



**OUTLOOK** 2016 / 20  
LONDON / February 24



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# Networks Business

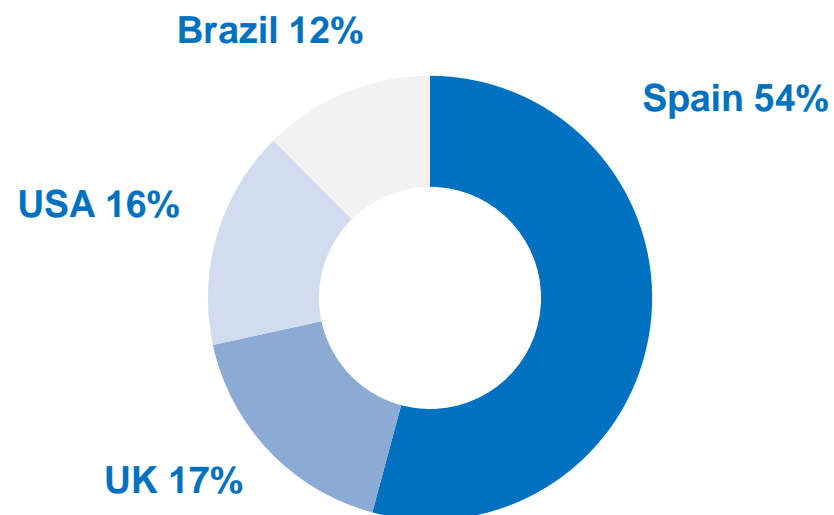
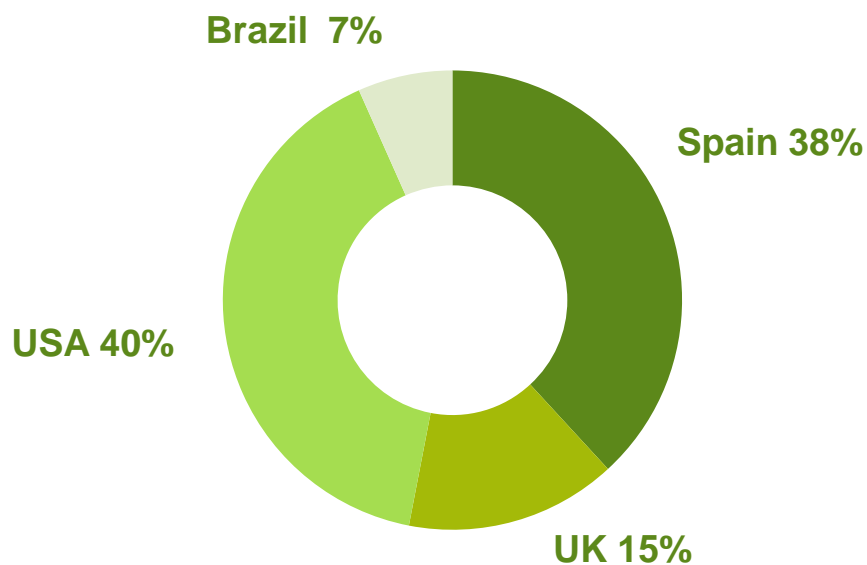
**Armando Martínez**

**Networks Business Managing Director  
Iberdrola Group**

**Diversified market, with more than 20 M supply points...**

**Distributed Energy: 243.0 TWh**

**Supply Points: 20.1 M**



**... and in addition 10 M points managed through Neoenergia**

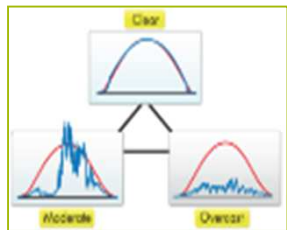
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# Key Business Facts

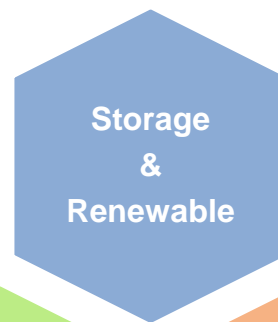
## Networks offer an unbeatable level of quality of supply...

### End-user

### System



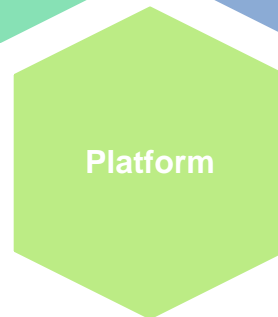
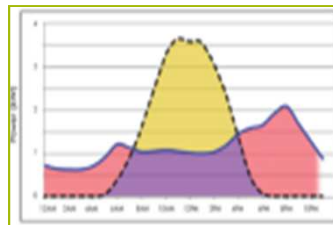
**Reliability:** nothing compares to the comfort provided by 99,99% availability



**Storage and renewable:** Interconnecting hydro pumps, large and small scale renewables



**Platform:** Supporting energy transactions, import/export operations, etc.



**Efficiency:** Networks is the most efficient way to evacuate surplus distributed generation

## ... and will have a central role to efficiently integrate renewable storage and distributed generation

**Approved regulatory frameworks in all countries**

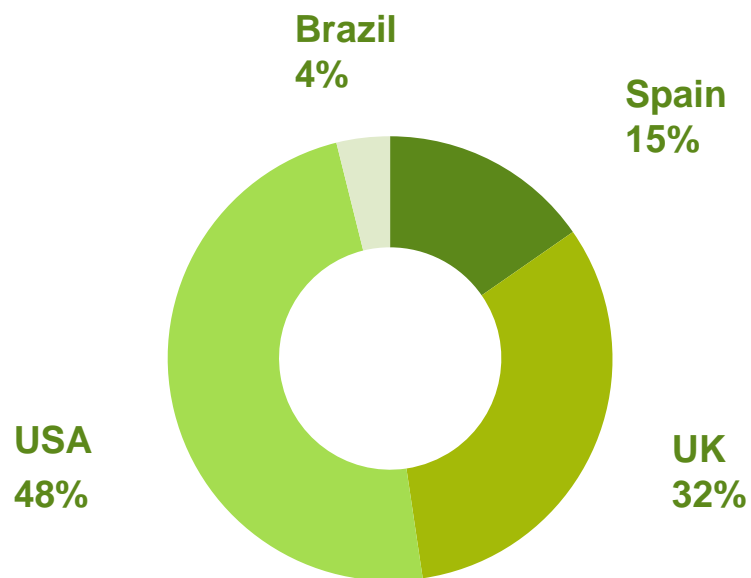
**Agreed investment plans  
Transmission growth opportunities**

