

Report on the Company's Development in Priority Business Areas in 2016

Item No.	Priority Business Areas	Details of the Company Management Body Decisions that Defined Priorities	Target Values for Electric Grid Complex until 2030 Set by Development Strategy for Power Grid Complex Of the Russian Federation in accordance with Priorities	Measures Implemented by the Company in 2016
1	Innovation development	Decision of the Board of Directors of 3/5/2011, Minutes No. 106/2011		<ul style="list-style-type: none"> Measures under the Innovative Development Program of the Company were implemented in the following key areas of the Company's innovative development: <ul style="list-style-type: none"> ✓ transition to digital substations of different voltage classes 35–110 (220) kV; ✓ transition to digital active and adaptive networks with distributed intelligent automation and control systems; ✓ transition to the end-to-end performance of business processes and to the automation of the control systems; ✓ application of innovative technologies and materials in the electric power industry; ✓ development of the innovative products and technologies support and implementation system; ✓ development of human resources and partnership in education sector The Company started preparation of the updated Innovative Development Program for 2016–2020 with an outlook until 2025.
2	Ensuring the established reliability and quality level of the rendered services in accordance with regulations	Decision of the Board of Directors of 11/18/2011, Minutes No. 121/2011	Increasing reliability and quality of energy supply to the level corresponding to the customer needs including: improvement of customer service quality (including reduction of the number of stages necessary for technological connection to electric grids from 10 to 6 by 2015 and to 5 by 2018); reduction in undersupply of electricity; reduction of the technological connection costs for small and medium businesses.	<p>The planning data for 2016 connected with reaching the reliability indexes of power transmission services approved by Order of REC-PTD KT No. 10/2012 of 6/20/2012 and amounted to 0.0940 hrs.</p> <p>As of the end of 2016, the actual value of this index was 0.0124 hrs (less than the planning value by 86.81 %).</p> <p>Thus, the actual value of this power transmission reliability index did not exceed the plan values and expected actual values for 2016.</p> <p>In order to improve the quality of customer service in 2016, Kubanenergo PJSC performed works on the expansion of functionality of the Customer's Personal Account interactive service on the Company's web-site, in part of technological connections and customer service:</p> <ul style="list-style-type: none"> providing the customers with a possibility of sending statements on specifications observance, applications and complaints, filling of questionnaires; providing the customer with invoices under the contracts for technological connection, electronic copies of draft contracts for technological connection, certificates of technological connection, certificates of delineation of balance sheet attribution and operational responsibilities. <p>Improvement of Personal Account functionality in part to forwarding Consumer's request for temporary connection and for reissuance of technical documents is planned for 2017.</p> <p>Today the technological connection procedure consists of 4 stages:</p> <ul style="list-style-type: none"> filing of an application; conclusion of a contract; performance of a contract; actual connection.

