



POCATOM

STATE ATOMIC ENERGY CORPORATION ROSATOM

Assuring Supply of exclusive equipment with long-term manufacturing cycle for Nuclear Power Plants

Joint Stock Company «Consolidated NPP Equipment Procurement Directorate»



Organization of Equipment With Long-Term Manufacturing Cycle Procurement for NPP Units Under Construction

Company for central order of basic equipment with long-term manufacturing cycle for WWER NPP Units Under Construction

Joint Stock Company «Consolidated NPP
Equipment Procurement Directorate»
(JSC «CEPD»)

25/1. B. Polyanka St., 119180, Moscow

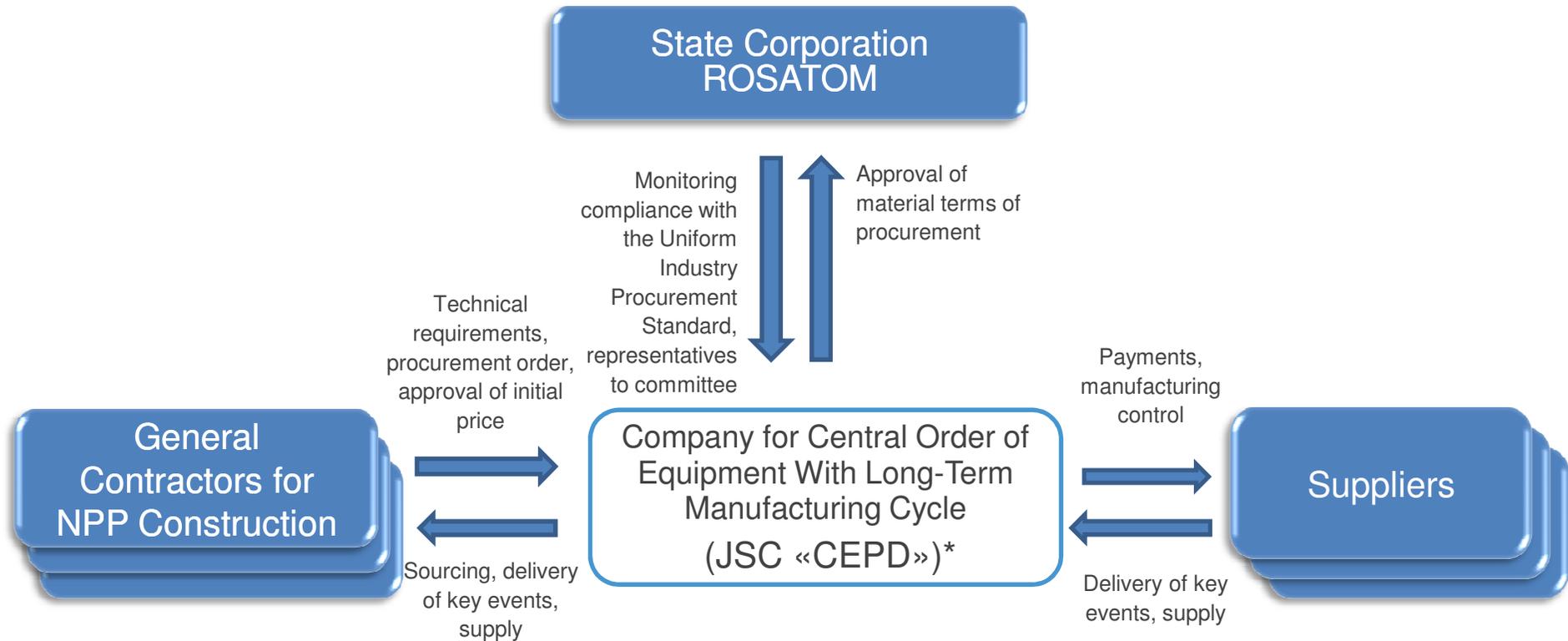
Tel.: (499) 949-27-27

Fax: (499) 949-27-44

E-mail: dez@atomenergoprom.ru

**Procurement of equipment with long-term manufacturing cycle
complies with the requirements of the Uniform Industry Procurement
Standard of ROSATOM**

Organizational Structure Of Equipment With Long-Term Manufacturing Cycle Order



*Atomkomplekt OJSC, a company organising procurement procedures, is involved in procurement of equipment priced over USD 3.5 million

Equipment With Long-Term Manufacturing Cycle Order Process



* Reactor plant equipment and turbine are ordered 5 and 4 years before the actual start-up of power-generating unit, respectively.