**Driving the Technological Development (Smart Grids)**

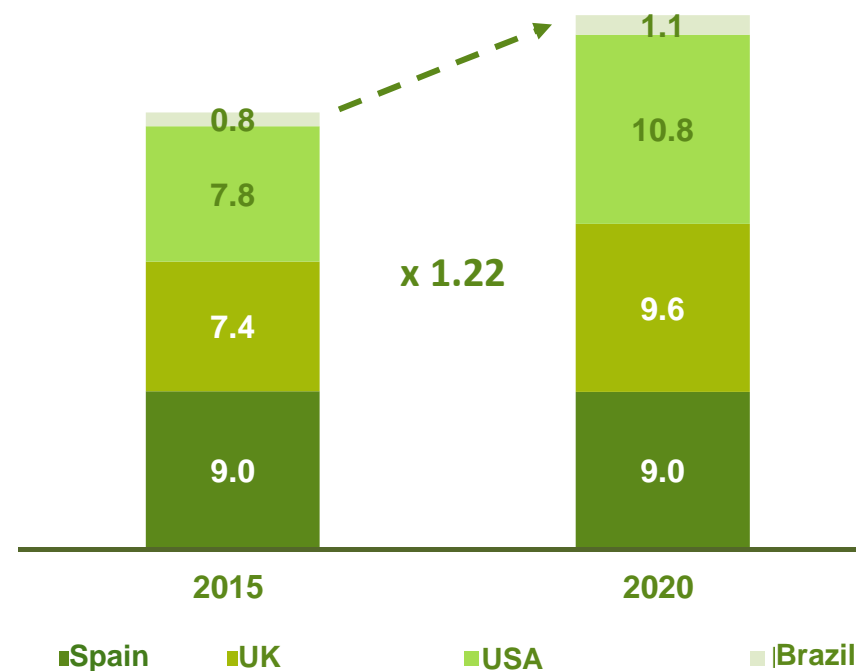
**Ongoing improvement in operational efficiency**

## Net investments of EUR 11 bn in the period to increase the RAV by 22%

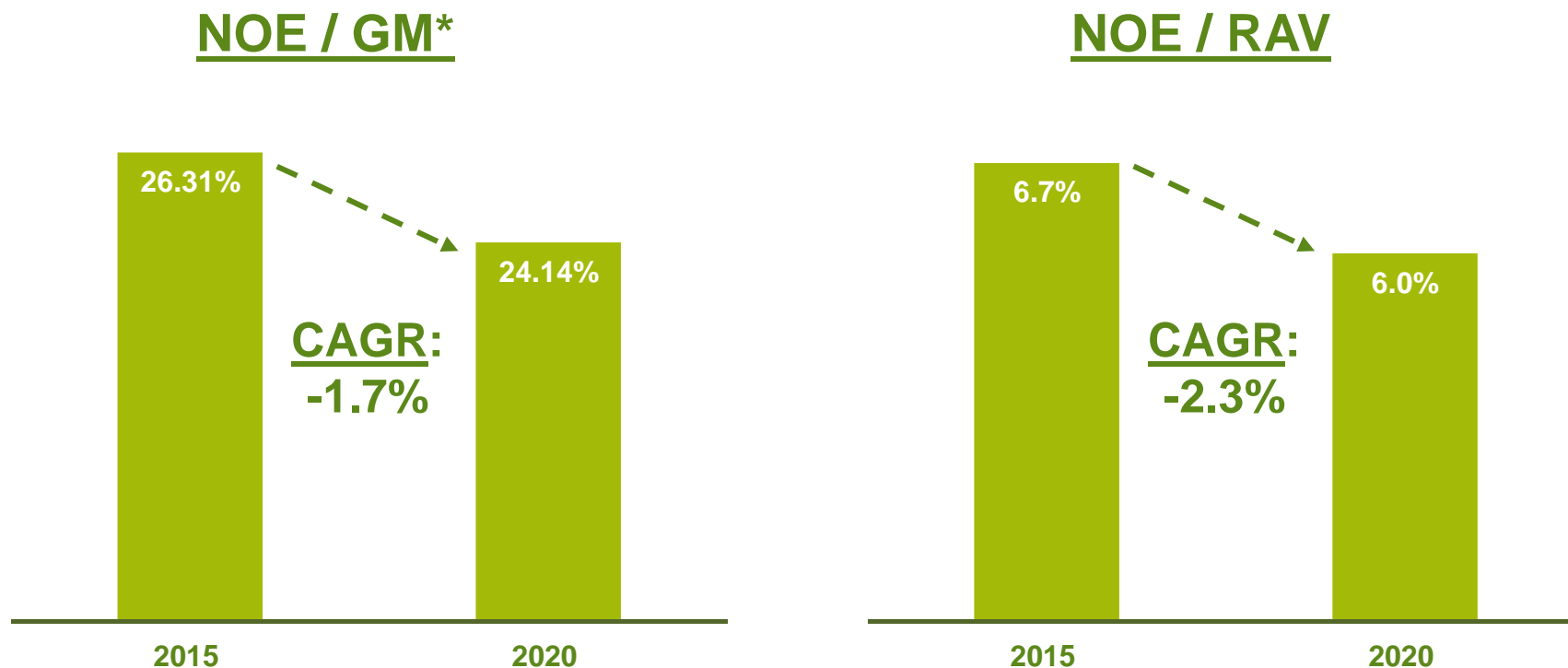
Net investments: EUR 11 bn



RAV Growth (EUR bn)