				<p>From October 1, 2015 the amount of investment component for covering expenses on the electric grid facilities construction (from the existing electric grid facilities to the connected power receivers and/or the electricity generation facilities) included into the payment for technological connection of power receivers with a maximum capacity of 150 kW, shall not exceed 50 % of the specified expenses amount. (Federal Law “On Electricity Production” No. 35-FZ of 3/26/2003).</p> <p>In order to reduce the technological connection costs for small and medium businesses, the engineering solutions are optimized in terms of reduction of reconstruction (construction) scope of electric grid facilities infrastructure by the Company.</p> <p>In the reporting year, Kubanenergo PJSC generally fulfilled the primary goal of its operations, i. e. ensuring high-quality and uninterrupted electricity supply to customers.</p> <p>According to the Rules of Investigation into the Causes of Power Accidents approved by Decree of the Government of the Russian Federation No. 846 of 10/28/2009, Kubanenergo PJSC investigates the causes of accidents.</p> <p>Total undersupply of electricity to customers decreased in comparison with the previous year by 40.2 % and amounted to 3889.628 thou kWh.</p> <p>Reduction of accident rate in 2016 was reached due to the exertion of focused efforts aimed at increasing reliability of electricity supply equipment and the Company ETL.</p> <p>In order to identify causes of technological disturbances (accidents), the investigation into the accidents was arranged in accordance with the requirements of Decree of the Government of the Russian Federation No. 846 of 10/28/2009 “On Approval of Rules of Investigation into the Causes of Power Accidents” (as amended). Following the investigation, the emergency response activities are planned which represent activities on mitigation of the risk event consequences, on prevention of further similar events occurrence and covering the above factors.</p>
3	Introduction of the Company’s Production Assets Management System (the “PAMS”).	Decision of the Board of Directors of 6/15/2012, Minutes No. 137/2012		<p>Implementation of the Company’s PAMS was completed in 2013. The system has been developing since 2015.</p> <p>In 2016, the Company implemented:</p> <ul style="list-style-type: none"> • automation of works and resource scheduling for implementation of the repair program; • automation of accounting of costs associated with the repair program implementation; • creation of the unified system of the material resource standard reference information in the Company; • certification of production buildings and facilities; • certification of production warehouses and storage areas for emergency reserves, automobile transport; • integration of the Production Assets Management System and Software Package “Accident Rate” (SP “Accident Rate”); • automation of procedure for generation of SS and ETL Digital Certificates and other information for use in the Distributed Assets Management System during the performance of emergency recovery works; • further development of the Company Production Assets Management System is scheduled for 2017–2018, including: • reliable performance records in the Automated Maintenance and Repair Management System and generation of the required reports; • integration of the Automated Maintenance and Repair Management System and the Accounting Statements Maintenance Software (1C:ERP) for automatic generation of actual values in EMR Reports per the results of accounting data of the accounting statements; • creation of the Maintenance and Repair Program for 2018 based on the updated status indices for 2017; • automation of the electronic defects register; • automation of procedure for generation of SS and ETL Technical Certificates; <p>Expected results of the measures implementation: improvement of the maintenance and repair scheduling quality, increase of labor efficiency, reduction of labor content of works on the maintenance and repair procedures management through optimization of information and technology solutions.</p>
4	Ensuring availability of the energy infrastructure and	Decision of the Board of Directors of 9/12/2014,		<p>The Company implemented:</p> <ul style="list-style-type: none"> • possibility to file an application for technological connection to the electric grid via Internet using the Company web-site; • possibility of preliminary calculation of technological connection cost pursuant to the set-up parameters on the Company web-

