales Company

↓ *Tambovenergo*

Tambov Generation Company
Tambov Energy Management Company
Tambov Power Sales Company

↓ *Tverenergo*

Tver Generation Company
Tver Management Energy Company
Tver Power Sales Company
Tver Energy Maintenance Company

↓ *Yarenergo*

Yaroslavl Energy Company
Yaroslavl Management Energy Company
Yaroslavl Power Sales Company



■ January 31:

↓ *Chelyabenergo*

Chelyabinsk Generation Company
Chelyabinsk Management Company
Chelyabenergosbyt
South Ural SDPP

■ February 1:

↓ *Kurskenergo*

Kursk Generation Company
Kursk Energy Management Company
Kurskenergosbyt

↓ *Mordovenergo*

Mordovia Generation Company
Mordovia Heat Network Company
Mordovia Energy Management Company
Mordovia Power Sales Company

↓ *Nizhnovenergo*

Nizhni Novgorod Generation Company

↓ *Smolenskenergo*

Smolensk Management Energy Company
Smolensk Generation Company
Smolenskenergosbyt
Smolensk SDPP
Smolensk Energy Maintenance Company

■ March 31:

↓ *Tomskenergo*

Tomsk Energy Management Company
Tomsk Distribution Company
Tomsk Power Sales Company
Tomskenergoremont
Tomskelectrosetremont
Tomsk Trunk Power Grids

■ April 1:

↓ *Arkhenenergo*

Archangelsk Generation Company
Archangelsk Power Sales Company

↓ *Belgorodenergo*

Power Grid Company
Belgorod Trunk Grid Company

↓ *Mosenergo*

Management Power Company
Trunk Grid Company
Moscow City Power Grid Company
Moscow Heat Network Company
Moscow Region Power Grid Company
Mosenergosbyt
Specialized Design Office for Repairs and Reconstruction
Mosteplosetenergoremont



Mosenergosetstroy
SDPP-4
SDPP-5
SDPP-24
Zagorsk Hydroelectric Pumped Storage Power Station
↓ *Nizhnovenergo*
Nizhni Novgorod Management Power Company
Nizhni Novgorod Power Sales Company
Nizhni Novgorod Energy Maintenance Company
↓ *Novgorodenergo*
Novgorod Generation Company
Novgorod Power Sales Company
Novgorod Power Management Company
↓ *Oreleenergo*
Orel Generation Company
Orel Power Sales Company
Orel Power Management Company
↓ *Permenergo*
Perm Power Management Company
Perm Generation Company
Yayva SDPP
Perm Power Sales Company
Permenergoremont
Permenergospetsremont
↓ *Sverdlovenergo*
Sverdlovsk Generation Company
Sverdlovsk Power Management Company
Sverdlovenergosbyt
Serov SDPP
Sverdlovsk Power Service Company
↓ *Stavropolenergo*
Stavropol Power Generation Company
Stavropol Management Company
Stavropolenergobyt
Stavropol Heat Generation Company
↓ *Tulenergo*
Priokskaya Territorial Generation Company
Tula Power Management Company
Tula Power Sales Company
■ May 1:
↓ *Kirovenergo*
Kirovenergo Management Company
Kirovenergosbyt
Vyatka Heat Power Company
■ May 3:
↓ *Dagenergo*
Dagestan Thermal Generation Company
Dagenergo Management Company



State registration of Securities Issued by the New Companies

January - June. The State registration of the securities issued by 122 companies established as a result of restructuring of 33 AO-Energo companies.

■ January:

- ↓ *Yarenergo*
Yarenergoremont-holding
DTP Yarenergoholding

■ February:

- ↓ *Chuvashenergo*
Chuvashi Generation Company
Chuvashi Management Company
Chuvashi Power Sales Company
Cheboksary HEPP

■ March:

- ↓ *Vladimirenergo*
Vladimir Generation Company
Vladimir Power Sales Company
Vladimir Power Company
- ↓ *Ivenergo*
Ivanovo Generation Company
Ivanovo Power Sales Company
Ivanovo Management Power Company
- ↓ *Karelenegergo*
Karelenegergogeneration
Karelenegergo Management Company
Karelian Power Sales Company
- ↓ *Kostromaenergo*
Kostroma Generation Company
Kostroma Sales Company
- ↓ *Kurskenegergo*
Kursk Generation Company
Kursk Power Management Company
Kurskenegergosbyt
- ↓ *Marienergo*
Mari Regional Generation Company
Mari Regional Management Company
Marienergosbyt
- ↓ *Mordovenergo*
Mordovian Generation Company
Mordovian Heat Network Company
Mordovian Power Management Company
Mordovian Power Sales Company
- ↓ *Nizhnovenergo*
Nizhni Novgorod Generation Company
- ↓ *Penzaenergo*
Penza Generation Company
Penza Power Management Company
Penza Power Sales Company
Penza Power Repair Company



↓ *Rostovenergo*

Rostov Generation Company
Rostovenergo Management Company
Rostovenergo Energosbyt

↓ *Ryazanenergo*

Ryazan Heat Supply Company
Ryazan Management Company
Ryazan Power Sales Company

↓ *Smolenskenergo*

Smolensk Management Power Company
Smolensk Generation Company
Smolenskenergobyт
Smolensk SDPP
Smolensk Power Repair Company

↓ *Tambovenergo*

Tambov Generation Company
Tambov Power Management Company
Tambov Power Sales Company

↓ *Tverenergo*

Tver Generation Company
Tver Management Power Company
Tver Power Sales Company
Tver Power Repair Company

↓ *Udmurtenergo*

Udmurtian Territorial Generation Company
Udmurtian Management Power Company
Udmurtian Power Sales Company

↓ *Chelyabenergo*

Chelyabinsk Generation Company
Chelyabinsk Management Power Company
Chelyabenergobyт
South Ural SDPP

↓ *Yarenergo*

Yaroslavl Power Company
Yaroslavl Management Power Company
Yaroslavl Sales Company

■ April:

↓ *Astrakhanenergo*

Astrakhan Regional Generation Company
Astrakhan Power Management Company
Astrakhan Power Sales Company

↓ *Volgogradenergo*

Volga Generation Company
Volga-Don Power Complex MC
Volgogradenergobyт

↓ *Lipetskenergo*

Lipetsk Generation Company
Lipetsk Power Management Company
Lipetsk Power Sales Company



■ May:

↓ *Belgorodenergo*

Power Grid Company
Belgorod Trunk Grid Company

↓ *Kalugaenergo*

Kaluga Power Management Company
Kaluga Generation Company
Kaluga Trunk Grid Company
Kaluga Sales Company

↓ *Mosenergo*

Management Power Company
Trunk Grid Company
Moscow City Power Grid Company
Moscow Heat Network Company
Moscow Region Power Grid Company
Mosenergosbyt
Specialized PCB For Repairs and Reconstruction
Mosteplosetremont
Mosenergosetstroy
SDPP No. 4
SDPP No. 5
SDPP No. 24
Zagorsk HEPSPP

↓ *Nizhnovenergo*

Nizhni Novgorod Sales Company

↓ *Novgorodenergo*

Novgorod Generation Company
Novgorod Power Management Company
Novgorod Power Sales Company

↓ *Sverdlovenegero*

Sverdlovsk Generation Company
Sverdlovsk Power Management Company
Sverdlovenegerosbyt
Sverdlovsk SDPP
Sverdlovsk Power Service Company

↓ *Tulenergo*

Prioksk Territorial Generation Company
Tula Power Management Company
Tula Sales Company

■ Июнь:

↓ *Arkhenegero*

Arkhangelsk Generation Company
Arkhangelsk Sales Company

↓ *Dagenergo*

Dagestan Heat Generation Company
Dagenergo Management Company

↓ *Orelenegero*

Orel Power Management Company
Orel Generation Company
Orel Sales Company



- ↓ *Permenergo*
 - Perm Power Management Company
 - Perm Generation Company
 - Yayvinsk SDPP
 - Perm Power Sales Company
 - Permenergoremont
 - Permenergospetsremont
- ↓ *Stavropolenergo*
 - Stavropol Power Generation Company
 - Stavropol Management Company
 - Stavropolenergosbyt
- ↓ *Tomskenergo*
 - Tomsk Power Management Company
 - Tomsk Distribution Company
 - Tomsk Power Sales Company
 - Tomsk Trunk Grids
 - Tomskenergoremont
 - Tomskelectrosetremont

June. Boards of Directors of the following companies, established as a result of AO-Energo restructuring, approved prospectuses for securities issues:

- ↓ *37 new companies*
 - Kaluga Generation Company
 - Kaluga Sales Company
 - Voronezh Generation Company
 - Voronezh Power Sales Company
 - Heat Power Company
 - Belgorod Sales Company
 - Bryansk Generation Company
 - Bryansk Sales Company
 - Volga Generation Company
 - Volgogradenergosbyt
 - Kostroma Generation Company
 - Kostroma Sales Company
 - Mari Regional Generation Company
 - Marienergosbyt
 - Udmurtian Territorial Generation Company
 - Udmurtian Power Sales Company
 - Astrakhan Regional Generation Company
 - Astrakhan Power Sales Company
 - Lipetsk Generation Company
 - Lipetsk Power Sales Company
 - Ryazan Heat Supply Company
 - Ryazan Power Sales Company
 - Tambov Generation Company
 - Tambov Power Sales Company
 - Tver Generation Company
 - Tver Power Sales Company
 - Yaroslavl Power Company
 - Yaroslavl Management Power Company



Yaroslavl Sales Company
 Kursk Generation Company
 Kurskenergobyt
 Smolensk Generation Company
 Smolenskenergobyt
 Smolensk SDPP
 Chelyabinsk Generation Company
 Mordovian Heat Network Company
 Mordovian Power Sales Company

Approval of AO-Energo Restructuring Projects by the RAO UESR Board of Directors

February 25. The RAO UESR Board of Directors authorized the following restructuring projects:

- Kurganenergo, as per the "basic" restructuring model by singling out Kurgan Generation Company, Kurgan Power Sales Company, and Kurgan Trunk Grid Company;
- Kalmenergo, as per the "non-basic" restructuring model by establishing Kalmenergobyt, a wholly-owned subsidiary of the Company.