## Cost reduction despite the increase in assets



\* Net Operating Expenses/Gross Margin

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# Networks Spain



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# Network digitalization and automation as a leverage of quality of service and efficiency

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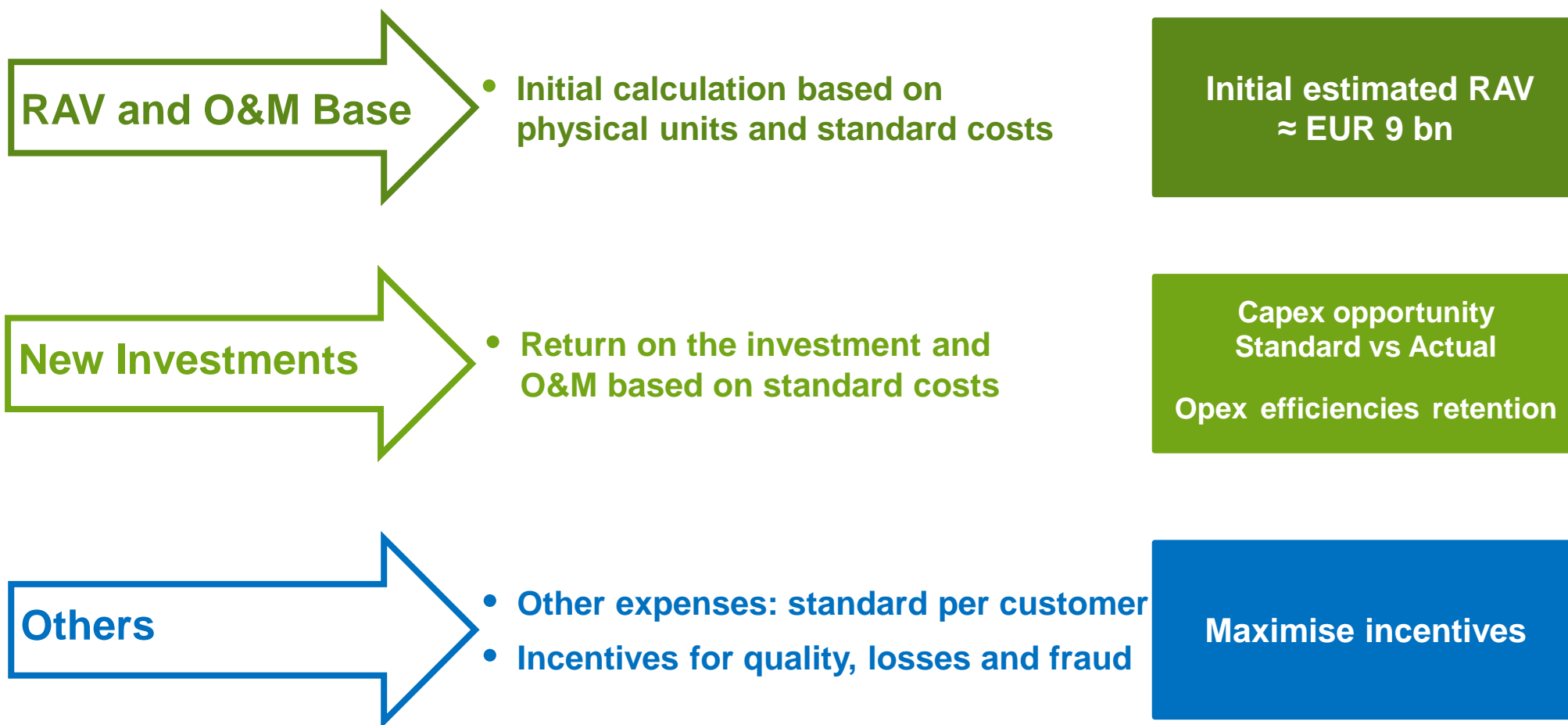
## Regulation

- Beginning of the regulatory period 1 January, 2016. Review in 2020
- Alignment & Optimisation of the investments within the established framework

## Efficiency

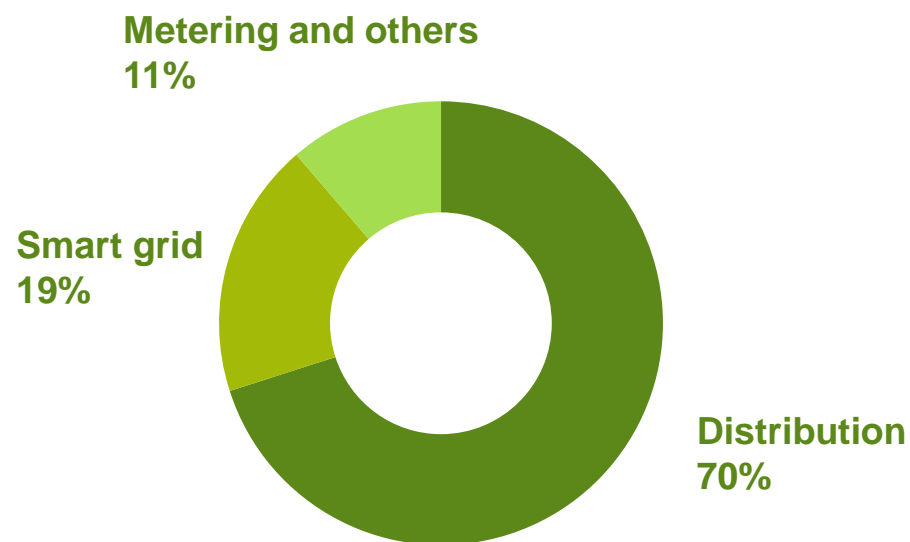
- Transformation plan
- Smart Grids Development (STAR Project)

