

Tarasiuk dismissal

## SHOWING WHO'S BOSS

The dismissal of Foreign Minister Borys Tarasiuk Sept. 29 marked the start of a new phase in relations between President Leonid Kuchma and the government of Premier Viktor Yushchenko. Significantly, Kuchma fired Tarasiuk without consulting with the premier - Yushchenko himself has confirmed that this was the president's unilateral decision and that he, as premier, had no alternative but to implement it. In this way the president has made clear his readiness to dismiss members of the government regardless of the premier's views.

### Hands-Off Approach

It is possible to identify three phases in relations between the president and the Yushchenko government.

From December 1999 to March 2000, Kuchma made every effort to show that he had given Yushchenko a free hand in choosing a compatible team of reformers. The biggest surprise during this stage was Yushchenko's appointment of Yulia Tymoshenko as vice premier for the fuel and energy complex.



Ex-minister seeks employment Photo: Y. Illiyenko

The second phase was marked by Kuchma's aloof neutrality on

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### Executive wars

## Fuel to the fire

KYIV. The *Batkivshchyna* party appealed to the Secretary of the National Security and Defense Council Yevhen Marchuk Oct. 3 with a rather interesting proposal, namely, that he voluntarily resign on the grounds that his activities are damaging the national security interests of Ukraine. The proposal was supported by the 31-member *Batkivshchyna* faction in the Verkhovna Rada. Given that this party is headed by Vice Premier for Fuel and Energy Yulia Tymoshenko, it becomes clear that her relations with Marchuk have reached a critical point.

The appeal also demands that President Leonid Kuchma ask the State Security Service to make "a rational assessment of Marchuk's statements and continuous attempts to provoke a crisis in Ukraine." In the opinion of those who drafted the document, which include Tymoshenko, Marchuk is trying to revive the criminal legacy of non-transparent transactions in the fuel and energy sector controlled by oligarchic clans. These accusations were made public on the eve of President's visit to Turkmenistan where he was scheduled to agree on the sup-

ply of Turkmeni gas to Ukraine.

The history of opposition between Tymoshenko and Marchuk began in June 2000 when the latter submitted a report to the President accusing the vice premier of ruining the country's energy system, which could have dangerous repercussions for the fall-winter period in terms of energy supply. Needless to say, Tymoshenko reacted sharply to this criticism. "I'm baffled that a person who has never met with me can engage in such mud-slinging in the political arena," she stated. The *Batkivshchyna* party leader made it clear that Marchuk is carrying out the orders of oligarchs interested in blocking reforms in the energy sector, naming the leader of the Revival of the Regions faction Oleksandr Volkov, one of the SDPU(o)'s leaders Hryhoriy Surkis, and the former head of the NaftoGaz Ukraïny Ihor Bakai.

### Orchestrated Attacks

In support of this accusation, analysts commenting on the public

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## Energy market

# Paying the electricity bill

The system of settlements in the electricity market that have yielded Ukraine has seen changes in the last year yielding positive results. The electricity generating companies, EnergoRynok and the distribution companies are the three main players in this newly devised payments scheme. Following is an overview of the performance record of these players in paying their electricity bill for the first 8 months of this year.

In the first eight months of this year, electricity distribution companies received from the state enterprise EnergoRynok 91.7bn kWh of electricity worth some Hr 10.124bn including VAT [See diagram below]. At the same time, all types of payments for electricity bought on the wholesale market by distribution companies and other suppliers amounted to 76.9% of the actual cost of the supplied electricity, which is 1.4% more than in the same period last year.

In January-August, distribution companies and other suppliers paid Hr 2.255bn to EnergoRynok in cash for the electricity bought on the wholesale market, which is more than triple the amount paid in the corresponding period of 1999. Accordingly, the share of cash payments increased from 8.8% to 18.9%.

Among all the customers, including budget-financed institutions, the highest percentage of cash payments was made by the following companies:

- KyivOblEnergo – 67.6%;
- ZhytomyrOblEnergo – 65.9%;
- VolynOblEnergo – 59.4%;
- CherkasyOblEnergo – 43.3%;
- MykolaivOblEnergo – 41.8%.

## Payment Dynamics

The overall dynamics of payments made by distribution companies to the wholesale electricity market using various financial instruments is generally improving. Indeed, the percentage of paid services in January constituted 69.4%, in February – 51.7%, in March – 53.7%, in April – 59.6%, in May – 67.1%, in June – 125.5%, in July – 73.2%, and in August – 137.2%.