March 25. The Board of Directors of RAO UES of Russia:

1. Approved the project of reorganization and restructuring of Ingushenergo, Kabbalkenergo, Karachayevo-Cherkesskenergo, Sevkavkazenergo managed by Caucasus Energy Management Company. Basic purpose of the project - legal segregation of activity kinds (power generation, transmission and sale) of AO-Energo companies managed by Caucasus Energy Management Company, clearing their liabilities to Stavropol SDPP, Nevinnomyssk SDPP and Novocherkassk SDPP and simultaneous segregation of generation facilities of Kabbalkenergo, Karachayevo-Cherkesskenergo, Sevkavkazenergo so as to integrate them into the unified wholesale hydro generation company (Hydro WGC). Besides, this project will make it possible to clear the liabilities of the above AO-Energo companies to GC Rosenergoatom;

2. Approved the project of restructuring of Kamchatskenergo envisaging participation of the AO-Energo company as a sole founder in the following companies:

- Kamchatka HPPs - on the basis of generation facilities of the branches of HPP-1 and HPP-2,
- Central Power Grids - on the basis of generation facilities of a branch of Central Power Grids,
- Kamchatka South Power Grids - on the basis of generation facilities of a branch of South Power Grids,
- Pauzhetsk Geothermal Power Plant - on the basis of a branch of Geothermal Energetica (Geothermal Power Generation);
- Automobile Operating Company - on the basis of a branch of Kamchatskenergospetsremont,
- Kamchatka Heat Transporting Company - on the basis of heat networks of a branch of HPP-2.

The Board of Directors of RAO UES of Russia also approved restructuring of South Power Grids (wholly-owned subsidiary of Kamchatskenergo) by integrating them into Kamchatka South Power Grids;

3. Approved participation of the Company in Norilsk-Taimyr Energy Company (NTEC) by establishing the company together with Mining-And-Metallurgical Company Norilsk Nickel and by leasing the assets of wholly-owned subsidiary Taimyrenergo to the NTEC for 10 years. The Board of Directors entrusted the Governing Board of the Company with the task of preparing and submitting to the Board of Directors an offer of sale of Taimyrenergo before 2005, and supported the suggestion of the Strategy and Reforms Committee that the Governing Board should be entrusted with the task of working out a mechanism of distribution of Taimyrenergo shares between the shareholders of RAO UES of Russia and a model of integration of Taimyrenergo facilities into the unified HydroWGC.



May 27. The RAO UESR Board of Directors approved the restructuring project for AEK Komienergo as per the basic model envisaging restructuring of this company based on the split-off of Komi Regional Generation Company, Trunk Power Grid of the Komi Republic, with the handover to it, according to the separation balance sheet, of the power grid complex of AEK Komienergo that is part of the Unified National (All-Russian) Power Grid (UNPG), monetary resources in the amount necessary for recompensing expenses, and Komi Power Sales Company. This decision comes into effect on entering into agreement on the power company restructuring between RAO UES of Russia, the Government of the Komi Republic, and AEK Komienergo.

June 24. The Board of Directors of RAO UES of Russia approved the restructuring project for Kuzbassenergo as per the "basic model," by unbundling into Kuzbass Regional Power Grid Company, Kuzbass Power Sales Company, and Kuzbassenergo Trunk Power Grids, with its to be facilities of the electric power complex of the Unified National (All-Russian) Power Grid (UNPG).

Extraordinary General Meetings to Resolve the Issue of Corporate Restructuring

January 17. Buryatenergo: AO-Energo general meeting approved of reorganizing the Company by singling out Buryatgeneration, Buryatenergosbyt, Buryat Trunk Power Grids, and Buryat Management Company.

February 22. Khakasenergo: (wholly-owned subsidiary of RAO UES of Russia) AO-Energo general meeting (Management Board of RAO UES of Russia) approved of reorganizing the Company by singling out Khakas Generation Company, Khakas Power Management Company, Khakasenergosbyt, and Khakas Trunk Company.

February 23. Orenburgenergo: (wholly-owned subsidiary of RAO UES of Russia) AO-Energo general meeting (Management Board of RAO UES of Russia) approved of reorganizing the Company by singling out Orenburg Heat Generation Company, Iriklink State District Power Plant, Orenburgenergosbyt, Orenburg Trunk Power Grids.

March 5. Tyumenenergo (wholly-owned subsidiary of RAO UES of Russia) - It was decided at an extraordinary general meeting (Management Board of RAO UES of Russia) to reorganize the Company by unbundling Surgut SDPP-1, Surgut SDPP-2, Nizhnevartovsk SDPP, Urengoy SDPP, Tyumen Trunk Grid Company, Tyumen Regional Generation Company, Tyumen Power Sales Company.

March 30. Kolenergo - It was decided at an extraordinary general meeting to reorganize the Company by unbundling Kola Generation Company, Kola Power Sales Company, Kola Trunk Power Grids, Murmansk HPP, Apatity HPP.

March 31. Vologdaenergo - It was decided at an extraordinary general meeting to reorganize the Company by unbundling Cherepovets SDPP, Vologda HPP, Vologda Power Sales Company, Vologda Trunk Power Grids.

April 8. It was decided at an extraordinary general meeting of Lenenergo to reorganize the Company by unbundling to establish Petersburg Generation Company, North-Western Power Management Company, Petersburg Sales Company, and Petersburg Trunk Grids.

April 30. It was decided at an extraordinary general meeting of Krasnoyarskenergo to reorganize the Company by unbundling to establish Krasnoyarskaya Generatsiya, Krasnoyarskenergosbyt, Krasnoyarsk Trunk Power Grids, and Tyvaenergo-Holding.



Annual General Meetings to Approve Articles of Association and Elect Executive Bodies of the Established Companies

January 17. Tomskenergo: AO-Energo general meeting approved of Articles of Association and elected managerial bodies (Board of Directors, Auditing Committee, and Director General) for the following companies to be established: Tomsk Power Management Company, Tomsk Power Sales Company, Tomsk Distribution Company, Tomsk Trunk Grids, Tomskenergoremont, and Tomskelectrosetremont.

February 15. Tulenergo: AO-Energo general meeting approved of Articles of Association and elected managerial bodies (Board of Directors, Auditing Committee, and Director General) for the following companies to be established: Prioksk Territorial Generation Company, Tula Sales Company, Tula Trunk Grid Company, and Tula Power Management Company.

February 16. Arkhenergo: AO-Energo general meeting approved of Articles of Association and elected managerial bodies (Board of Directors, Auditing Committee, and Director General) for the following companies to be established: Arkhangelsk Generation Company, Arkhangelsk Sales Company, and Arkhangelsk Trunk Grid Company.

February 16. Novgorodenergo: AO-Energo general meeting approved of Articles of Association and elected managerial bodies (Board of Directors, Auditing Committee, and Director General) for the following companies to be established: Novgorod Generation Company, Novgorod Power Sales Company, and Novgorod Power Management Company.

February 16. Stavropolenergo: AO-Energo general meeting approved of Articles of Association and elected managerial bodies (Board of Directors, Auditing Committee, and Director General) for the following companies to be established: Stavropol Power Generation Company, Stavropolenergosbyt, Stavropol Heat Generation Company, and Stavropol Management Company.

February 28. Mosenergo: AO-Energo general meeting approved of Articles of Association and elected managerial bodies (Board of Directors, Auditing Committee, and Director General) for the following companies to be established: Management Power Company, Trunk Grid Company, Moscow City Power Grid Company, Moscow Heat Network Company, Moscow Region Power Grid Company, Mosenergosbyt, Specialized PCB For Repairs and Reconstruction, Mosteplosetremont, Mosenergoset-stroy, SDPP No. 4, SDPP No. 5, SDPP No. 24, and Zagorsk HEPSPP.

March 10. Khakasenergo (wholly-owned affiliate of RAO UES of Russia) - the General Meeting of the Company approved Articles of Association and elected executive bodies (Board of Directors, Auditing Committee, Director General) of the established Khakas Generation Company, Khakas Energy Management Company, Khakasenergosbyt, Khakas Trunk Grid Company.

March 10. Orenburgenergo (wholly-owned affiliate of RAO UES of Russia) - the General meeting of the Company approved Articles of Association and elected executive bodies (Board of Directors, Auditing Committee, Director General) of the established Orenburg Heat Generation Company, Irklinsk SDPP, Orenburgenergosbyt, Orenburg Trunk Power Grids.

May 3. Tyumenenergo - The RAO UESR Management Board in its capacity as the Annual General Meeting of Tyumenenergo (wholly-owned subsidiary of RAO UES of Russia) approved Articles of Association and elected executive bodies (Board of Directors, Auditing Committee, and Director General) for Surgut SDPP-1, Surgut SDPP-2, Nizhnevartovsk SDPP, Urengoy SDPP, Tyumen Trunk Grid Company, Tyumen Region Generation Company, and Tyumen Power Sales Company.

May 18, 2005. Omskenergo approved Articles of Association and elected executive bodies (Board of Directors, Auditing Committee, and Director General) of the established Omsk Power Generation Company, Omsk Power Sales Company, Omsk Trunk Grid Company и Omsk Management Company.