## Remuneration rate 6.5% (nominal pre-tax)



**Net investments of EUR 1.7 bn, which allows maintaining the RAV**

## Net investments: EUR 1.7 bn

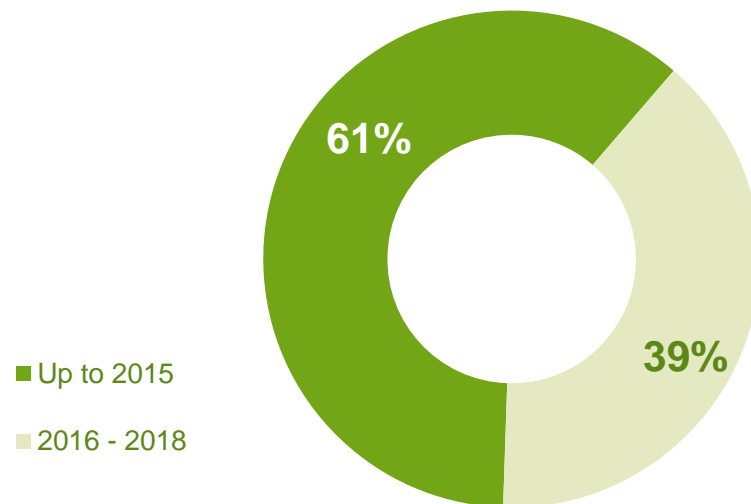


**RAV maintenance**

**Networks digitalization  
and automation  
Smart Grids & Meters**

## Key factor in the business development and optimisation

### Project progress:



### Project Milestones

- Installation and remote management of 10.7 M meters
- Automation of 74,000 TCs

### Current Situation

- Automation 100% STs
- Automation 35,000 TCs
- 7 M meters deployed

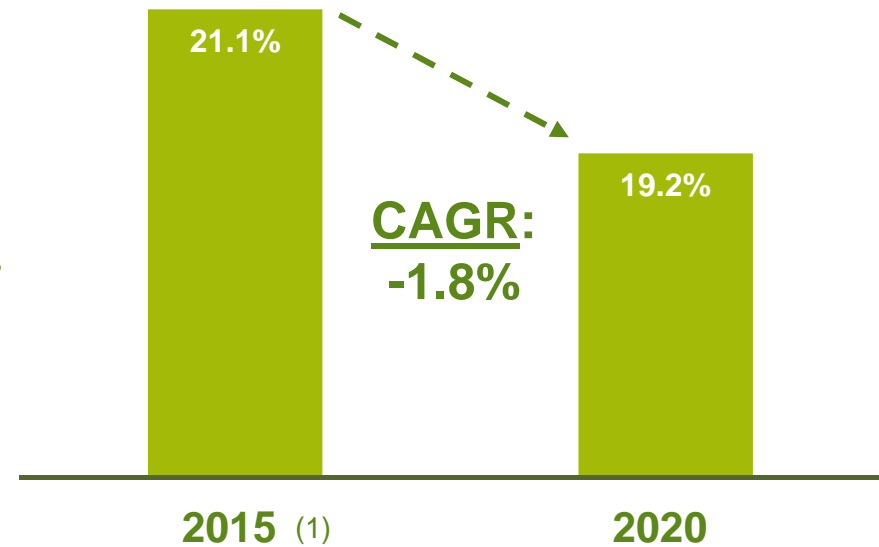
**STAR project reflects our commitment with digitisation**

## Sustained cost reduction path

### Business Transformation

- Network digitalization, automation and integration of new technologies
- Resource optimization and process redesign

### NOE /GM\*



\* Net Operating Expenses/Gross Margin

<sup>1</sup> Eliminating exceptional expenses 2015

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# Networks UK

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### Integration of new renewable capacity and quality of service

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**Agreed investment plan (GBP 2.6 bn)**