	quality of technological connection to Company's electric grids.	Minutes No. 196/2014		<p>site;</p> <ul style="list-style-type: none"> disclosure of the data on the total transmission capacity of each electric grid area, the current operating margin for customers' connection; average time of contract offer consideration reduced from 13 to 8 days when compared with 2015, and average time of contract performance reduced from 180 to 119 days. <p>Decrease in standard implementation terms of technological connection for privileged categories of applicants is scheduled for 2017.</p>
5	Development planning of Kubanenergo PJSC Distributive Grid Complex.	Decision of the Board of Directors of 9/5/2011, Minutes No. 116/2011		<p>The Company was directly involved in the development of:</p> <ul style="list-style-type: none"> Schemes and the Programs of Electricity Industry Prospective Development in the Krasnodar Krai for 2017–2021, and Schemes and the Programs of Electricity Industry Prospective Development in the Republic of Adygea for 2017–2021; Programs of complex development of municipal infrastructure systems of 44 municipal entities of the Krasnodar Krai for 2016–2018 with an outlook until 2030. <p>In reporting year, at the order of Kubanenergo PJSC, JSC Institute ENERGOSETPROEKT elaborated the Comprehensive Program of Development of Electric Grids of 35 kV and above on the territory of the Krasnodar Krai and the Republic of Adygea for 2017–2021. The program is a basis for annual formation of proposals for inclusion of the measures into the Charts and the Programs of Electricity Industry Prospective Development in the Krasnodar Krai and the Republic of Adygea for the five-year period.</p>
6	Implementation of the Environmental Policy	Decision of the Board of Directors of 1/18/2008, Minutes No. 49/2008		<p>In 2015 the Program was completed in full. The term of the measures implementation terminated.</p> <p>Activities on the priority business areas implementation are operating activities being performed continuously.</p> <p>For more details see section Sustainable development / Environmental protection.</p>
7	Increase of anti-terrorist and anti-sabotage protection level of the Company's electric grid facilities.	Decision of the Board of Directors of 8/5/2010, Minutes No. 94/2010		<p>For more details see section Results of operating activities / Safe operation of the Company.</p>
8	Measures aimed at the decrease in electricity losses using extra tariff funding sources (including using the energy service contracts).	Decision of the Board of Directors of 5/20/2015, Minutes No. 211/2015	Improving efficiency of the electric grid complex, including: decrease in loss rate by 11 % by year 2017 against the level of 2012.	<p>Implementation of the power service contracts (the "PSC") is one of the most efficient measures aimed at the reduction of power losses during its transmission. In this case, the risks associated with the execution of PSC are falls within the area of responsibility of PSC contractor, and the Execution of PSC is actually one of the components of other, wider area of the Company activity, i. e. the decrease in power losses during its transportation.</p> <p>In order to decrease relative loss rate of the electric power by 11 % by year 2017 against the actual indicators of 2012, Kubanenergo PJSC schedules to implement measures aimed at the decrease in technological power losses during transmission, including with account of measures under the terms of Power Service Contracts.</p> <p>The list of projects in the sphere of energy conservation and energy efficiency increase, that are feasible on the terms of the concluded energy service agreements (contracts), is approved by the Company's Board of Directors on 12/10/2013 (amended on 3/28/2017).</p> <p>Following the results of 2016, the benefit due to implementation of the measures aimed at the decrease in electricity losses during transmission in total amounted to 120.2 mln kWh (RUB 495.0 mln), including due to:</p> <ul style="list-style-type: none"> organizational measures: 47.3 mln kWh (RUB 208.3 mln); technical measures: 4.2 mln kWh (RUB 10.8 mln); improvement of electric power accounting: 68.7 mln kWh (RUB 276.1 mln). This work is supposed to be continued.

				<p>In 2015–2016: The Company entered into 17 Power Service Contracts (PSC) for a total amount over RUB 2.1 bln; the projects cover over 78 thou of accounting points; the expected effect from the PSC measures implementation amounts to approximately 505 mln kWh.</p> <p>Following the results of Power Service Contracts performance, in 2016 the effect amounted to 119.2 mln kWh, including:</p> <ul style="list-style-type: none"> • decrease in power losses – 66.9 mln kWh; • growth of net electricity supply – 52.3 mln kWh.
