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French Firm Taking Over at Tomsk Grid

By Roland Oliphant

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French firm ERDF takes over management of the Tomsk Grid Company, or TRK, Tuesday in the first exercise in handing Russia's electricity companies to Western firms to improve performance.

ERD Vostok — a subsidiary of ERDF International — has been contracted by state-owned Russian grid operator MRSK Holding to manage its Tomsk region subsidiary.

"The very first thing we will do is conduct an audit. Then we will see," said Eric Beaujean, ERD Vostok's Moscow-based general director when asked about the new managers' first moves.

The French firm, which runs 95 percent of France's electricity grid, has been contracted to run the Tomsk Grid Company for an initial 18-month probationary period. If MRSK decides to extend the contract beyond that time, the project will run until the end of 2019.

He would not reveal how much the eight-year contract is worth, but said payment is tied to the manager's ability to improve TRK's reliability and slash losses.

The project remains experimental, though if successful it may be expanded to other regions, Alexander Uzhanov, MRSK chief of communications, told The Moscow Times.

“At the moment, we’re very happy that we have a partner with such experience, and if it works out successfully we may extend the scheme to other regions,” he said by telephone.

The big idea from MRSK’s point of view is to gain experience and technological know-how from the French company to increase efficiency and revenues, said Elina Kuliyeva, a utilities analyst at Alfa Bank.

The attraction for the French firm — apart from the relatively low-risk business of selling their management services — is market reconnaissance ahead of a likely privatization of Russia’s grid companies, Kuliyeva said.

“They will be trying to learn the rules and how the market operates. Most foreign investors don’t really understand how the market works here,” she said.

Beaujean declined to comment on the possibility of making a bid for ownership in the Tomsk or any other distribution company, saying only “we’ll see.”

Uzhanov said there was no talk of privatization so far, but that “we would not exclude the possibility in the future.”

Both the Russian government and MRSK management have spoken about privatization of regional grid companies, but the process has been stymied by delays in transitioning to a regulatory asset-based tariffs system, or RAB, which is more attractive to investors because it gives a precisely known return on investments.

But because RAB is expected to cause domestic energy bills to increase dramatically, the government has opted for a step-by-step approach in a bid to limit tariff increases to about 10 percent a year. Analysts expect the process to speed up after next Sunday’s presidential election.

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