**Compliance with outputs  
(acting on more than 300 STs, 3,600 TCs, 800 km lines and quality indexes)**

**Implementation of systems to improve efficiency**

## Long term return conditions

RIIO-ED1

RIIO-T1

**2015-2023 Period**  
**(6.0% Real post-tax CoE)**

**TOTEX<sup>1</sup>: GBP 3.2 bn**  
Efficiency incentive 54% of savings

**2013-2021 Period**  
**(7.0% Real post-tax CoE)**

**TOTEX<sup>2</sup>: GBP 2.5 bn**  
Efficiency incentive 50% of savings

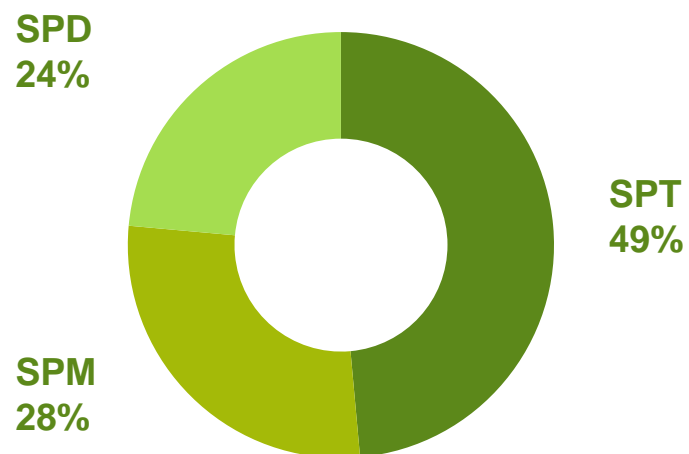
<sup>1</sup> Real prices 12/13

<sup>2</sup> Real prices 09/10

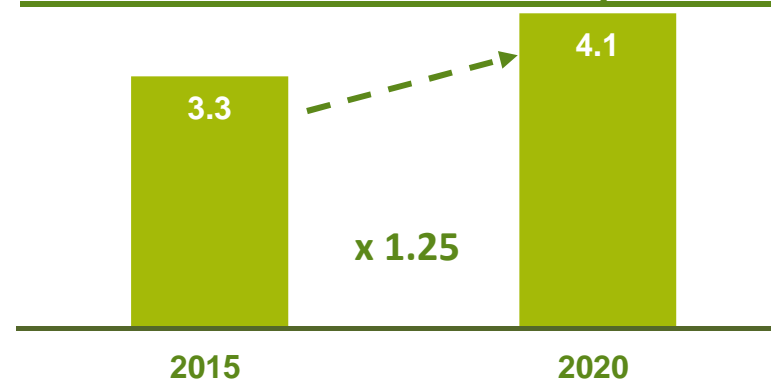


**Net investments of GBP 2.6 bn,  
over 70% to increase the RAV**

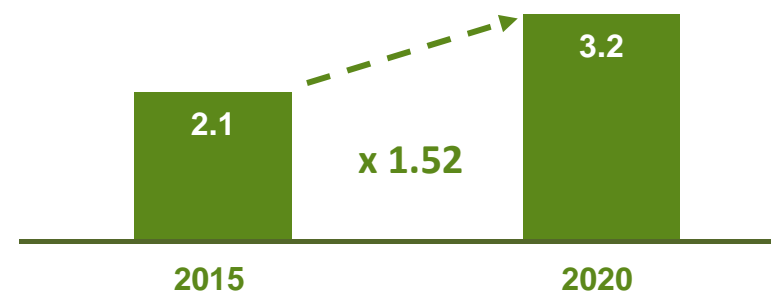