9	Measures aimed at centralization and automation of the treasury function.	Decisions of the Board of Directors: Minutes No. 205/2015 of 3/13/2015, Minutes No. 212/2015 of 5/22/2015		<p>In 2016, the Company performed further update of reporting forms and reference books “1C: Enterprise” used during preparation of templates for uploading information into automated information system of treasury operations registration in order to organize information exchange with the unified IT system of the Unified Treasury of PJSC ROSSETI.</p>
10	Improvement of internal control and risk management system, development of internal audit function.	Decision of the Board of Directors of 9/12/2014, Minutes No. 196/2014		<p>The Board of Directors of OJSC Rosseti (Minutes No. 143 of 2/13/2014) approved the Internal Control System Development and Improvement Strategy of OJSC Rosseti and its S&A.</p> <p>For the purpose of this Strategy implementation, the Company’s Board of Directors defined the development and improvement of internal control and risk management system and the internal audit function as the priority area (Minutes No. 196/2014 of 9/12/2014) and approved the following documents (Minutes No. 233/2016 of 3/18/2016):</p> <ul style="list-style-type: none"> • Company’s Internal Control Policy (amended); • Company’s Risk Management Policy (amended); • Company’s Internal Audit Policy (amended). <p>In 2016, the Company’s Director General approved the documents aimed at the development of the internal control, risk management, and internal audit systems, including the approval and implementation of the Action Plan Aimed at Development and Improvement of Internal Control and Risk Management Systems of Kubanenergo PJSC for 2016–2018 (for details refer to sections About the Company / Company Risk Management System, Internal Control and Internal Audit).</p> <p>In 2016, the risk management in the Company was carried out in accordance with the following registers:</p> <ul style="list-style-type: none"> • key operational risks; • operational risks of the main business processes; • operational risks of other business processes. <p>The assessment of the revealed risks is regularly updated, measures aimed at their management are implemented, information on the functioning of the risk management system, on the performance of the risk management activities is considered by the Company’s management bodies:</p> <ul style="list-style-type: none"> • by the Company Management Board – quarterly; • by the Strategy, Development, Investments and Restructuring Committee of the Company’s Board of Directors – following the results of the first half of the year and following the results of a year; • by the Company’s Board of Directors – following the results of a year. <p>In order to improve the Internal Control System functioning, the Board of Directors separates the functions of Internal Audit and Internal Control (Minutes No. 241/2016 of 6/1/2016):</p> <ul style="list-style-type: none"> • the Company’s Organization Structure, pursuant to which the Internal Audit Department is administratively subordinated to the Company’s Director General and functionally subordinated to the Board of Directors, was approved; • the position of the Deputy Director General for Controlling, subordinated to the Directorate of Internal Control and Risk Management and to the Controlling Department, was introduced. <p>Within the frames of the Internal Audit function implementation, the efficiency of the Internal Control and Risk Management</p>

				Systems has been assessed. The results of the assessment shall be submitted to the Board of Directors (with preliminary consideration by the Audit Committee of the Board of Directors). As of the end of 2016, the maturity level of the Internal Control and Risk Management Systems was defined by the Audit Committee of the Board of Directors as “moderate” (Minutes No. 51/2017 of 3/20/2017).
11	The Company strategy in the sphere of information technology, automation and telecommunications for the period up to 2016.	Decision of the Board of Directors of 6/20/2012, Minutes No. 138/2012		For more details see section Results of operating activities / Development of corporate and technological automated control systems
12	Construction and operation of fiber-optic communication lines (FOCL).	Decision of the Board of Directors of 5/3/2012, Minutes No. 133/2012		<p>The action plan for the construction and operation of FOCL for 2012 was approved by the Decision of the Company’s Board of Directors. No plans were approved for the successive periods. At present, the design and construction of FOCL are performed within the frames of the implementation of the Company’s investment program titles. Thus, the Company’s business area known as “Construction and operation of fiber-optic communication lines” lost its relevance as the Company’s separate priority business area.</p> <p>66.4 km of FOCL were constructed within the Company Investment Program titles in 2016. Corporate network of data transfer as well as dispatch and technological communication channels in the direction of a dispatch center of Teuchezhsky DEG of Krasnodar Electric Grids Branch of the Company are organized using these FOCL in accordance with modern requirements.</p>
