

ENERGY SECTOR EXECUTIVES DISCUSS PROSPECTS OF NEW PAYMENT DISCIPLINE LAW IN KRASNODAR

Head of VEGAS LEX Southern directorate Maxim Grigoryev has moderated a Kommersant-Yug Rossii-sponsored roundtable on ways to enforce the law enhancing the payment discipline and prevent the debt crisis in the housing and utilities and energy resources sectors in the Krasnodar region.

On June 2, 2016, Krasnodar hosted a roundtable organized by the *Kommersant-Yug Rossii* newspaper on *Non-payments: How to change the situation in housing and utilities sector in the Krasnodar Region?* Representatives of the authorities, energy market participants and experts evaluated the effectiveness of last year's [legislation aimed at improving the payment discipline](#), tried to make projections about its application in the region and drew up proposals for improving the relevant regulatory framework.

The event was opened by Head of VEGAS LEX Southern directorate [Maxim Grigoryev](#) who outlined the problems hindering the interaction between the parties involved, including grid companies, distribution companies, resource providers and management companies in the context of enforcing the payment discipline-enhancing law. According to Mr. Grigoryev, the problem is quite pressing, and efforts are being made to resolve it. *“The Federal Law 307-FZ – sometimes referred to as ‘ill-fated’ – is not working well enough yet due to the absence of the necessary by-laws and regulations,”* he said. *“What we can see though is a long series of court cases to recover the higher penalties and fines prescribed by the law. Moreover, the courts seem to believe they can apply the law retroactively, since it contains a proviso ‘even before its entry into force’.”* Although this practice is not yet established at the cassation level, it is already working at courts of appeal, he added*.

The discussion revolved around the housing and utilities debt in the Krasnodar region. The participants analyzed how the payment discipline law works and discussed how to solve the problem of cash shortages and synchronize payments between energy companies, public utilities and customers. They considered how the transition to direct contracts between resource providers and consumers, as proposed by the Ministry of Construction**, would influence the situation; what actions are needed to prevent the growing debt crisis; and what role the executive authorities can play. An analysis of the debt dynamics shows that resource providers' debt to energy supplying companies – in particular, the natural gas suppliers – grows faster than other kinds of debt. In addition, most of the debt had been accumulated before the new legislation even entered into force, so it has to deal with the existing debt now.

The market participants have taken the new law badly: in their view, it has put them at a disadvantage in terms of payment deadlines and the amount of penalties accrued. They are concerned that the law will soon lead to an increase in receivables across the chain of energy consumers and their bankruptcy risk will grow. Experts estimate that the businesses that are closer to consumers, such as building management companies, resource providers and energy retailers, are at a higher risk. ***

Other speakers at the conference included Deputy Minister of Fuel and Energy and Housing and Utilities Services of the Krasnodar region **Vadim Yakushev**; Deputy Director General of TNS Energo – Managing Director of Kubanenergosbyt **Vitaly Rozhkov**; First Deputy General Director of Kubanenergo **Edgar Armaganyan** and others.

The event was attended by senior executives of major resource providers and regional building management companies such as Gazprom Mezhrefiongaz Krasnodar, NESK, NESK-power grids, the Krasnodar heat and power plant of Lukoil-Kubanenergo, GUK-Krasnodar, Kubanvodokanal, Yugvodokanal, Krasnodateploset and others.

* Source: *The South of Russia Portal*

<https://www.yuga.ru/articles/economy/7443.html>.

*** Ministry of Construction, Housing and Utilities of the Russian Federation*

**** Source: Kommersant-Yug Russii*

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