## Net investments: GBP 2.6 bn



## Distribution RAV Growth (GBP bn)

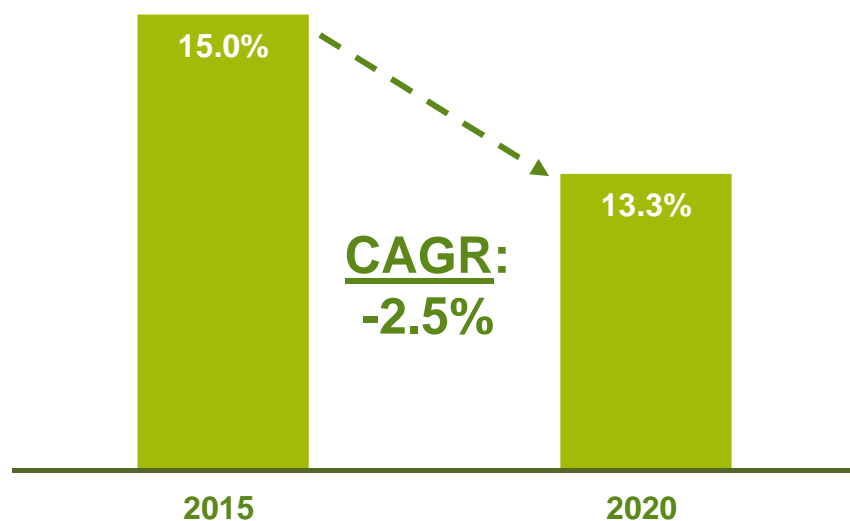


## Transmission RAV Growth (GBP bn)

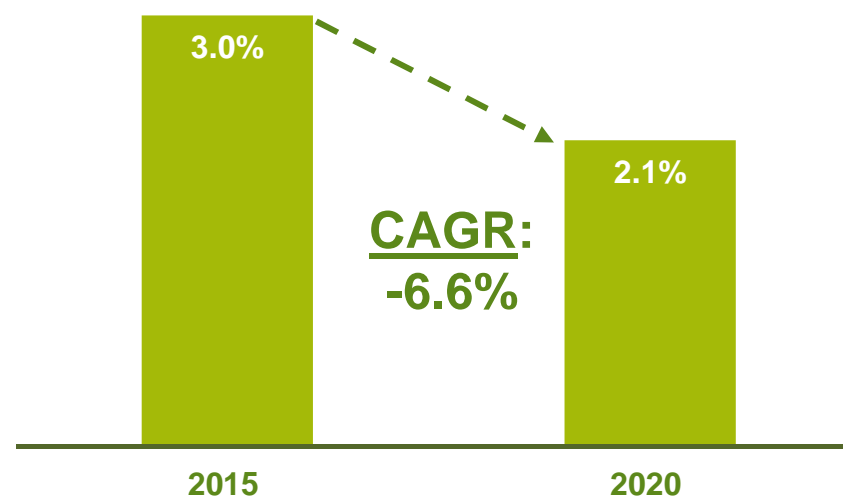


## Efficiencies based on best operational practices

### NOE / GM\*



### NOE / RAV



\* Net Operating Expenses/Gross Margin

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# Networks USA

## Regulatory visibility with growth opportunities

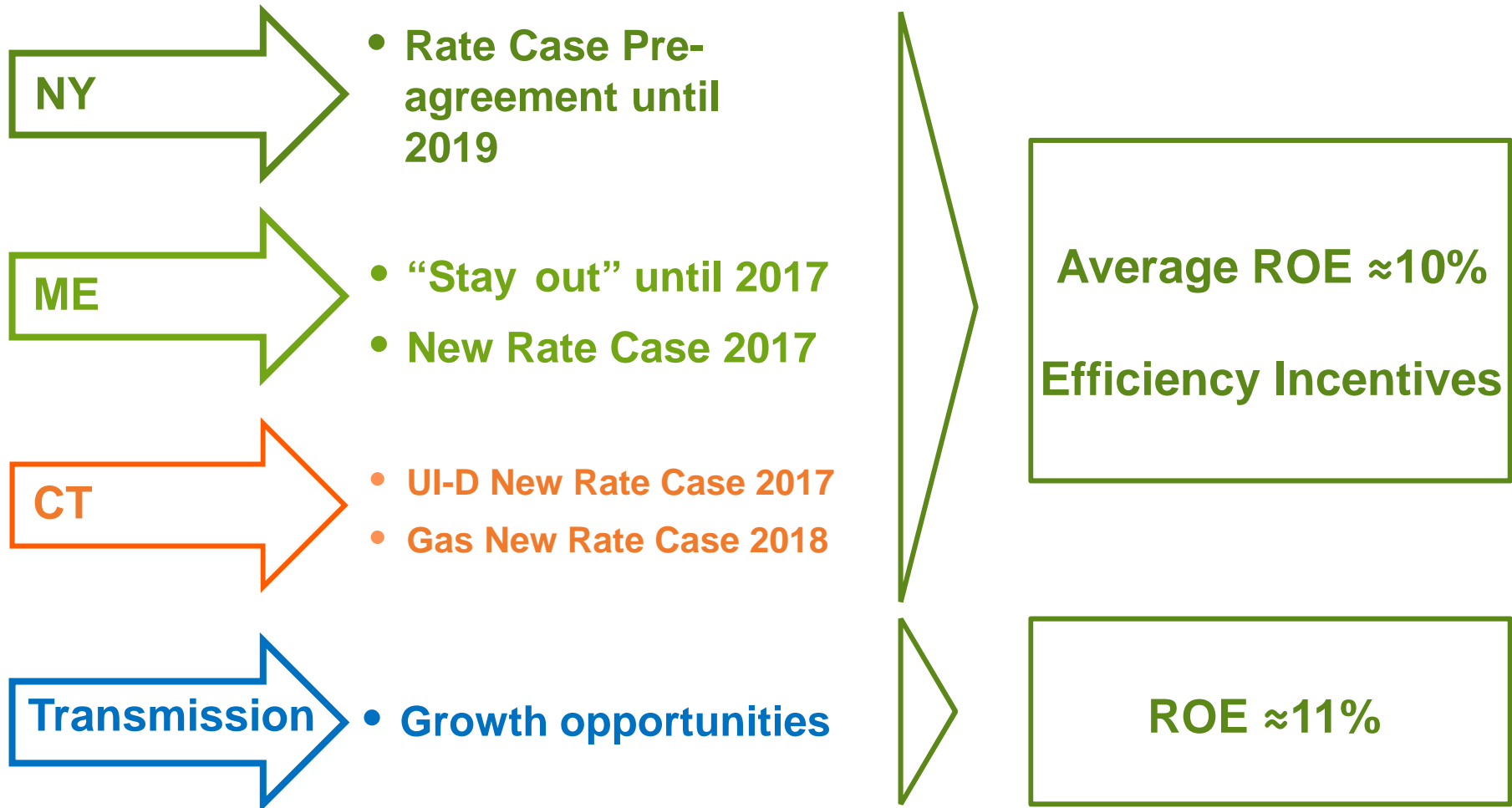
**Integration of UIL and IUSAN into Avangrid**

**Opportunities in Transmission (c. USD 750 M)  
to support renewables**

**Maximisation of ROEs thanks to the efficiencies achieved**

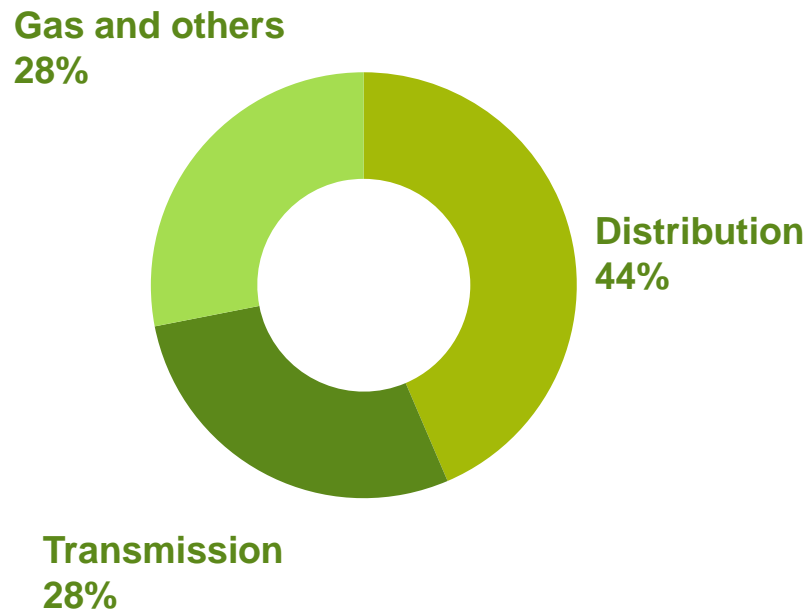
**Initiatives in integration of distributed generation  
& new technologies**