13	Consolidation of electric grid assets	Decision of the Board of Directors of 11/18/2011, Minutes No. 121/2011	Decrease in the number of territorial grid companies by 50 % by year 2017 against the level of 2012 and by 50 % by year 2030 against the level of 2017	<p>In order to increase the required gross income on the service territory of Kubanenergo PJSC as well as in order to decrease the number of regional grid companies, in 2011 the Company developed a long-term Electric Grid Assets Consolidation Program for 2011–2015 which was approved by the Board of Directors (Minutes No. 121/2011 of 11/21/2011) and which represented one of the Company’s priority business areas.</p> <p>The Program objective was the acquisition of grid assets uncontrolled by the Company and the provision of efficient use of power grid property transferred to the possession, released on loan or otherwise consolidated. Consolidation of the power grid property over a period of 2011–2015 made it possible to enhance the reliable and uninterrupted power supply of the region and to reduce the power losses at the acquired power facilities. The effect achieved from the implementation of the Electric Grid Assets Consolidation Program appeared in the increase of the market share in terms of the required gross proceeds (RGP) from 58 % (in 2011) to 73 % (in 2015). At present, the Electric Grid Assets Consolidation Program for 2011–2015 lost its relevance.</p> <p>However, the Company continued its activity relating to consolidation in 2016. The Company is interested in creation of the unified center of responsibility for high-quality and reliable energy supply to consumers, elimination of “fragmentarity” of the grid in the Krasnodar Krai and the Republic of Adygea. To implement this strategy, the Company carries out the following activities:</p> <ul style="list-style-type: none"> • takes measures to “pick-up” TGC not corresponding to the criteria established by Decree of the Government of the Russian Federation No. 184 of 2/28/2015 “On Designation of Electric Grid Facilities Owners as Territorial Grid Companies” (the feasibility study of these power facilities consolidation was carried out in the reporting year, relevant proposals were sent to TGC); • in pursuance of the decisions adopted in the meeting chaired by the Deputy Head of Administration of the Krasnodar Krai of 12/2/2015, carries out inventory of unowned power facilities, consolidation of municipal property at Kubanenergo PJSC;

				<p><i>The Results of Implementation of the Electric Grid Assets Consolidation Program in the Company in 2014–2016:</i></p> <table><tr><th rowspan="3">Measures under Electric Grid Assets Consolidation Program</th><th colspan="9">Scope of Electric Grid Assets Consolidation over a period of</th></tr><tr><th colspan="3">2014</th><th colspan="3">2015</th><th colspan="3">2016</th></tr><tr><th>MVA</th><th>Km</th><th>C.u.</th><th>MVA</th><th>Km</th><th>C.u.</th><th>MVA</th><th>Km</th><th>C.u.</th></tr><tr><td>Total</td><td>37</td><td>504</td><td>1165</td><td>11</td><td>138</td><td>443</td><td>104</td><td>628</td><td>1770</td></tr><tr><td>Acquisition of electric grid facilities</td><td>4</td><td>39</td><td>40</td><td>2</td><td>6</td><td>9</td><td>5</td><td>16</td><td>86</td></tr><tr><td>Leasing of electric grid facilities</td><td>33</td><td>465</td><td>1124</td><td>8</td><td>109</td><td>351</td><td>96</td><td>587</td><td>1587</td></tr><tr><td>Other (permanent rights of possession and use)</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td></tr><tr><td>Other (temporary rights of possession and use)</td><td>0</td><td>0</td><td>0</td><td>2</td><td>22</td><td>83</td><td>3</td><td>24</td><td>97</td></tr></table> <p>The main difficulties of implementation of the Electric Grid Assets Consolidation Program are failure to achieve a consent of facilities owners to participation in consolidation and lack of measures funding source.</p>	Measures under Electric Grid Assets Consolidation Program	Scope of Electric Grid Assets Consolidation over a period of									2014			2015			2016			MVA	Km	C.u.	MVA	Km	C.u.	MVA	Km	C.u.	Total	37	504	1165	11	138	443	104	628	1770	Acquisition of electric grid facilities	4	39	40	2	6	9	5	16	86	Leasing of electric grid facilities	33	465	1124	8	109	351	96	587	1587	Other (permanent rights of possession and use)	0	0	0	0	0	0	0	0	0	Other (temporary rights of possession and use)	0	0	0	2	22	83	3	24	97