June 2. Buryatenergo - The General Meeting of the Company approved Articles of Association and elected executive bodies (Board of Directors, Auditing Committee, and Director General) of the established Buryatgeneratsiya, Buryatenergosbyt, Buryatia Trunk Power Grids, and Buryatia Management Company.

Board of Directors Meeting to Convene Annual General Meetings to Approve Articles of Association and Elect Executive Bodies for Companies to be Established

March 15. The Board of Directors of Omskenergo scheduled for May 18, 2005, an AGM to approve Articles of Association and elect executive bodies (Board of Directors, Auditing Committee, and Director General) for Omsk Power Generation Company, Omsk Power Sales Company, Omsk Trunk Grid Company and Omsk Management Company to be established.

June 18. The Board of Directors of Kolenergo scheduled for August 5, 2005, an AGM to approve Articles of Association and elect executive bodies (Board of Directors, Auditing Committee, and Director General) for Kola Generation Company, Kola Power Sales Company, Kola Trunk Power Grids, Murmansk HPP, and Apatity HPP to be established.

June 29. The Board of Directors of Vologdaenergo scheduled for August 17, 2005, an AGM to approve Articles of Association and elect executive bodies (Board of Directors, Auditing Committee, and Director General) for Cherepovets SDPP, Vologda HPP, Vologda Power Sales Company, and Vologda Trunk Power Grids to be established.

Meeting of the AO-Energo Board of Directors to Address the Issue of the Launch of Corporate Restructuring

March 21. Kurganenergo - The Board of Directors of the Company took the decision to reorganize the Company by unbundling Kurgan Generation Company, Kurgan Power Sales Company and Kurgan Trunk Grid Company, entrusted the sole executive body of the Company with the task of preparing and submitting to the Chairman of the Board of Directors a draft of the separation balance sheet as of 31.03.2005 and selecting on a competitive basis an independent appraiser for the purpose of purchasing before 15.05.2005.

March 30. Kurganenergo - independent appraiser selection procedure is announced to determine the market value of the Company's shares and to buy out the shares of the shareholders who voted against or who did not vote for the restructuring of the Company at the General Meeting of AO-Energo shareholders.

April 22. The Kurganenergo Board of Directors approved the candidacy of an independent appraiser of International Appraisal Center to determine the market value of the Company's shares and to buy out the shares of the shareholders who voted against or who did not vote for the restructuring of the Company at the General Meeting of AO-Energo shareholders.

New Companies' Initial Balance Sheets Formation Results

April. Boards of Directors meetings examined Directors' General reports on the results of formation of actual initial balance sheets of the companies split-off of Astrakhanenergo, Vladimirenergo, Ivenergo, Kostromaenergo, Lipetskenergo, Marienergo, Udmurtenergo, Chuvashenergo, and Ryazanenergo.

May. Boards of Directors meetings examined Directors' General reports on the results of formation of actual initial balance sheets of Nizhni Novgorod Generation Company and initial balance sheets of the companies established as a result of restructuring of Karelnenergo, Kurskenergo, Mordovenergo, Ryazanenergo, Rostovenergo, Smolenskenergo, Tambovenergo, Chelyabenergo, and Yarenergo.



June. Boards of Directors meetings examined Directors' General reports on the results of formation of actual initial balance sheets of Penza Generation Company, Kurskenergo, Rostovenergo, Rostovenergo Energosbyt, Prioksk Territorial Generation Company, Tula Sales Company, Novgorod Generation Company, Novgorod Power Sales Company, Volga Generation Company, and Volgogradenergosbyt.

Implementation of the "non-basic" Reform Projects

April 27. Kalmenergo's Board of Directors decided to restructure the Company as per the "non-basic" model and to lease Kalmenergo's assets required for core operations to Kalmenergosbyt operating company established by RAO UES of Russia.

May 23. Extraordinary General Meetings of Samaraenergo, Saratovenergo, and Ulyanovskenergo established Volga Territorial Generation Company, Volga Interregional Distribution Company, and Volga Interregional Power Sales Company, and approved Articles of Association of these companies.

May 25. Board of Directors of Kamchatskenergo decided to establish Kamchatka HPPs (on the basis of the generating facilities of subsidiaries of HPP-1, and HPP-2), Central Power Grids (on the basis of the subsidiary of Central Power Grids), Southern Kamchatka Power Grids (on the basis of the subsidiary of Southern Power Grids), Puzhetsk GeoPP (on the basis of the subsidiary of Geothermal Energetics), and Automobile Operating Company (on the basis of the thermal system of HPP-2).

PLANS FOR 2005

Unbundling of AO-Energo Companies, State Registration of the New Companies

July 1. It is planned to incorporate 15 new companies split off from Orenburgenergo, Tyumenenergo, Khakasenergo, and the earlier unbundled Dagenergo (The state registration of Dagestan Heat Generation Company and Dagenergo Management Company was completed on 03.05.2005), including:

- ↓ *Dagenergo*
 - Dagestan Regional Generation Company
 - Dagestan Power Sales Company
- ↓ *Orenburgenergo*
 - Orenburg Heat Generation Company
 - Irikino SDPP
 - Orenburgenergosbyt
- ↓ *Tyumenenergo*
 - Tyumenenergo
 - Surgut SDPP-1
 - Surgut SDPP-2
 - Nizhnevartovsk SDPP
 - Urengoy SDPP
 - Tyumen Regional Generation Company
 - Tyumen Power Sales Company
- ↓ *Khakasenergo*
 - Khakas Generation Company
 - Khakasenergosbyt
 - Khakas Trunk Company
 - Khakas Power Management Company



July 27. It is planned to incorporate the companies, restructured as per the "non-basic" model," split off from Kamchatskenergo and established on 23.05.2005, including:

- Kamchatka HPPs
- Central Power Grids
- Southern Kamchatka Power Grids
- Puzhetsk GeoPP
- Automobile Operating Company
- Kamchatka Heat Transport Company

New Companies' Initial Balance Sheets Formation Results

July. It is planned to hold Boards of Directors meetings to review results of the formation of actual initial balance sheets of the companies split-off of Novgorodenergo, Rostov Generation Company, as well as initial balance sheets of the companies established as a result of the restructuring of Arkhenergo, Mosenergo, Nizhnovenergo, Orelegergo, Permenergo, Sverdlovenegergo, Stavropolenergo, and Tomskenergo.

Meeting of the AO-Energo Board of Directors to Address the Issue of the Launch of Corporate Restructuring

July 18. it is planned to hold a meeting of the Board of Directors of Kuzbassenergo to address the issue of the launch of the Company's restructuring in terms of unbundling by activity type by splitting off Kuzbass Regional Power Grid Company, Kuzbass Power Sales Company, and Kuzbassenergo Trunk Power Grids.

July 25. it is planned to hold a meeting of the Board of Directors of Komienergo to address the issue of the launch of the Company's restructuring in terms of unbundling by activity type by splitting off Komi Regional Generation Company, Komi Power Sales Company, and Komi Republic Trunk Power Grid.

Board of Directors Meeting to Convene Annual General Meetings to Approve Articles of Association and Elect Executive Bodies for Companies to be Established

July. It is planned to hold a meeting of the Krasnoyarskenergo Board of Directors to convene General Meetings to approve Articles of Association and elect executive bodies for Krasnoyarsk Generation, Krasnoyarskenergosbyt, Krasnoyarsk Trunk Grids, and Tyvaenergo-Holding to be established.

June 7. The Board of Directors of Lenenergo is scheduled to convene a General Meeting to approve Articles of Association and elect executive bodies for North-West Power Management Company, Petersburg Generation Company, Petersburg Sales Company, and Petersburg Trunk Grids to be established.

Implementation of the "non-basic" Reform Projects

In accordance with the approved reform project and the schedule of measures toward reorganization and restructuring of AO-Energo companies controlled by KEUK, it is planned to convene in July the following meetings:

- **July 1.** The Board of Directors of Sevkavkazenergo to approve the candidature of an independent appraiser for appraising the market value of the property to be contributed to the authorized capital of North Ossetian Hydrogeneration Company to be established.
- **July 15.** The Board of Directors of Kabbalkenergo to approve the candidature of an independent appraiser for appraising the market value of the property to be contributed to the authorized capital of Kabardino-Balkarian Hydro Generation Company to be established.
- The Board of Directors of Karachayevo-Cherkesskenergo approved the candidature of an independent appraiser for appraising the market value of the property to be contributed to the authorized capital of Karachayevo-Cherkess Hydrogeneration Company to be established.