** www.zakupki.rosatom.ru

*** www.a-k-d.ru, www.fabrikant.ru

Auditing Potential and Current Suppliers of Basic NPP Equipment

When selecting a supplier, JSC «CEPD» checks its compliance with the requirements for basic NPP equipment manufacturer.

Economic requirements

Technical requirements

Process requirements

Legal requirements

...

Audit Forms

Preliminary scheduled audit* of potential suppliers

Audit* of procurement procedure participants at the stage of tender bid examination

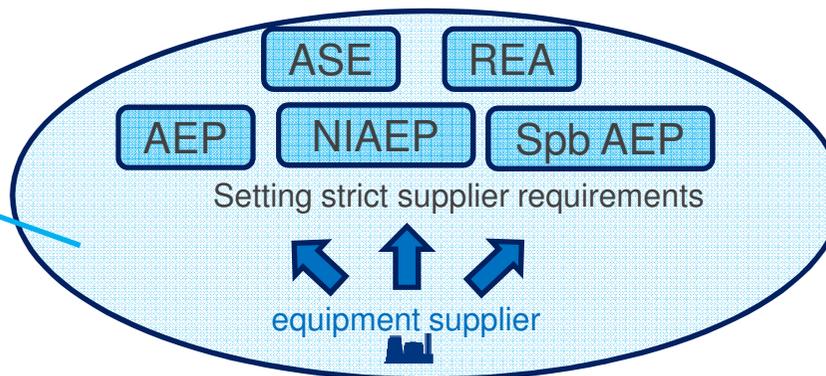
Monitoring suppliers and their sub-contractors during implementation of agreements

*Enterprises are usually audited with the support of specialised organisations, such as NPO TsNIITMASH OJSC, OKB Hydropress OJSC, VNIAM OJSC, TsKBM OJSC, etc.

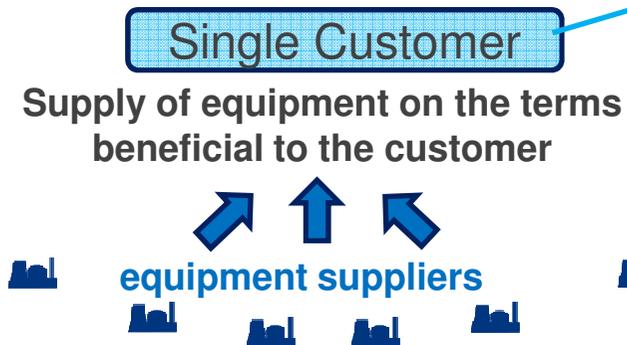
Need for Centralization and Regulation of Equipment With Long-term Manufacturing Cycle Market

- Monopoly, supplier market
- Unreasonably high prices
 - Delays
- Quality concerns

Before 2007:



NOW:



- Open invitation to tender
- Cost analysis
- Manufacturing control
- Single planning centre
- Placing long-term orders

Development of Equipment With Long-Term Manufacturing Cycle Market by ROSATOM After 2007

Monopoly (single manufacturer) accounted for **85%** of the reactor equipment market in 2007

Unreasonably high prices

Frequent delays

Quality concerns

Forming a competition mechanism

Creating a single centre for order and supply of equipment with long-term manufacturing cycle (JSC «CEPD»)

Reduction of monopoly on the reactor equipment market up to

4%

Lower prices

Delivery time compliance

Improved quality

Demonopolisation Results: More Suppliers of Equipment With Long-Term Manufacturing Cycle