## Preagreement NY and reviews in Maine and Connecticut as of 2017

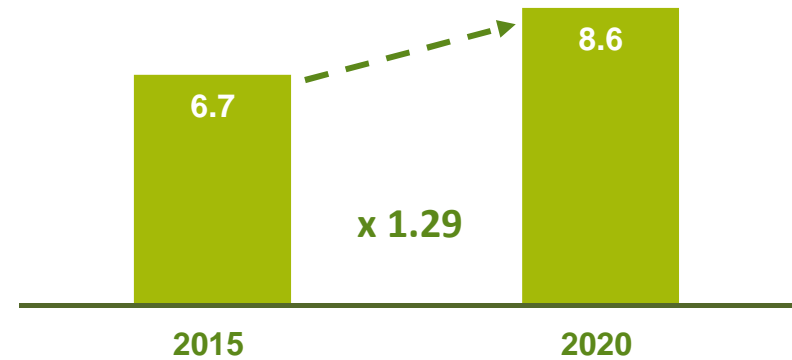


## Net investments of USD 5.7 bn, over 50% to increase the RAV

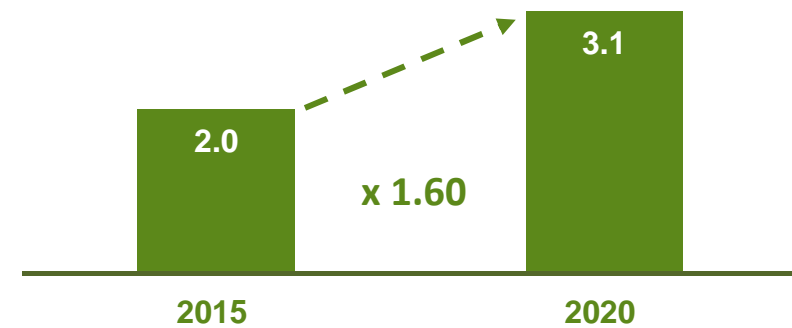
### Net investments: USD 5.7 bn



### Distribution & Gas RAV Growth (USD bn)

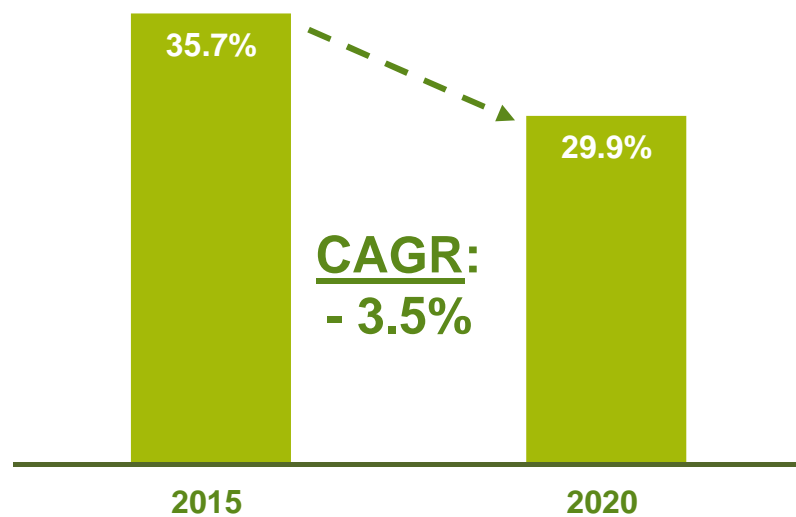


### Transmission RAV Growth (USD bn)

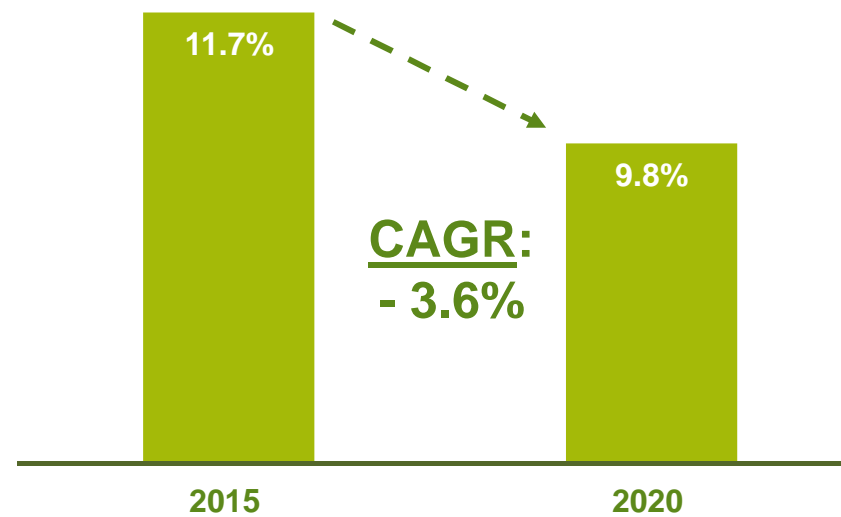


## Plan to optimise operating expenses

NOE / GM\*



NOE / RAV



\* Net Operating Expenses/Gross Margin

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## Reforming the Energy Vision

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**NYPSC pioneering initiative**

**Focused on an efficient network management at all levels**

**“Energy Smart Community” Pilot Project in Ithaca**

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**Active part in defining future networks**

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# Networks Brazil

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**Efficient business and with one of the best  
quality of service in the country**

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**Consumption affected by the economic situation**