DATES OF ESTABLISHMENT OF NEW COMPANIES IN THE PROCESS OF RESTRUCTURING OF AO-ENERGO COMPANIES

No. of AO-Energo	Date of state registration of singled out companies		Securities issue registration			
	plan	actual	date	Ordinary shares reg. No.	Preference shares date	Preference shares reg. No.
"Basic" Restructuring Model						
1. Arkhenergo						
Arkhangel'sk Generation Company	01.04.2005	01.04.2005	30.06.2005	1-01-50126-A	30.06.2005	2-01-50126-A
Arkhangel'sk Sales Company	01.04.2005	01.04.2005	30.06.2005	1-01-65125-D	30.06.2005	2-01-65125-D
Arkhangel'sk Trunk Grid Company	01.08.2005					
2. Astrakhanenergo						
Astrakhan Regional Generation Company	05.01.2005	11.01.2005	05.04.2005	1-01-55065-E	—	
Astrakhan Power Management Company	05.01.2005	11.01.2005	05.04.2005	1-01-55066-E	—	
Astrakhan Power Sales Company	05.01.2005	11.01.2005	05.04.2005	1-01-55064-E	—	
Astrakhan Trunk Grids	01.08.2005					
3. Belgorodenergo						
Heat Energy Company	01.10.2004	01.10.2004	05.11.2004	1-01-65066-D	05.11.2004	2-01-65066-D
Belgorod Sales Company	01.10.2004	01.10.2004	05.11.2004	1-01-65065-D	05.11.2004	2-01-65065-D
Power Grid Company	01.04.2005	01.04.2005	17.05.2005	1-01-55071-E	17.05.2005	2-01-55071-E
Belgorod Trunk Grid Company	01.04.2005	01.04.2005	17.05.2005	1-01-55070-E	17.05.2005	2-01-55070-E
4. Bryanskenergo						
Bryansk Power Management Company	01.10.2004	19.04.2004	31.08.2004	1-01-50074-A	31.08.2004	2-01-50074-A
Bryansk Generation Company	01.10.2004	01.10.2004	02.12.2004	1-01-65071-D	02.12.2004	2-01-65071-D
Bryansk Sales Company	01.10.2004	01.10.2004	02.12.2004	1-01-65070-D	02.12.2004	2-01-65070-D
Bryansk Trunk Grid Company	01.08.2005					
5. Buryatenergo						
Buryatgeneration	01.01.2006					
Buryat Management Company	01.01.2006					
Buryatenergosbyt	01.01.2006					
Buryat Trunk Power Grids	01.01.2006					
6. Vladimirenergo						
Vladimir Generation Company	05.01.2005	01.01.2005	01.03.2005	1-01-55044-E	—	
Vladimir Power Sales Company	05.01.2005	01.01.2005	01.03.2005	1-01-50087-A	—	
Vladimir Power Company	05.01.2005	15.01.2005	15.03.2005	1-01-55053-E	—	
Vladimir Trunk Power Grids	01.08.2005					
7. Volgogradenergo						
Volga Generation Company	05.01.2005	01.01.2005	14.04.2005	1-01-55067-E	14.04.2005	2-01-55067-E
Volga-Don Power Complex MC	05.01.2005	01.01.2005	14.04.2005	1-01-50108-A	14.04.2005	2-01-50108-A
Volgogradenergosbyt	05.01.2005	01.01.2005	14.04.2005	1-01-65103-D	14.04.2005	2-01-65103-D
Volgograd Trunk Power Grids	01.08.2005					
8. Vologdaenergo						
Cherepovets SDPP	01.10.2005					
Vologda HPP	01.10.2005					
Vologda Sales Company	01.10.2005					
Vologda Trunk Power Grids	01.10.2005					
9. Voronezhenergo						
Voronezh Generation Company	20.09.2004	31.08.2004	30.11.2004	1-01-55030-E	30.11.2004	2-01-55030-E
Voronezh Power Management Company	20.09.2004	31.08.2004	30.11.2004	1-01-55031-E	30.11.2004	2-01-55031-E
Voronezh Power Sales Company	20.09.2004	31.08.2004	30.11.2004	1-01-55029-E	30.11.2004	2-01-55029-E
Voronezh Trunk Grid Company	01.08.2005					
10. Dagenergo						
Dagestan Regional Generation Company	01.07.2005					
Dagestan Heat Generation Company	01.05.2005	03.05.2005	28.06.2005	1-01-50131-A	—	
Dagenergo Management Company	01.05.2005	03.05.2005	28.06.2005	1-01-50132-A	—	
Dagestan Power Sales Company	01.07.2005					
Dagestan Trunk Power Grids	01.08.2005					
11. Ivenergo						
Ivanovo Generation Company	05.01.2005	01.01.2005	10.03.2005	1-01-65082-D	10.03.2005	2-01-65082-D
Ivanovo Power Sales Company	05.01.2005	01.01.2005	10.03.2005	1-01-65081-D	10.03.2005	2-01-65081-D
Ivanovo Power Management Company	05.01.2005	14.01.2005	10.03.2005	1-01-65086-D	10.03.2005	2-01-65086-D
Ivanovo Trunk Power Grids	01.08.2005					
12. Kalugaenergo						
Kaluga Power Management Company	01.04.2004	01.04.2004	18.05.2004	1-01-65058-D	—	
Kaluga Generation Company	01.04.2004	01.04.2004	18.05.2004	1-01-65055-D	—	
Kaluga Trunk Grid Company	01.04.2004	01.04.2004	18.05.2004	1-01-65056-D	—	
Kaluga Sales Company	01.04.2004	01.04.2004	18.05.2004	1-01-65057-D	—	



DATES OF ESTABLISHMENT OF NEW COMPANIES IN THE PROCESS OF RESTRUCTURING OF AO-ENERGO COMPANIES

No. of AO-Energo	Date of state registration of singled out companies		Securities issue registration			
	plan	actual	Ordinary shares date	Ordinary shares reg. No.	Preference shares date	Preference shares reg. No.
13. Karelenenergo						
Karelenenergo generation	05.01.2005	01.01.2005	01.03.2005	1-01-50085-A	—	
Karelenenergo Management Company	05.01.2005	01.01.2005	01.03.2005	1-01-50089-A	—	
Karelian Power Sales Company	05.01.2005	01.01.2005	01.03.2005	1-01-50088-A	—	
Karelian Trunk Grids	01.08.2005					
14. Kirovenergo						
Kirovenergo Management Company	01.05.2005	01.05.2005				
Kirov Trunk Power Grids	01.05.2005	01.05.2005				
Vyatka Heat Power Company	01.05.2005	01.05.2005				
Kirov energosbyt	01.08.2005					
15. Kolenergo						
Kola Generation Company	01.10.2005					
Murmansk HPP	01.10.2005					
Apatity HPP	01.10.2005					
Kola Power Sales Company	01.10.2005					
Kola Trunk Grids	01.10.2005					
16. Komienergo						
Komi Generation Company	01.07.2006					
Komi Republic Trunk Power Grid	01.07.2006					
Komi Power Sales Company	01.07.2006					
17. Kostromaenergo						
Kostroma Generation Company	05.01.2005	01.01.2005	04.03.2005	1-01-65087-D	04.03.2005	2-01-65087-D
ОАО "Костромская сбытовая компания"	05.01.2005	01.01.2005	04.03.2005	1-01-55051-E	04.03.2005	2-01-55051-E
Kostroma Sales Company	01.08.2005					
18. Krasnoyarskenergo						
Krasnoyarsk Generation	01.10.2005					
Krasnoyarskenergobyt	01.10.2005					
Krasnoyarsk Trunk Grids	01.10.2005					
Tyvaenergoholding	01.10.2005					
19. Kubanenergo						
Kuban Generation Company	01.07.2006					
Kuban Power Sales Company	01.07.2006					
Kuban Trunk Grids	01.07.2006					
20. Kuzbassenergo						
Kuzbass Regional Power Grid Company	01.07.2006					
Kuzbass Power Sales Company	01.07.2006					
Kuzbassenergo Trunk Power Grids	01.07.2006					
21. Kurganenergo						
Kurgan Generation Company	01.04.2006					
Kurgan Power Sales Company	01.04.2006					
Kurgan Trunk Grid Company	01.04.2006					
22. Kurskenergo						
Kursk Generation Company	01.02.2005	01.02.2005	29.03.2005	1-01-65093-D	29.03.2005	2-01-65093-D
Kursk Power Management Company	01.02.2005	01.02.2005	29.03.2005	1-01-65093-D	29.03.2005	2-01-65093-D
Kurskenergobyt	01.02.2005	01.02.2005	29.03.2005	1-01-65094-D	29.03.2005	2-01-65094-D
Kursk Trunk Grids	01.08.2005					
23. Lenenergo						
North-Western Power Management Company	30.09.2005					
Petersburg Generation Company	30.09.2005					
Petersburg Sales Company	01.10.2005					
Petersburg Trunk Grids	01.10.2005					
24. Lipetskenergo						
Lipetsk Generation Company	05.01.2005	11.01.2005	19.04.2005	1-01-65096-D	—	
Lipetsk Power Management Company	05.01.2005	11.01.2005	19.04.2005	1-01-65095-D	—	
Lipetsk Power Sales Company	05.01.2005	11.01.2005	19.04.2005	1-01-65097-D	—	
Lipetsk Trunk Grids	01.08.2005					
25. Marienergo						
Mari Regional Generation Company	05.01.2005	01.01.2005	01.03.2005	1-01-55043-E	01.03.2005	2-01-55043-E
Mari Regional Management Company	05.01.2005	01.01.2005	01.03.2005	1-01-55042-E	01.03.2005	2-01-55042-E
Marienergobyt	05.01.2005	01.01.2005	01.03.2005	1-01-55086-E	01.03.2005	2-01-55086-E
Mari Trunk Grids	01.08.2005					