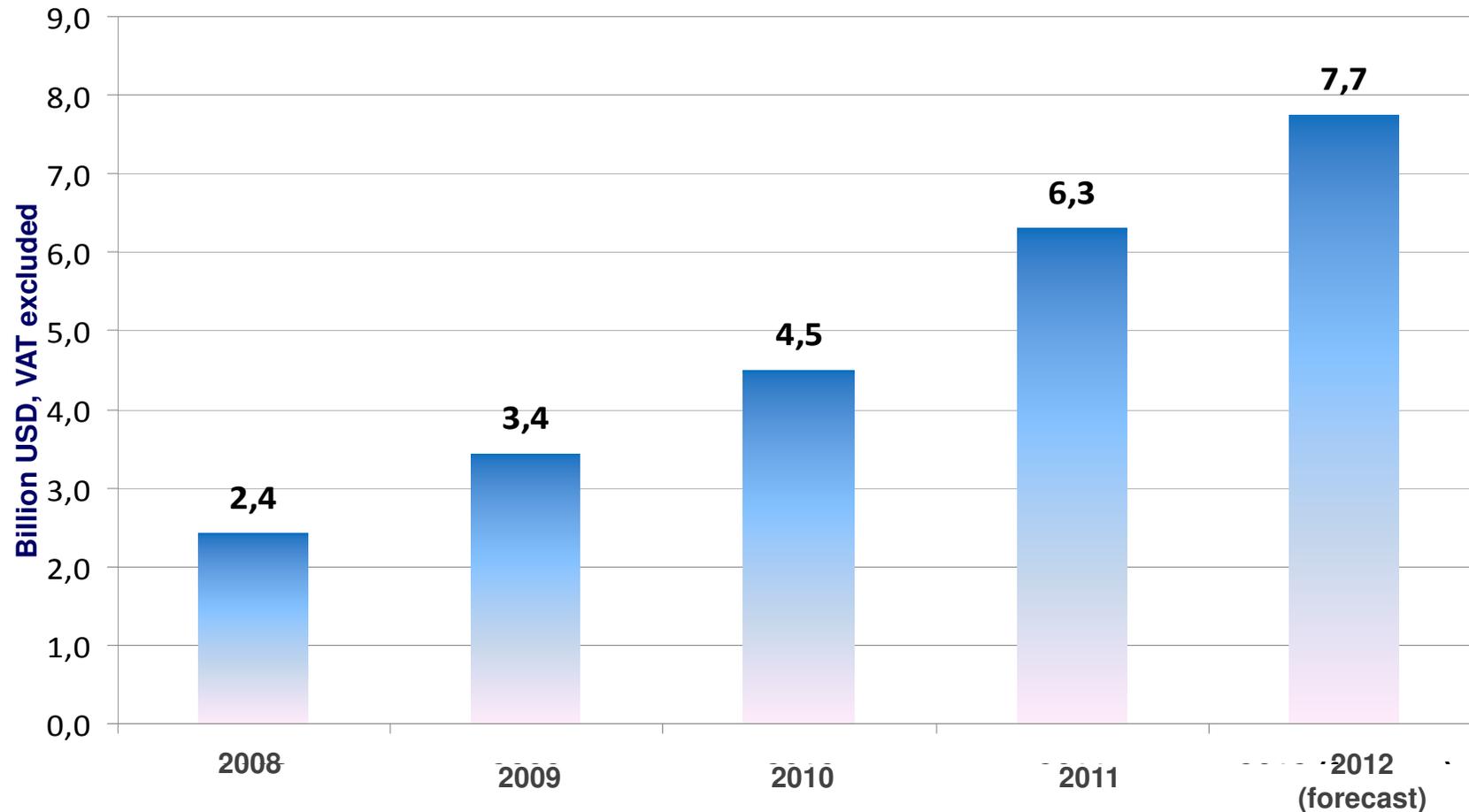
Equipment Range	Number of Suppliers in 2007	Number of Suppliers in 2012
Assembled reactor (5 items)	1	2
Equipment and inserts in concrete reactor well and inspection well (27 items)	1	4
Racks for compact fuel storage	1	4
Core melt localisation devices	1	7

It is only increase in the number of competitive suppliers that reduces considerably equipment procurement prices.

Example: Price Reduction Dynamics for Core Melt Localisation Devices

Early 2008	2008	2010	Price Difference (as compared to the first offer) % of final price
1 supplier	3 suppliers	7 suppliers	148%
265%	149%	100%*	

Equipment With Long-Term Manufacturing Cycle Order Portfolio Growth Dynamics (progressive total)



Equipment With Long-term Manufacturing Cycle Orders Are Placed In Accordance With
The Single Industry Procurement Standard Of ROSATOM