**Elektro in the Top Ten in Brazil for quality of service**

**Ongoing efficiency improvement path**

## Stable framework, without drought risks

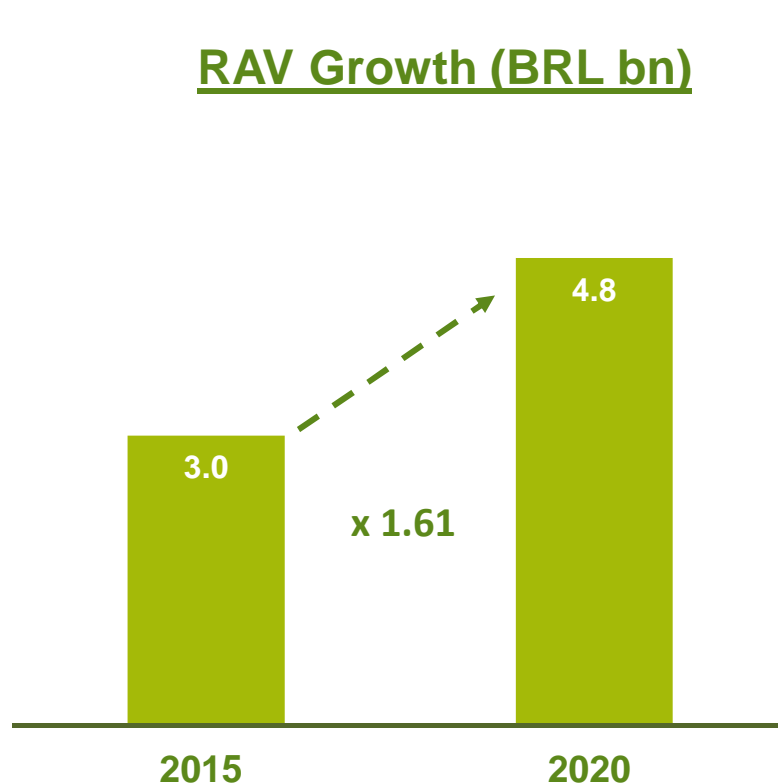
**4 RTP in force from August 2015 to August 2019**

**8.09% real post-tax WACC (vs. 7.50% 3RTP)**

**Updating RAV with inflation**

**Net investments of BRL 1.8 bn in the period,  
in order to increase the RAV by 61%**

RAV Growth (BRL bn)

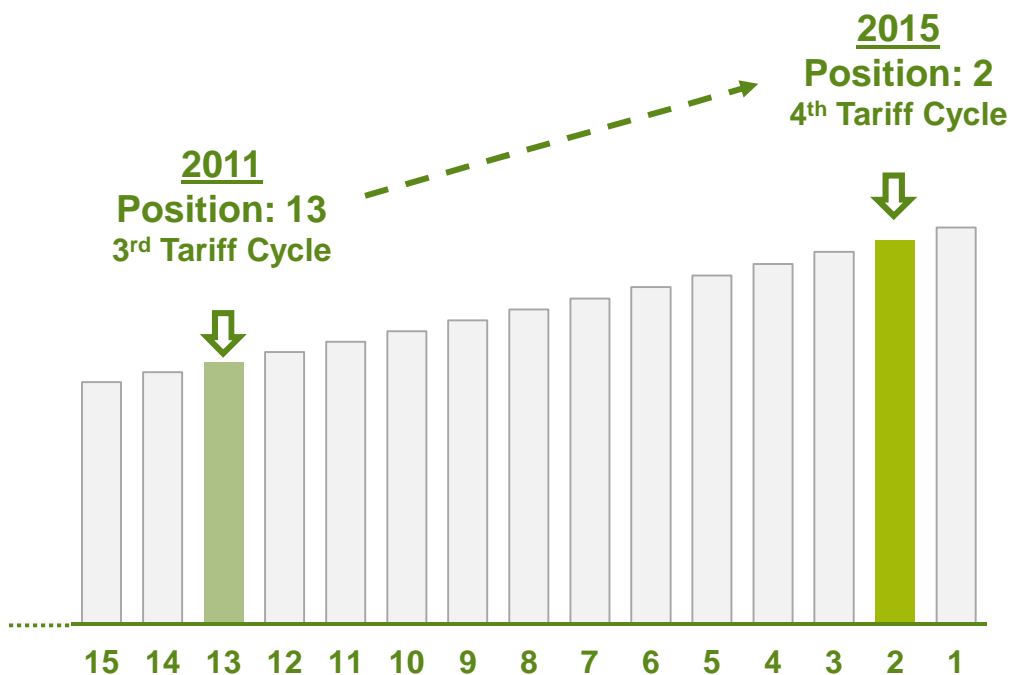


**New investments to increase...**

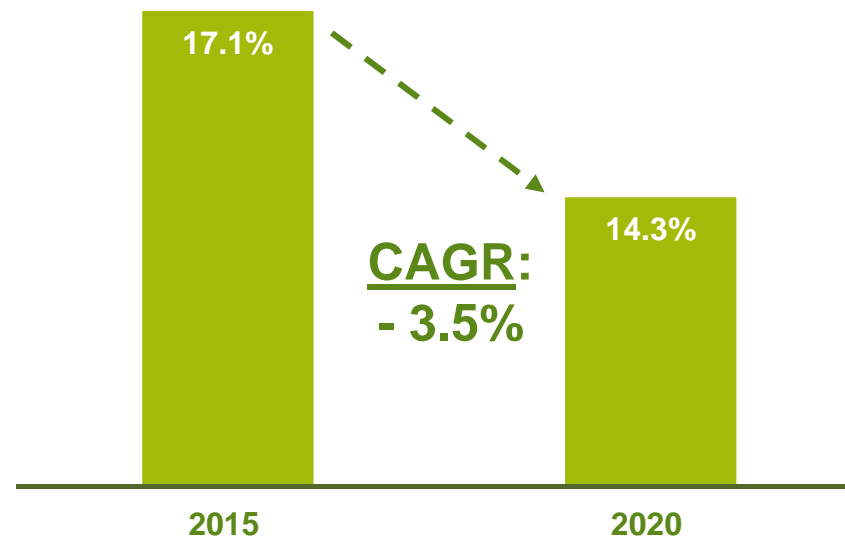
- STs by 9%
- TCs by 6%
- more than a 5% in km of network

## ELEKTRO, among the most efficient distributors in Brazil

ANEEL Ranking (64 distributors)



NOE / RAV



# Conclusions

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**Solid and stable business with a strong cash flow generation  
for the Iberdrola Group**

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**Visibility of regulatory frameworks**

**Net investments of EUR 11.0 bn allow to increase the RAV by 22%.  
Additionally, selective growth opportunities**

**Focus on network automation, quality of service  
and operational improvements**

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**The network is the key element of the system, which allows the  
integration of renewables and distributed generation**

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