DATES OF ESTABLISHMENT OF NEW COMPANIES IN THE PROCESS OF RESTRUCTURING OF AO-ENERGO COMPANIES

No. of AO-Energo	Date of state registration of singled out companies		Securities issue registration			
	plan	actual	date	Ordinary shares reg. No.	Preference shares date	reg. No
26. Mordovenergo						
Mordovian Generation Company	01.02.2005	01.02.2005	29.03.2005	1-01-55061-E	—	
Mordovian Heat Network Company	01.02.2005	01.02.2005	29.03.2005	1-01-55056-E	—	
Mordovian Power Management Company	01.02.2005	01.02.2005	29.03.2005	1-01-55067-E	—	
Mordovian Power Sales Company	01.02.2005	01.02.2005	29.03.2005	1-01-55055-E	—	
Mordovian Trunk Grid Company	01.08.2005					
27. Mosenergo						
Management Power Company	01.04.2005	01.04.2005	31.05.2005	1-01-50073-E	—	
Trunk Grid Company	01.04.2005	01.04.2005	31.05.2005	1-01-50074-E	—	
Moscow City Power Grid Company	01.04.2005	01.04.2005	31.05.2005	1-01-50075-E	—	
Moscow Heat Network Company	01.04.2005	01.04.2005	31.05.2005	1-01-50076-E	—	
Moscow Region Power Grid Company	01.04.2005	01.04.2005	31.05.2005	1-01-65116-D	—	
Mosenergosbyt	01.04.2005	01.04.2005	26.05.2005	1-01-65113-D	—	
Specialized PCB For Repairs and Reconstruction	01.04.2005	01.04.2005	26.05.2005	1-01-50116-A	—	
Mosteplosetremont	01.04.2005	01.04.2005	31.05.2005	1-01-65117-D	—	
Mosenergoset-stroy	01.04.2005	01.04.2005	26.05.2005	1-01-65110-D	—	
SDPP No. 4	01.04.2005	01.04.2005	26.05.2005	1-01-65111-D	—	
SDPP No. 5	01.04.2005	01.04.2005	26.05.2005	1-01-65112-D	—	
SDPP No. 24	01.04.2005	01.04.2005	24.05.2005	1-01-65108-D	—	
Zagorsk HEPSP	01.04.2005	01.04.2005	31.05.2005	1-01-55081-E	—	
28. Nizhnovenergo						
Nizhni Novgorod Generation Company	01.02.2005	01.02.2005	31.03.2005	1-01-50104-A	31.03.2005	2-01-50104-A
Nizhni Novgorod Management Power Company	01.04.2005	01.04.2005				
Nizhni Novgorod Sales Company	01.04.2005	01.04.2005	26.05.2005	1-01-55072-E	26.05.2005	2-01-55072-E
Nizhni Novgorod Power Repair Company	01.04.2005	01.04.2005				
Nizhni Novgorod Trunk Grid Company	01.08.2005					
29. Novgorodenergo						
Novgorod Generation Company	01.04.2005	01.04.2005	26.05.2005	1-01-50114-A	26.05.2005	2-01-50114-A
Novgorod Power Management Company	01.04.2005	01.04.2005	26.05.2005	1-01-65109-D	26.05.2005	2-01-65109-D
Novgorod Power Sales Company	01.04.2005	01.04.2005	26.05.2005	1-01-50115-A	26.05.2005	2-01-50115-A
30. Omskenergo						
Omsk Power Generation Company	01.08.2005					
Omsk Management Company	01.08.2005					
Omsk Power Sales Company	01.08.2005					
Omsk Trunk Grid Company	01.08.2005					
31. Orelenergo						
Orel Power Management Company	01.04.2005	01.04.2005	02.06.2005	1-01-50121-A	02.06.2005	2-01-50121-A
Orel Generation Company	01.04.2005	01.04.2005	07.06.2005	1-01-50123-A	07.06.2005	2-01-50123-A
Orel Trunk Grid Company	01.08.2005					
Orel Sales Company	01.04.2005	01.04.2005	21.06.2005	1-01-65122-D	21.06.2005	2-01-65122-D
32. Orenburgenergo						
Orenburg Heat Generation Company	01.07.2005					
Irikliensk State District Power Plant	01.07.2005					
Orenburgengosbyt	01.07.2005					
Orenburg Trunk Power Grids	01.08.2005					
33. Penzaenergo						
Penza Generation Company	05.01.2005	01.01.2005	01.03.2005	1-01-55047-E	01.03.2005	2-01-55047-E
Penza Power Management Company	05.01.2005	01.01.2005	01.03.2005	1-01-55048-E	01.03.2005	2-01-55048-E
Penza Power Sales Company	05.01.2005	01.01.2005	01.03.2005	1-01-55041-E	01.03.2005	2-01-55041-E
Penza Power Repair Company	05.01.2005	01.01.2005	01.03.2005	1-01-55040-E	01.03.2005	2-01-55040-E
Penza Trunk Grid Company	01.08.2005					
34. Permenergo						
Perm Power Management Company	01.04.2005	01.04.2005	21.06.2005	1-01-65121-D	21.06.2005	2-01-65121-D
Perm Generation Company	01.04.2005	01.04.2005	21.06.2005	1-01-50127-D	21.06.2005	2-01-50127-D
Yayvinsk SDPP	01.04.2005	01.04.2005	21.06.2005	1-01-55085-E	21.06.2005	2-01-55085-E
Perm Power Sales Company	01.04.2005	01.04.2005	21.06.2005	1-01-55084-E	21.06.2005	2-01-55084-E
Perm Trunk Grid Company	01.08.2005					
Permenergoremont	01.04.2005	01.04.2005	21.06.2005	1-01-50125-A	21.06.2005	2-01-50125-A
Permenergospetsremont	01.04.2005	01.04.2005	21.06.2005	1-01-65120-D	21.06.2005	2-01-65120-D



DATES OF ESTABLISHMENT OF NEW COMPANIES IN THE PROCESS OF RESTRUCTURING OF AO-ENERGO COMPANIES

No. of AO-Energo	Date of state registration of singled out companies		Securities issue registration			
	plan	actual	Ordinary shares date	Ordinary shares reg. No.	Preference shares date	Preference shares reg. No.
35. OA Rostovenergo						
Rostov Generation Company	05.01.2005	11.01.2005	10.03.2005	1-01-50096-A	10.03.2005	2-01-50096-A
Rostovenergo Management Company	05.01.2005	11.01.2005	10.03.2005	1-01-50097-A	10.03.2005	2-01-50097-A
Rostovenergo Energosbyt	05.01.2005	11.01.2005	10.03.2005	1-01-50095-A	10.03.2005	2-01-50095-A
Rostovenergo Trunk Grid Company	01.08.2005					
36. Ryazanenergo						
Ryazan Heat Supply Company	05.01.2005	11.01.2005	04.03.2005	1-01-50094-A	—	
Ryazan Management Company	05.01.2005	11.01.2005	04.03.2005	1-01-50093-A	—	
Ryazan Power Sales Company	05.01.2005	11.01.2005	04.03.2005	1-01-50092-A	—	
Ryazan Trunk Grids	01.08.2005					
37. Sverdlovennergo						
Sverdlovsk Generation Company	01.04.2005	01.04.2005	26.05.2005	1-01-55078-E	26.05.2005	2-01-55078-E
Sverdlovsk Power Management Company	01.04.2005	01.04.2005	26.05.2005	1-01-55077-E	26.05.2005	2-01-55077-E
Sverdlovennergosbyt	01.04.2005	01.04.2005	26.05.2005	1-01-55080-E	26.05.2005	2-01-55080-E
Sverdlovsk SDPP	01.04.2005	01.04.2005	26.05.2005	1-01-65114-D	26.05.2005	2-01-65114-D
Sverdlovsk Power Service Company	01.04.2005	01.04.2005	26.05.2005	1-01-55079-E	26.05.2005	2-01-55079-E
Sverdlovsk Trunk Grids	01.08.2005					
38. Smolenskenergo						
Smolensk Management Power Company	01.02.2005	01.02.2005	31.03.2005	1-01-50102-A	31.03.2005	2-01-50102-A
Smolensk Generation Company	01.02.2005	01.02.2005	31.03.2005	1-01-50105-A	31.03.2005	2-01-50105-A
Smolenskenergosbyt	01.02.2005	01.02.2005	31.03.2005	1-01-50107-A	31.03.2005	2-01-50107-A
Smolensk SDPP	01.02.2005	01.02.2005	31.03.2005	1-01-50103-A	31.03.2005	2-01-50103-A
Smolensk Power Repair Company	01.02.2005	01.02.2005	31.03.2005	1-01-50106-A	31.03.2005	2-01-50106-A
Smolensk Trunk Power Grids	01.08.2005					
39. Stavropolenergo						
Stavropol Power Generation Company	01.04.2005	01.04.2005	02.06.2005	1-01-50118-A	02.06.2005	2-01-50118-A
Stavropol Management Company	01.04.2005	01.04.2005	02.06.2005	1-01-55082-E	02.06.2005	2-01-55082-E
Stavropolenergosbyt	01.04.2005	01.04.2005	02.06.2005	1-01-50119-A	02.06.2005	2-01-50119-A
Stavropol Heat Generation Company	01.04.2005	01.04.2005				
40. Tambovenergo						
Tambov Generation Company	05.01.2005	11.01.2005	31.03.2005	1-01-65099-D	31.03.2005	2-01-65099-D
Tambov Power Management Company	05.01.2005	11.01.2005	31.03.2005	1-01-65101-D	31.03.2005	2-01-65101-D
Tambov Power Sales Company	05.01.2005	11.01.2005	31.03.2005	1-01-65100-D	31.03.2005	2-01-65100-D
Tambov Trunk Grid Company	01.08.2005					
41. Tverenergo						
Tver Generation Company	05.01.2005	11.01.2005	31.03.2005	1-01-65090-D	31.03.2005	2-01-65090-D
Tver Management Power Company	05.01.2005	11.01.2005	22.03.2005	1-01-65088-D	22.03.2005	2-01-65088-D
Tver Power Sales Company	05.01.2005	11.01.2005	22.03.2005	1-01-65091-D	22.03.2005	2-01-65091-D
Tver Power Repair Company	05.01.2005	11.01.2005	22.03.2005	1-01-65089-D	22.03.2005	2-01-65089-D
Tver Trunk Grids	01.08.2005					
42. Tomskenergo						
Tomsk Power Management Company	01.04.2005	31.03.2005	28.06.2005	1-01-55086-E	28.06.2005	2-01-55086-E
Tomsk Distribution Company	01.04.2005	31.03.2005	28.06.2005	1-01-50128-A	28.06.2005	2-01-50128-A
Tomsk Power Sales Company	01.04.2005	31.03.2005	28.06.2005	1-01-50130-A	28.06.2005	2-01-50130-A
Tomsk Trunk Grids	01.04.2005	31.03.2005	28.06.2005	1-01-55087-E	28.06.2005	2-01-55087-E
Tomskelenergoremont	01.04.2005	31.03.2005	28.06.2005	1-01-55088-E	28.06.2005	2-01-55088-E
Tomskelctrosetremont	01.04.2005	31.03.2005	28.06.2005	1-01-50129-A	28.06.2005	2-01-50129-A
43. Tulenergo						
Prioksk Territorial Generation Company	01.04.2005	01.04.2005	26.05.2005	1-01-50117-A	—	
Tula Power Management Company	01.04.2005	01.04.2005	26.05.2005	1-01-50113-A	—	
Tula Sales Company	01.04.2005	01.04.2005	26.05.2005	1-01-50112-A	—	
Tula Trunk Grid Company	01.08.2005					
44. Tyumenenergo						
Surgut SDPP No. 1	01.07.2005					
Surgut SDPP No. 2	01.07.2005					
Nizhnevartovsk SDPP	01.07.2005					
Urengoy SDPP	01.07.2005					
Tyumen Trunk Grid Company	01.08.2005					
Tyumen Regional Generation Company	01.07.2005					
Tyumen Power Sales Company	01.07.2005					



