INVESTMENT PLANNING FOR THE DEVELOPMENT OF UKRAINIAN ELECTRIC POWER ENTERPRISES

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Abstract: The relevance of investment performance for the development of domestic electric power enterprises is substantiated. Basic characteristics of this process for electric power enterprises are determined. The weaknesses of investment performance are characterized. Possibilities to improve this process through the activation of project performance are considered.

Keywords: investments, planning, development, electric power, tariff formation, project performance

INTRODUCTION

The enterprise development planning means choosing and reasoning the opportunities of achieving long-term development goals. Considerably, such an opportunity is determined by the availability of sufficient investment resources. In the domestic industry, electric power is one of the sectors with rapid changes. Besides, now electric power is implementing tasks, which are strategically important for the national economy. Therefore, an important issue for enterprises of this sector is the research of enhancing investment possibilities for the implementation of necessary changes, which are declared in state and sectoral development programs. Consequently, investment performance is one of the priority directions of electric power enterprises. It is aimed at financing the production quality improvement and reliability for the consumers. Typically, investment performance is implemented through investment programs.

For the domestic industry, investment programs are primarily aimed at modernizing and updating technical and technological resources. However, existing investment programs do not solve the issues of investment support for the sectoral enterprises development.

The purpose of our scientific paper is to research preconditions of the formation and development of the investment component planning of electric power enterprises and to determine ways to improve its implementation.

The main tasks of this research are: (1) to determine the place of investment component in the process of planning the development of electric power enterprises; (2) to characterize directions and investment sources for the development of electric power enterprises; (3) to substantiate intensification ways of investment performance of the abovementioned enterprises considering existing weaknesses.
While studying economic development theory, J. Schumpeter (2011) considered 5 development cases. One of them is the reorganization of any industry, particularly through the destruction of monopoly position. Today domestic electric power industry is being reorganized and needs certain changes. Investments play a significant role in supporting development processes and include investing money, efforts, time and other resources in objects, processes, systems, to gain profit or other benefits and advantages. Financial component of investments is characterized with assets, which are owned and used by enterprises for profit (Gitman & Jonk, 1999). Economic component characterizes expenses for modernization, reconstruction, renovation and technical re-equipment of fixed assets. It also makes sense to accentuate managerial component, which determines the process of targeted influence of an investor based on the reasonable alternative of optimal result through the correlation of benefits and risks of such performance or some another effect. Combination of these theoretical aspects of investment performance is reflected in its actual legislative essence. Viz. investment performance considers all types of tangible and intellectual assets, which are invested in the objects of business performance or any other performances that generate profit (income), and/or social and ecological effects are achieved.

Investment performance is connected with the involvement of investments. In terms of financial constraints, investments allow to support necessary changes in business performance and to plan possible ways of innovations. Investment process is considerably slowed down because of the lack of investment attractiveness for investors. This shifts the vector of investment sources to the usage of sources of the Ukrainian companies (ex. depreciation, part of their profit), part of funds, obtained from privatization of the objects of the Ukrainian fuel and energy supply sector (FESS), private capital, including bonds for investments in state FESS development programs, costs of wholesale electricity market (by target investment tariff premium).

Market investment mechanisms are based on decisions, which take into account the percentage of return on investment. A potential investor should be interested in benefits, which will be obtained while investing in the development of a certain object. Discount rate level is the guideline for involved and invested money, which is the limit of profitability, the investor might be interested in. Considering investing in electric power industry, the state regulation in the field of energy efficiency is an important. It is aimed at supporting sectoral enterprises and is based on such levers as direct budget financing; value-added tax exemption, import duty exemption, partial income tax exemption; special electricity tariff; state guarantees concerning appropriate credit lines. Today, stimulating tariff formation method (Regulatory Asset Base – RAB) is one of methods of involving investment resources into the development of electric power industry. Stimulating tariff formation experience appeared to be successful abroad. E.g., during 15 years Britain achieved reduction in expenses of electricity distribution companies and double reduction of electricity transportation tariff. Britain has extensively used the RAB to provide investors with privatized network utilities with comfort that their investments will not be treated unfairly (Stern, 2013). In Romania, the introduction of such tariffs made possible to decrease...
depreciation from 75% to 48% in 2004-2011 (Development of investment and innovation performance in the world energy sector, 2016). Stimulating regulation means setting profit margin at the level, sufficient to involve the required amount of investments. For investors, the introduction of stimulating tariffs provides income predictability, as well as increase of the market value of companies. Thus, today it is important to identify components of investment performance, which are based on internal and external financing sources and focused on the implementation of modern development objectives.

RESULTS

Development plan of the United Energy System of Ukraine for the next ten years determines total needs in investments for the development of generating capacities and mainline electric networks of the United Energy System of Ukraine. Their value is 493.6 billion UAH. Approximate distribution of investment needs in this period is planned in the following way: funds of enterprises (29.5%); loan funds (66.8%); other sources (3.7%) (Natural monopolists vs. competitive business: ways to improve cooperation, 2017). State, regional, sectoral management authorities work to intensify investment component in solving development issues of domestic electric power using the system of investment and innovation programs aimed at increasing investments through credit and tax privileges. Regulatory authorities in energy sector decided to introduce stimulating tariffs. It includes long-term regulation of tariffs aimed at involving investments for the construction and modernization of electric networks infrastructure and stimulating expenses effectiveness of electricity distributing companies. Considering all advantages of implementing this investment method in the industry development, we should remind about the main barrier and disadvantage of this tariff formation method in the short-term period – a significant increase of electricity tariffs for an ordinary consumer, who is not able to pay more.

Researches show that if the total share of electricity expenses and other utilities exceeds 20% of the total household income, the payment level decreases rapidly and causes non-payment crisis in energy supply system (Barannik, Zemlianyi & Shevtsov, 2003). Today, the question of creating institutions, which would estimate people solvency, considering payments for energy, is discussed. The issue of attractive conditions for a potential investor is controversial.

One of the possible ways of solving the problem of activating investment performance at the level of an enterprise is project performance; I mean a special proposal concerning changes of business performance of an enterprise to achieve certain goals (Savchuk, 2005).

Investment project is a category, which allows arranging investment performance of an enterprise in compliance with a specific project. It is achieved through the project cycle definition. For electric power enterprises, project performance is possible considering both strategic and tactical tasks an enterprise's development. Viz. strategic projects mean radical changes of ownership and the nature of production, and can be fulfilled in privatization process of FESS objects through the creation of joint-stock companies, private companies and joint ventures.
Tactical projects have great importance for the maintenance of operational performance. Such projects are connected with the improvement of production quality and quantity, equipment modernization, and other tasks, which are solved by electric power enterprises today.

CONCLUSIONS

Today the electric power enterprises' position requires technical modernization and needs considerable investments in development goals. Available investment programs do not allow solving this problem. Stimulating tariff formation is just on its implementation stage and the amount of investment component in electricity tariff is controversial. It stimulates enterprises to look for additional ways of involving investments in the development. In our opinion, the activation of project performance will bring an investor closer to solving certain problems and make investment process more transparent; recipients of funds will become more effective and responsible for the results of their work.

REFERENCES

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