Measures under Electric Grid Assets Consolidation Program	Scope of Electric Grid Assets Consolidation over a period of																																																																																	
	2014			2015			2016																																																																											
	MVA	Km	C.u.	MVA	Km	C.u.	MVA	Km	C.u.																																																																									
Total	37	504	1165	11	138	443	104	628	1770																																																																									
Acquisition of electric grid facilities	4	39	40	2	6	9	5	16	86																																																																									
Leasing of electric grid facilities	33	465	1124	8	109	351	96	587	1587																																																																									
Other (permanent rights of possession and use)	0	0	0	0	0	0	0	0	0																																																																									
Other (temporary rights of possession and use)	0	0	0	2	22	83	3	24	97																																																																									
14	Certification of equipment, materials and systems at the Company facilities	Decision of the Board of Directors of 6/4/2014, Minutes No. 190/2014		<p>In order to organize the work on certification of equipment, materials and systems, the Company issued the order in 2014 that:</p> <ul style="list-style-type: none">• Methods of Carrying Out Certification of Equipment, Materials and Systems in Electric Grid Complex became effective;• the Commission on admission of the Company’s equipment, materials and systems was appointed, its Rules and Regulations were approved. <p>No applications for carrying out of certification were submitted to the Commission in 2016. In view of application of the unified technical policy in PJSC ROSSETI Group of Companies, certification of equipment, materials and systems used in the electric grid complex of Kubanenergo PJSC was carried out directly by PJSC ROSSETI.</p>																																																																														
15	Implementation of Major Investment Projects Construction Management System	Decision of the Board of Directors of 11/18/2011, Minutes No. 121/2011		<p>In accordance with the Decision of the Board of Directors, the Regulations for Major Investment Projects Construction Management was approved by Order of the Company No. 1101 of 12/14/2011. The application of a designated project management information system based on Oracle Primavera (PMIS) ensured full execution of control over the implementation of the Program for Olympic Venues Construction and Development of Sochi as an alpine resort related to the reconstruction and construction of distribution grid facilities, ensuring reliable power supply of Sochi during the Winter Olympic Games of 2014 and of the developing infrastructure of the city as an alpine resort. Due to the completion of the Olympic venues construction in 2014, the Regulations were canceled by Order No. 16 of 1/14/2014, and this area of activity lost its relevance. At present, the Project Management Information System based on Oracle Primavera (PMIS) is not applicable, since all tasks related to it were completed.</p>																																																																														
16	Activity in the area of occupational safety and health	Order of the Company No. 2 of 1/11/2016	Increasing energy supply safety, including decrease in total of accidents as well as unaccounted accidents	<p>The Company considers the preservation of its employees’ life and health as a priority in relation to any other results of labor activity and, to this end, constantly takes measures to ensure safe working conditions in workplaces and to prevent occupational injuries and injuries of third parties at the Company’s facilities.</p> <p>This area of activity includes the implementation of measures under the Company Comprehensive Program to decrease employees’ and third parties’ injury risks at facilities of the Company’s unified grid complex for 2015–2017 (the “Comprehensive Program”) approved by the decision of the Company Board of Directors (Minutes No. 201/2014 of 12/30/2014). The Company Management Board approved additional measures for its implementation on 8/23/2016.</p>																																																																														