DATES OF ESTABLISHMENT OF NEW COMPANIES IN THE PROCESS OF RESTRUCTURING OF AO-ENERGO COMPANIES

No. of AO-Energo	Date of state registration of singled out companies		Securities issue registration			
	plan	actual	date	Ordinary shares reg. No.	Preference shares date	reg. No
45. Udmurtenergo						
Udmurtian Territorial Generation Company	05.01.2005	01.01.2005	01.03.2005	1-01-65084-D	01.03.2005	2-01-65084-D
Udmurtian Management Power Company	05.01.2005	01.01.2005	01.03.2005	1-01-65083-D	01.03.2005	2-01-65083-D
Udmurtian Power Sales Company	05.01.2005	01.01.2005	01.03.2005	1-01-65085-D	01.03.2005	2-01-65085-D
Udmurtian Trunk Grids	01.08.2005					
46. Khakasenergo						
Khakas Generation Company	01.07.2005					
Khakasenergobyt	01.07.2005					
Khakas Trunk Company	01.07.2005					
Khakas Power Management Company	01.07.2005					
47. Chelyabenergo						
Chelyabinsk Generation Company	01.02.2005	31.01.2005	29.03.2005	1-01-55101-A	29.03.2005	2-01-55101-A
Chelyabinsk Management Power Company	01.02.2005	31.01.2005	29.03.2005	1-01-55058-E	29.03.2005	2-01-55058-E
Chelyabenergobyt	01.02.2005	31.01.2005	29.03.2005	1-01-55059-E	29.03.2005	2-01-55059-E
Yuzhno-Uralsk SDPP	01.02.2005	31.01.2005	29.03.2005	1-01-55060-E	29.03.2005	2-01-55060-E
Chelyabinsk Trunk Power Grids	01.08.2005					
48. Chitaenergo						
Chita Generation Company	01.04.2006					
Chita Power Sales Company	01.04.2006					
Chita Management Company	01.04.2006					
Chita Trunk Grids	01.04.2006					
49. Chuvashenergo						
Chuvashi Generation Company	05.01.2005	01.01.2005	24.02.2005	1-01-65078-D	—	—
Chuvashi Management Company	05.01.2005	01.01.2005	24.02.2005	1-01-65077-D	—	—
Chuvashi Power Sales Company	05.01.2005	01.01.2005	24.02.2005	1-01-65080-D	—	—
Cheboksary HEPP	05.01.2005	01.01.2005	24.02.2005	1-01-65079-D	—	—
Chuvashi Trunk Grids	01.08.2005					
50. Yarenergo						
Yarenergoremont-holding	05.01.2005	22.11.2004	20.01.2005	1-01-50082-A	20.01.2005	2-01-50082-A
DTP Yarenergoholding	05.01.2005	22.11.2004	20.01.2005	1-01-50081-A	20.01.2005	2-01-50081-A
Yaroslavl Power Company	05.01.2005	11.01.2005	10.03.2005	1-01-50098-A	10.03.2005	2-01-50098-A
Yaroslavl Management Power Company	05.01.2005	11.01.2005	10.03.2005	1-01-50100-A	10.03.2005	2-01-50100-A
Yaroslavl Sales Company	05.01.2005	11.01.2005	10.03.2005	1-01-50099-A	10.03.2005	2-01-50099-A
Yaroslavl Trunk Grids	01.08.2005					
"Non-basic" Restructuring Model						
51. Kalmenergo						
Kalmenergobyt	04.06.2005					
52. Pskovenergo						
Pskovenergobyt	30.08.2004	18.08.2004	31.12.2004	1-01-03189-D		
Pskovenergoagent	30.08.2004	18.08.2004	31.12.2004	1-01-03186-D		
Pskovenergосervice	30.08.2004	23.08.2004	31.12.2004	1-01-03188-D		
Pskovenergoavto	30.08.2004	23.08.2004	31.12.2004	1-01-03187-D		
53. Samaraenergo, Saratovenergo, Ulyanovskenergo						
Volzhsk Interregional Distribution Company	01.08.2005					
Volzhsk Territorial Generation Company	01.08.2005					
Volzhsk Interregional Power Sales Company	01.08.2005					
54. Kamchatskenergo						
Kamchatka HPPs	26.07.2005					
Central Electric Grids	26.07.2005					
Southern Electric grids of Kamchatka	26.07.2005					
Pauzhetsk GeoPP	26.07.2005					
Automobile Operating Company	26.07.2005					
Kamchatka Heat Transportation Company	26.07.2005					
55. Ingushenergo						
56. Kabbalenergo						
Kabardino-Balkaria Hydrogeneration Company	to be determined					
57. Sevkavkazenergo						
North Ossetia Hydrogeneration Company	to be determined					
58. Karachai-Cherkessenergo						
Karachai-Cherkess Hydrogeneration Company	to be determined					



CCHEDULE OF APPROVAL OF RESTRUCTURING PROJECTS FOR AO-ENERGO COMPANIES THAT REQUIRE INDIVIDUAL SOLUTIONS AS OF 30.06.2005

No. of AO-Energo	Approval Timeframe (not later than)	
	Approval of AO-Energo Restructuring Projects by the Management Board of RAO UESR	Approval of AO-Energo Restructuring Projects by the Board of Directors of RAO UESR
Energy systems that require individual solutions under restructuring projects*		
1. Tyvaenergo (wholly-owned subsidiary of Krasnoyarskenergo)	August 2005	September 2005
2. Yantarenergo	July 2005	August 2005
Electric power systems of the Far East Region *		
3. Amurenergo	July 2005	August 2005
4. Dalenergo	July 2005	August 2005
5. Khabarovskenergo	July 2005	August 2005
Isolated electric power systems **		
6. Sakhalinenergo	July 2005	August 2005
7. Kolymaenergo	August 2005	Timeframe to be determined (if necessary) upon review of the restructuring model by the RAO UESR Management Board
8. Magadanenergo	August 2005	
9. Taimyrenergo	сентябрь 2005	
10. Chukotenergo	July 2005	
11. Yakutskenergo	September 2005	

The list of AO-Energo companies as defined by decision of the RAO UESR Board of Directors of 25.06.2004

** The list of power systems with limited business competition as defined by Russian Government Resolution No. 854 of 27.12.2004

IMPLEMENTATION OF AO-ENERGO RESTRUCTURING PROJECTS AS OF 30.06.2005

TOTAL number of AO-Energo companies included" - in RAO UESR Holding: 72	"Basic" Model Restructuring	"Non-basic" Model Restructuring	TOTAL
Project Implementation Stages			
APPROVED by the Board of Directors of RAO UES of Russia	51	10	61
NOT YET APPROVED by the Board of Directors of RAO UES of Russia			11
including approved projects:			
I HELD: EGM on restructuring	45*	0	45
II HELD: AGM on approval of the Articles of Association and election of management bodies of the companies being created	41**	0	41
III COMPLETED: unbundling (state registration of newly established companies), including:	36	1	37
Complete unbundling (registration of all singled out companies)	6 (Belgorodenergo, Kalugaenergo, Mosenergo, Novgorodenergo, Stavropolenergo, and Tomskenergo)	0	6
Partial unbundling (separate companies not yet registered)	30	1 (Pskovenergo)	31
IV SUSPENDED implementation of restructuring projects	2 (Altaienergo, Kubanenergo)	0	2

* EGM on restructuring yet to be held (total of 5, excluding Altaienergo): Kurganenergo and Chitaenergo (scheduled for 30.09.2005), Komienergo, Kubanenergo, Kuzbassenergo (scheduled for 30.12.2005) + 3 "non-basic" projects: EGM in Samaraenergo, Saratovenergo, and Ulyanovskenergo to address restructuring by unbundling (scheduled for 30.09.2005).

** AGM on approval of the Articles of Association and election of management bodies yet to be held (total of 9, excluding Altaienergo): Vologdaenergo, Komienergo, Kolenergo, Krasnoyarskenergo, Kubanenergo, Kuzbassenergo Kurganenergo, Lenenergo, and Chitaenergo.