In the first eight months of this year, electricity generating companies received Hr 7.93bn in various forms of payment from EnergoRynok, which is 73.3% of the total cost of generated electricity – Hr 10.162bn. The volume of overall payment has largely remained at last year's level, but the share of cash payments increased from 8.5% in 1999 to 21.2% in 2000. The overall dynamics of payments to generating companies using various financial instruments has also improved: in January it constituted 67.1% of the cost of produced electricity, in February – 49.7%, in March – 51.1%, in April – 59.1%, in May – 61.8%, in June – 116.2%, in July – 73.6%, and in August – 129.9%. The growing share of cash payments is even more encouraging. This increased from 37.3% of

the total cost of electricity sold to the wholesale energy market in July to 49.4% sold in August.

The thermal power generators that received the highest percentage of cash payments from January-August for electricity sold to the WEM are as follows:

- DniproEnergo – 35.8%;
- TsentrEnergo – 31.3%;
- ZakhidEnergo – 29.8%;
- DonbasEnergo – 28.5%.

As of Sept. 1, the total debt for produced electricity was Hr 11.5839bn, including Hr 2.9155bn to EnergoAtom, Hr 6.5634bn to thermo-electric companies, and Hr 0.3566bn to hydroelectric power stations.

## Paying Up And Over

In August 2000, the amount of electricity actually supplied to the distribution companies reached 10.48bn kWh, which is 0.03bn kWh more than in August 1999, while in terms of money, the increment constituted Hr 1.144bn, or 19%. Meanwhile, in August 1999 the distribution companies paid EnergoRynok in all legal tenders a total which equaled 105.2% of the cost of electricity received, while this year's August figure was even greater – 137%. Cash payments, including those made to the Energy Ministry's special account, increased by more than 700% and amounted to Hr 0.647bn or 56.5% of the electricity cost.

The increase in cash payments is largely due to the adoption of Cabinet Resolution №755 and amendments to the law on electricity generation. The amount of cash payments made in June-August 2000 when these regulations came into effect was Hr 1.343bn, which exceeded the Hr 1.011bn in cash receipts for all of 1999. The most substantial cash payments in August were made by OdesaOblEnergo – 104.1%, VolynOblEnergo – 103.5%, KhersonOblEnergo – 102.5%, MykolaivOblEnergo – 100.6%, SumyOblEnergo – 97.4%, CherkasyOblEnergo – 95.1%, and KhmelnytskOblEnergo – 91.5%. It is very encouraging that the biggest electricity consumers also increased their cash payments: DniproOblEnergo – 80.0%, LuhanskOblEnergo – 71.2%, and Do-

netskOblEnergo – 42.5%. It should be noted, however, that the level of payments made by certain oblenergos in August was lower than the average figure among distribution companies: PoltavaOblEnergo – 45.9%, ZakarpattiaOblEnergo – 45.7%, DonetskOblEnergo – 42.5%, and ZaporizhzhiaOblEnergo – 42.5%.

## Arrears Checked

Importantly, the growth of arrears in electricity payments has been checked. In August, all distribution companies and other electricity suppliers increased their cash payments. While between Feb. 1 and Aug. 1 the arrears grew from Hr 8.194bn to Hr 10.434bn, and as of Sept. 1 they stood at Hr 10.022bn, down by Hr 0.412bn.

Increased receipts to the clearing account in August made it possible to increase, in comparison to August 1999, payments for the development of alternative sources of energy. For example, receipts increased in this period from Hr 764,000 to Hr 4,769,000 or by 520%, which went to the development of wind mills. The national dispatch center UkrEnergo increased payments to high voltage electricity networks from Hr 5,982,000 to Hr 22,576,900 or by 280%.

The total amount of electricity sold to the wholesale energy market in August 2000 reached 10.83bn kWh, which is 5% more than in August 1999. In terms of money, the increment was Hr 0.101bn, which is nearly 10% more than in the corresponding period last year due to the rise in electricity prices.

Payments via all legal tenders to the generating companies in August 2000 amounted to Hr 1.488bn, or 130% of the actual cost of electricity, which was Hr 1.144bn, including Hr 0.565bn or 49.4% in cash, when factoring in payments to MinEnergo's special account. In so doing, clearing account payments to EnergoAtom reached 128.2% including 16% in cash, to thermal generating companies – 126.9% including 76.7% in cash, and to hydro-electric stations – 102.6% including 52.9%.

In conclusion, this analysis has shown that the dynamics of payments in Ukraine's wholesale energy market to EnergoRynok on the part of distribution companies has generally improved, though there is still quite a large debt outstanding. Meanwhile, EnergoRynok's debt to the generating companies has decreased overall. •

– Y. Brydun, O. Lysenko