17	Decrease in specific investment costs by 30 % against the level of 2012	Order of the Company No. 1226 of 10/8/2013	Improving efficiency of the electric grid complex, including: decrease in specific investment costs by 30 % against the level of 2012	<p>Order of the Company No. 1226 of 10/8/2013 “On Approval of Methods for Planning of Investment Costs Reduction by 30 % against Level of 2012 during Development of Investment Program of OJSC Kubanenergo” establishes the target values for reduction of specific investment costs by 30 % against the level of 2012.</p> <p>The plan for reduction of investment costs in 2016 amounted to RUB 265 mln, excluding VAT (22.5 %). Following the results of 2016, the actual reduction of investment costs amounted to RUB 381 mln, excluding VAT that corresponds to 32 %.</p> <p>The construction (reconstruction) specific values are:</p> <ul style="list-style-type: none">• for OHL actual value in 2012 amounted to RUB 1,971 thou per km; corrected actual value in 2016 amounted to RUB 863 thou per km; the reduction against the level of 2012 is 56 %;• for CL actual value in 2012 amounted to RUB 10,578 thou per km; corrected actual value in 2016 amounted to RUB 2,860 thou per km; the reduction against the level of 2012 is 73 %;• for SS actual value in 2012 amounted to RUB 3,471 thou per km; corrected actual value in 2016 amounted to RUB 3,099 thou per km; the reduction against the level of 2012 is 11 %;																																																																														

18	Decrease in operating expenses by 15 % by year 2017 taking into account inflation against the level of 2012 per maintenance unit of electrical equipment. Decrease in operating expenses (costs) for at least 2–3 % annually	Decisions of the Board of Directors: Minutes No. 214/2015 of 6/9/2015, Minutes No. 228/2015 of 12/29/2015, Minutes No. 235/2016 of 4/22/2016	Improving efficiency of the electric grid complex, including: decrease in operating expenses by 15 % by year 2017 taking into account inflation against the level of 2012 per maintenance unit of electrical equipment.	<p>The target values for the reduction of operating expenses are approved by the Decisions of the Company's Board of Directors.</p> <p>In order to decrease expenses, from 2016 onwards the Company has been implementing the Operational Efficiency Increase and Expense Reduction Program for 2016–2020 on the achievement of benefit due to the maintenance cost reduction per unit of the Company's electrical equipment.</p> <p>In order to execute Directive of the Government of the Russian Federation No. 2303-P13 of 4/16/2015 following the results of work in 2016, the decrease in specific operating expenses against the level of 2015 amounted to RUB 196 mln (3.05 %), with the plan amount of RUB 193 mln (3.00 %).</p> <p>In order to execute the Development Strategy of the Electric Grid Complex of the Russian Federation, the Company ensured the decrease in the managed operating expenses in 2016 against 2012 by RUB 623 mln or 15 % that corresponds to the target level of decrease in the managed expenses.</p> <p>In 2016, measures implementation results in achievement of a target value on maintenance cost reduction per unit of the electrical equipment in prices of 2012 (RUB 6.13 thou per c.u.). Specific costs in prices of 2012 amounted to RUB 6.12 thou per c.u. in the reporting year.</p> <p>As part of expense optimization, the Company scheduled a package of measures aimed at the decrease in constant operating expenses per 1 conventional unit by 15 % by year 2019 against 2012. Major measures for achieving key efficiency indicators of Kubanenergo PJSC are established:</p> <ul style="list-style-type: none"> • in the area of energy conservation and energy efficiency; • with regard to increase of operating activities efficiency; • with regard to increase of investment activity and procurement procedures efficiency; • in the area of labor efficiency increase; • with regard to other (non-core) activities.
19	Capacity utilization increase;		Improving efficiency of the electric grid complex, including: capacity utilization increase.	<p>At present, the reserve (unutilized capacity) of transformers in the mode $n-1$¹ with regard to 732 substations of 35–110 kV of Kubanenergo PJSC with total capacity of 9,532.53 MVA amounts to 1,086.78 MVA (i. e. 18.43 %) that is by 9.57 % less than the value in the previous reporting period.</p> <p>141 35–110 kV SS are included in the List of Overloaded Transformer Substations of Kubanenergo PJSC in the mode $n-1$ as of 9/1/2016 with data measured over a day under the operating conditions following the results of check measurements under the operating conditions in 2015/2016.</p> <p>A natural growth of the electrical power system capacity consumed for 2016 amounted to 5.4 %, besides, connection of new customers leads to additional increase in total capacity utilization of power stations of Kubanenergo PJSC.</p> <p>In general, investments in Kubanenergo PJSC promote reliability enhancement, industry performance improvement, and electric power losses decrease. Alongside with that, the growth of investments leads to higher prices of electric grid services if the exploited capacities remain unloaded. In this regard, the purpose of the electric grid complex regulation is ensuring high load of re-exploited capacities.</p>

¹ In case of emergency shutdown of any element of an electric grid, f. ex. a line (one circuit of double-circuit line), transformer, etc. in a normal circuit layout.