RESTRUCTURING PROSPECTS

Preparation for the launch of a competitive balancing market - September 2005

In 2005, it is intended to introduce the balancing electric power market which will replace the existing deviation sector of the wholesale market and remove the following shortcomings:

- Absence of competitive environment among electric power suppliers participating in the deviation sector due to their tariff load based on capacity.
- Unaccounted preferences of the deviation sector participants with regard to the system's balancing in real time by the System Operator.
- Incommensurability of the deviation sector prices with their real cost for consumers, as the prices do not depend on resources used for the compensation of deviations.

The balancing market presupposes selection of suppliers of "balancing" electric power in a mode approximating real time. The selection is based on minimization of the supply cost on the basis of suppliers' price bids for increasing/decreasing the load as against the planned one and presupposes formation of free equilibrium prices for "balancing" electric power for participants.

The balancing electric power market will ensure:

- a cost effective load for generation facilities based on minimization of the power supply cost reflected in participants' price bids;
- formation of objective price (cost) signals for suppliers and purchasers of "balancing" electric power.

Restructuring of the regulated sector of the wholesale electric power (capacity) market in 2006

By early 2006, it is planned to make regulated bilateral (direct) contracts the basis of the wholesale market. Taking into consideration that a single-stage liberalization of the wholesale power market may lead to considerable fluctuations of electric power prices that affect competitive capacity of both power consumers and producers, it is proposed to hedge price risks of market participants by documental reshaping of current relations in the regulated sector of the wholesale market into the system of regulated bilateral contracts which will make it possible to ensure a gradual transition to a fully competitive market and to take into account various degrees of risks of power price increase for various groups of consumers. Deviations from volumes stipulated in regulated bilateral contracts are supposed to be sold under the competitive sector of the wholesale market.

The opportunity to enter into long-term (3-5 years) contracts for electric power supply is supposed to be given to guaranteeing suppliers, with such contracts covering volumes of power supply to socially significant groups of consumer (population) as well as major industrial (energy-intensive) consumers qualified according to the criteria set by the Russian Government. The power consumption of other purchasers is supposed to be covered by guaranteeing suppliers or independent sales companies through bilateral contracts with duration of one year. Significant conditions (duration, the procedure for determining prices and volumes) for bilateral contracts are to be determined by the Russian Government. The volumes of electric power to be supplied under regulated bilateral contracts are supposed to be gradually decreasing with the development of the competitive sector and on the basis of demand/supply analyses and the tariff policy.



Organization of trading in systemic services - 2006

Systemic services are ones provided to power industry entities in order to achieve and maintain reliable electric power supply of target quality. Systemic services are provided to power industry entities in order to:

- stabilize frequency and ensure power reserves;
- supply reactive power and maintain voltage;
- prevent emergencies, power supply failures, and post-fault system recovery.

Currently, no system of payment for systemic services exists or envisaged, while the notion of systemic services as a commodity is not formalized either. Provision of such services may become quite problematic with the emergence of independent generation companies: each company, having a freedom of choice in the market, will not be interested in provision of free services to the system.

A specialized market must produce a stimulating effect on the provision of such services. In this regard, with principles of economic expediency in mind, provision of some systemic services may be organized on a regulated basis at fixed prices (tariffs).

Organization of trading in capacity - 2006

It is planned to sell electric power and (generating) capacity in the wholesale market. In this regard, capacity may be considered as a separate commodity or service expressed in the readiness of suppliers to provide, on command of the System Operator, generating capacity for production of electric power under certain conditions stipulated in bilateral contracts or in accordance with the rules of the market one day in advance or the balancing market. The mechanism of payment for capacity serves to ensure short-term, medium-term, and long-term operational reliability of the Unified Energy System of Russia; effective reproduction of electric capacity; and adequate signal for the attraction of investments.

It is supposed that all entities of the wholesale electric power (capacity) market will be participants of the capacity market. Under conditions of this market, payments for capacities of generation facilities may be derived from different sources: regulated bilateral contracts, competitive bilateral contracts for capacity (and electric power) supply, and the sales of power supply obligations at capacity auctions.

The introduction of the competitive capacity market is planned for 2006, while corresponding financial arrangements are supposed to be launched in December 2008. Before December 2008, payments for capacity are to be governed by the regulated bilateral contract system.



Prospects for the operation of the retail electric power (capacity) market

In 2006, a transitional model of the retail electric power market is supposed to be introduced. Optimal price strategy for participation in the wholesale market is to become the key competition instrument for power supply organizations (main participants of the retail market).

In the retail market, competitive environment will be ensured on the basis of the following factors:

- selection of "appropriate" price formation model for retail consumers;
- offer of "comfortable" terms of payment;
- payment calculation and billing, and payment collecting (arrears);
- quality in representation of interests of consumers in relations with the grid company, System Operator, and other market participants;
- related services.

Major consumers will be able to obtain electric power directly in the wholesale market, while small-time consumers, in the retail market from guaranteeing suppliers that must enter into agreements with any applicant consumers or power supply company.

The guaranteeing supplier status is supposed to be obtained as per results of biddings to be organized once in three years. Profitability of the guaranteeing supplier may be regulated with its average sales bonus assigned either on the basis of bidding results or by a regulatory body (in special cases). Sales bonus may be differentiated on the basis of consumer categories. Grid companies must enter into power transmission contracts with any consumers that meet technical requirements for connection and have entered into the power supply contract as well as one with the guaranteeing supplier (power sales company) acting in the interests of the consumer.

Procedures that are supposed to ensure reliable operation of the market:

- payment control in the wholesale market at any time;
- technique for the consumers transfer from one power sales company to another (information exchange regarding the consumer's transfer between power sales companies, the grid company, and the guaranteeing supplier);
- the consumer's transfer for power supply services from an inefficient power sales company to the guaranteeing supplier; and the developed procedure for transferring the consumer for services from an inefficient guaranteeing supplier to the power sales company.

Restructuring of AO-Energo companies

It is planned to complete the restructuring of AO-Energos reformed as per the "basic" model, to decide on measures for the restructuring of energy systems included in the integrated energy system of the Far East Region, and to decide on further measures for the restructuring of isolated energy systems and those having considerable individual particularities.



Establishment of new power industry entities

WGCs

At present, all seven WGCs have completed the state registration procedure. In 2005-2006, it is intended to complete the WGC establishment and transfer them to a single share.

TGCs

In 2005-2006, it is planned to complete the state registration of the 4 remaining TGCs, and to follow through with the implementation of schemes, approved by the RAO UESR Board of Directors, for filling TGCs with assets of Regional Generation Companies split-off of AO-Energos.

IDGCs

In 2005, it is planned for IDGC Siberia to follow the state registration procedure.

It is further planned to pay up for additional IDGC shares with shares of distribution grid companies established on the basis of restructuring of AO-Energos. It is also intended to transfer to a single share in all IDGCs. The state registration of an additional issue of shares of all ITGCs other than IDGC Siberia is scheduled for 4Q05, and of IDGC Siberia, for 1Q06. In this regard, additional IDGC shares will also be offered to minority shareholders of DGCs for purchasing in order to transfer IDGCs to a single share.

UES SO-CDA

Before late 2006, UES SO-CDA intends to buy up all RDA property currently leased from companies split-off of AO-Energos.

FGC UES (ITGCs and TGCs)

In case of launching the implementation of the new scheme for consolidating Trunk Grid Companies, UNPG facilities owned by TGCs are supposed to be handed over, starting from 2006, for FGC UES to use, with FGC UES to set power transmission tariffs. Tentatively, the completion of all measures related to the integration of TGCs into ITGCs is scheduled for 2Q06.

Restructuring of RAO UES of Russia

Before late 2005, it is planned to obtain necessary authorizations from relevant ministries and agencies with regard to models and techniques for the restructuring RAO UES of Russia. By late 2006, on completion of all basic measures toward restructuring subsidiaries and affiliates and establishing new companies, it is intended to implement decisions related to the restructuring of RAO UES of Russia.



BASIC TERMS AND DEFINITIONS

ABBREVIATIONS

AO-Energo	– Open Joint-Stock Power and Electrification Company
ATS	– Sales System Administrator
SDPP	– State District Power Plant (heat power plants in Russia)
HPP	– Hydroelectric Power Plant
S&A	– Subsidiaries and Affiliates
UNPG	– Unified National Power Grid
UESR	– Unified Energy System of Russia
Trunk GC	– Trunk Grid Company
Interregional Trunk GC	– Interregional Trunk Grid Company
IDGC	– Interregional Distribution Grid Company
WGC	– Wholesale Generation Company
IDA	– Integrated Dispatch Administration
WCR	– Wholesale Electric and Heat Energy Consumers and Resellers
IES	– Integrated Energy Systems
RDA	– Regional Dispatch Administration
RGC	– Regional Generation Company
RGC	– Regional Grid Company
REC	– Regional Energy Commission
SO-CDA UES of Russia	– System Operator – Central Dispatch Administration of Unified Energy System of Russia
TGC	– Territorial Generation Company
HPP	– Heat Power Plant
CPP	– Cogeneration power plant (also: Heat Power Plant)
FOREM	– Federal Wholesale Market of Electric Power and Capacity
FGC	– Federal Grid Company
FEC	– Federal Energy Commission
CSC FOREM	– Contract and Settlement Center of the Federal Wholesale Market of Electric Power and Capacity
CDA UES of Russia	– Central Dispatch Administration of Unified Energy System of Russia

TERMS AND DEFINITIONS*

Sales System Administrator (ATS) - nonprofit partnership company, the main purpose of which is to render trade services on the wholesale electric power (capacity) market; as well as financial management of electric power supplies and services being rendered to wholesale market entities; ensuring equal opportunities for all entities of the wholesale electric power market; protection of electric power suppliers and buyers; enhancement of efficiency of the electric power production and consumption.

"Basic Scenario" of the AO-Energo reform - reform of the AO-Energo through AO-Energo re-organization by means of proportional distribution of shares between the shareholders of the re-organized company, and creation of network, generating, sales and other special-purpose companies. (Decision of RAO UESR Board of Directors No. 111 of March 06, 2002; 2003-2008 RAO UESR Strategy Concept).

Initial Balance Sheets - balance sheets of the companies emerging following the re-organization, and the bookkeeping balance sheet of the re-organized company as on the date of state registration of companies founded resulting from re-organization (RAO UESR adjustment standard for separation balance sheets of AO-Energo, budgeted initial balance sheets and initial balance sheets of the companies emerging following the re-organization).

* RAO UES of Russia - Basic Terms and Definitions Reference Book



Guaranteeing Supplier - a profit-making company bound to execute electric power sales contracts with any applicant consumer or any individual acting for and on behalf of the consumer and willing to purchase the electric power, pursuant to the electric power industry regulations or in accordance with voluntary commitments. (Federal Law No. 35-FZ of March 26, 2003 "On the Electric Power Industry").

Wholesale Generation Companies (WGC) - generation companies founded on the basis of electric power plants pursuant to the Guidelines for Reform of the Electric Power Industry of the Russian Federation (approved by Russian Government Resolution No. 526 of July 11, 2001; Russian Government Order No. 1254-p of September 1, 2003; Russian Government Order No. 1367-p of October 25, 2004; and Decision of RAO UESR Board of Directors No. 125 of August 15, 2002).

Unified National (All-Russian) Power Grid (UNPG) - the total of power transmission lines and electric grid facilities subject to the unified operational and engineering control, being of strategic importance for a non-interrupted electric power supply of consumers and functioning of the wholesale electric power market, as well as to ensure parallel functioning of the UES of Russia and electric power systems of other countries, including the electric power export and import (Russian Government Resolution No. 881 of December 21, 2001 "On the Criteria of Trunk Transmission Lines and Grid Facilities Attribution to the Unified National Power Grid").

Unified Energy System of Russia (UESR) - the total of production facilities and other property items of electric power industry interconnected by the unified process of electric energy production (including the combined-cycle production of electric and heat energy) and transmission under the centralized dispatching control of the electric power industry (Federal Law No. 35-FZ of March 26, 2003 "On the Electric Power Industry").

Interregional Trunk Grid Companies (Interregional Trunk GC) - companies formed by means of consolidation of network or generation companies created in the course of the Russian electric power industry reform, following the AO-Energo reform (Interregional Distribution Grid Companies, Trunk Grid Companies, Territorial Generation Companies), as well as by means of foundation on the basis of AO-FESs and AO-stations (generation companies of the wholesale electric power market) (Decision of the RAO UESR Board of Directors No. 111 of March 06, 2002).

Interregional Distribution Grid Companies (IDGC) - open joint-stock companies founded on the territorial basis and receiving the shares of Distribution Grid Companies. (Decision of the RAO UESR Board of Directors No. 111 of March 06, 2002; 2003-2008 RAO UESR Strategy Concept).

Trunk Grid Companies (TGC) - open joint-stock companies emerging from the AO-Energo reform and acquiring the electric grid facilities within the Unified National (all-Russian) Power Grid (Federal Law No. 36-FZ of March 26, 2003 "On the Specifics of Electric Power Industry Functioning during the Transition Period"; Decision of the RAO UES of Russia Board of Directors No. 125 of 15.08.2002).

"Non-Basic Scenario" of the AO-Energo Reform - reform scenario that differs from the basic one and provides for segregation of AO-Energo by the type of activity, which is applicable in cases requiring the individual approach (reform of the Far East Power Systems, low-competition power systems, companies with financial uncertainty, etc.) (2003-2008 RAO UESR Strategy Concept).



Integrated Energy System - the total of several power systems integrated by a common operating regime and the unified dispatching control.

Electric Grid Facilities - electric transmission lines, transformer and other substations, distributing points and other equipment meant for ensuring the electric connection and electric power transmission (Federal Law No. 35-FZ of March 26, 2003 "On the Electric Power Industry").

Electric Power Industry Facilities - items of property used directly in the process of electric power production and transmission, dispatching control in the electric power industry and electric power sales, including electric grid facilities (Federal Law No. 35-FZ of March 26, 2003 "On the Electric Power Industry").

Wholesale Market of Electric Power (WMEP) - sphere of circulation of a specific product - electric power (capacity) within the Unified Energy System and the Common Economic Space of the Russian Federation, involving big electric power producers and consumers with the status of wholesale market entities and operating on the basis of the wholesale market regulations approved by the Russian Government in accordance with the Federal Law "On the Electric Power Industry". The criteria allowing to attribute the electric power producers and consumers to the category of big producers and consumers are established by the Russian Government (Federal Law No. 35-FZ of March 26, 2003 "On the Electric Power Industry").

Cross-Subsidy - settlement of damages arising from low rates established for a specific consumer group (population, consumers funded from budgets of different levels, etc.) at the expense of consumers paying higher rates.

Budgeted Initial Balance Sheet - forecast bookkeeping figures of the AO-Energo separation balance sheets as on the anticipated registration date of companies emerging in the process of re-organization.

Activity Breakdown - structural breakdown of naturally monopolistic and potentially competitive activities involving their detachment into independent companies (Federal Law No. 35-FZ of March 26, 2003 "On the Electric Power Industry"; Federal Law No. 36-FZ of March 26, 2003 "On the Specifics of Electric Power Industry Functioning During the Transition Period", 2003-2008 RAO UESR Strategy Concept "5+5").

Separation Balance Sheet - document (package) to be approved by the Annual General Meeting of the company undergoing re-organization, complete with provisions for legal succession of all rights and obligations of the company undergoing re-organization, on the basis of which a certain part of rights and obligations of the above company shall be transferred to each emerging company.

Distribution Grid Companies (DGC) - open joint stock companies resulting from the AO-Energo reform on the basis of electric grid facilities not included in the Unified National (All-Russian) Power Grid (Decision of the RAO UESR Board of Directors No. 111 of March 06, 2002; 2003-2008 RAO UESR Strategy Concept).

Regional Generation Companies (RGC) - open joint stock companies resulting from the AO-Energo reform, based on the generation assets not subject to inclusion into the WGC (Decision of the RAO UESR Board of Directors No. 111 of March 06, 2002; 2003-2008 RAO UESR Strategy Concept).



Repair and Service Company in the Electric Power Industry - a company whose basic activity is scientific-and-design support and (or) repair and maintenance of equipment, buildings and structures ensuring the electric and heat power production, transmission, distribution and sales, including the dispatching control.

Electric Power Industry Reform - transformation of the federal wholesale electric power (capacity) market into an adequate and competitive electric power market, including the creation of efficient retail electric power markets to ensure smooth power supply to consumers (Russian Government Resolution No. 526 of July 11, 2001 "On the Reform of Electric Power Industry of the Russian Federation").

Free Trade Sector - a sector engaged in wholesale trade of a certain amount of electric power by means of conclusion and execution of bilateral sales contracts, and by means of selection of the buyers' and vendors' price bids in free-market (non-regulated) prices (Russian Government Resolution No. 643 of October 24, 2003 "Electric Power Wholesale Market - Transition Period Regulations").

Wholesale Market Entities - legal entities duly authorized to participate in the relations associated with electric power circulation on the wholesale market pursuant to the wholesale market regulations approved by the Russian Government (Federal Law No. 35-FZ of March 26, 2003 "On the Electric Power Industry").

Electric Power Industry Entities - entities and persons engaged in the electric power industry, including electric and heat power production, electric power supply (sales), power supply to consumers, rendering of services associated with electric power transmission and dispatching control in the electric power industry and electric power sales including management thereof (Federal Law No. 35-FZ of March 26, 2003 "On the Electric Power Industry").

Territorial Generation Companies (TGC) - open joint-stock companies founded in the course of interregional integration of generation assets owned by AO-Energo (Regional Generation Companies), except for the generation assets to be included in WGC (Decision of the RAO UESR Board of Directors No. 111 of March 06, 2002; 2003-2008 RAO UESR Strategy Concept; and Decision of the RAO UESR Board of Directors No. 125 of August 15, 2002).

Management Company - company rendering contractual services on performing the functions of the other companies' (AO-Energo, AO-FESs, AO-stations etc.) sole executive bodies (Federal Law "On Joint Stock Companies").

Dispatching Control Services in the Electric Power Industry - package of measures for the centralized management of production cycles of engineering devices employed at electric power plants, power grids and power-receiving equipment of load-controlled electric power consumers for the purpose to ensure a non-interrupted power supply and electric power quality complying with applicable technical regulations and other mandatory requirements (Federal Law No. 35-FZ of March 26, 2003 "On the Electric Power Industry").



SUMMARY

The year 2005 is a key year for implementation of plans related to the restructuring of RAO UES of Russia. The launch of the electric power balancing market is scheduled for September; the balancing market will replace the existing deviations sector of the wholesale market. The launch of the system service market is scheduled for 2006.

It is planned to complete the restructuring of regional companies that are part of RAO UES of Russia. It is also planned to proceed with the establishment of new entities of the industry - Wholesale Generation Companies and Territorial Generation Companies, with some of them to start operating activities in 2005 in new competitive environment.

In the process of the power industry restructuring, the information strategy of RAO UES of Russia will be based as before on such principles as expediency, reliability, and competence.



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