RED
ELÉCTRICA
DE ESPAÑA

Madrid, 22 de noviembre de 2000

De conformidad con lo establecido en el artículo 82 de la Ley del Mercado de Valores

, adjunto les remitimos el siguiente hecho relativo a RED ELECTRICA DE ESPAÑA, S.A.:

Las agencias de calificación de riesgos Moody´s y Standard & Poor´s han emitido las siguientes calificaciones crediticias para Red Eléctrica, como se detalla en el documento adjunto:

Moody´s	Aa3
Standard & Poor´s	AA-/A-1+

Fdo.: Fernando Aranguren González-Tarrío
Director Corporativo Económico-Financiero

MOODY'S ASSIGNS Aa3 LONG-TERM ISSUER RATING TO RED ELECTRICA DE ESPANA (REE)

First time issuer rating

Moody's Investors Service has today assigned a Aa3 long-term issuer rating to Red Electrica de Espana (REE). The Aa3 rating reflects the low risk in REE's core business as owner and operator of the national transmission grid in Spain and a regulatory framework which is expected to confer a good degree of stability in earnings. The outlook for the rating is stable.

The rating also takes into account REE's strategy to invest in non-core areas: a recently established telecommunications subsidiary and possible acquisitions in transmission grids internationally, particularly in Latin America, Africa and Europe. Whilst these investments will increase the company's business and financial risk profile, overall REE is expected to proceed in a prudent manner limiting its investments to equity, with additional financing for its subsidiaries arranged on a non-recourse basis to the parent. Whilst Moody's expects debt to increase to fund these equity investments, stable cash flows from its core business are expected to allow still sound debt protection measures at the parent company level consistent with a Aa3 rating given the low business risk.

REE is the manager and principal owner of the high voltage 400kV transmission network and of a third of the 220kV network, representing in total about half of the overall transmission and distribution networks in Spain. The grid is of high quality and performs well in international benchmarking studies on efficiency.

The tariff structure in Spain for transmission allows significant predictability of revenues. It allows coverage of all operational and maintenance costs plus a return on the standard cost of assets which is adjusted for inflation each year. It does however also have an inbuilt efficiency incentive currently set at 1%. Given that standard costs are set for the whole system, REE believes that these incentives should be achievable given its sound level of efficiencies and its established cost control initiatives. The next regulatory review is due in 2002 and pressure for an increase in this incentive is considered relatively low given REE's good overall level of efficiency and the moderate contribution that transmission makes to the end user electricity bill (2.7%). Overall revenues are not subject to volume risk but they are susceptible to movements in the CPI and Mibor; this latter risk is partially hedged through the company's proportion of variable rate debt.

As REE no longer has the monopoly on construction, many new investments in domestic transmission will be open to tender. Whilst REE will be well placed to compete for these mandates given its technical know-how, probable ownership of existing adjoining assets and economies of scale, increased competition nonetheless means that there could be greater pressure on operating margins. However, Moody's would expect REE to price in such a way as to achieve a satisfactory return.

REE currently has very strong financial flexibility although this is expected to weaken as it pursues its strategy to make equity investments in telecommunications and international transmission businesses. Whilst bringing the prospect of higher returns, these investments will nonetheless raise the overall business and financial risk profile of the company. REE expects to limit overall investments and to arrange funding for its subsidiaries on a non-recourse basis to the parent.

REE benefits from ownership of a significant fibre optic network already in place and has just established a separate subsidiary to develop its telecommunications strategy with the aim of providing a carrier's carrier and Internet Protocol services. The new subsidiary will operate at arm's length to REE and it will have a contract to use the fibre optic network, but the assets will stay with REE. Additionally, REE has an existing 30 year contact with Netco (Retevision – Spain's second fixed line licencee) are to be assigned to the new subsidiary. REE has received regulatory approval to invest Pta 24 billion in this subsidiary and expects further funding to be made via non-recourse debt finance and possibly through increased equity proceeds from an IPO at a later stage. Given the high degree of competition, start-up status and large investments needed this business brings higher risks but also offers the prospects of significant gains and growth in the medium term given the high demand in Spain for these products.

REE also intends to invest in transmission grids possibly in Latin America, North Africa and Europe. It currently has a stake in REDESUR in Peru. Some of the bidding prices for stakes in these potential investments could be large and REE will need to find ways to mitigate these risks and maintain its overall exposure within prudent limits. Despite the relatively low business risk of these activities given the country exposure they may carry political, currency and some regulatory risks.

Regulatory approval from Spain's National Energy Commission is required on a case by case basis for investments outside core operations and this gives some protection to REE's core cash flows as it is expected that the Regulator will proceed fairly cautiously. However, no specific limits have been set as the Electricity Law states that "authorisations may only be turned down when significant risks exist or there is a negative impact that may be direct or indirect on the activities regulated under this Act". Furthermore, the implementation of these regulatory guidelines is still at an early stage of development.

REE was privatised in 1999 via an IPO. Management have a strong and conservative track record, however they are now venturing outside of their domestic franchise and will face new challenges in an era, post-privatisation, where shareholder value expectations will assume growing importance. Excessive investments in non-core businesses, an increase in regulatory risk or increased pressure on margins in their domestic transmission business could influence the rating negatively but this is not currently expected.

REE is headquartered in Madrid, Spain and is the owner and operator of most of the high voltage transmission grid (440kV) and a third of the 220kV network in Spain. It also owns 8500km of high capacity fibre optical network, which it will lease to its new telecommunications subsidiary to develop carriers' carriers and IP services. As of FYE 1999 it had turnover of approximately EUR550 million.

Spanish Electric Utility Red Electrica De Espana SA Assigned 'AA-/A-1+'; Outlook Stable

S&P Assigns 'AA-/A-1+' Rtgs to REE; Outlook Stable

LONDON (Standard & Poor's CreditWire) Nov., 2000--Standard & Poor's today assigned its double-'A'-minus long-term and 'A-1'-plus short-term corporate credit ratings to Red Electrica de Espana SA (REE), the owner and operator of most of the high-voltage electricity transmission grid in Spain (98% of the 400 kilovolt lines). The outlook is stable.

The ratings reflect REE's strong business position, which is based on its near-monopoly of electricity transmission, and the strategic importance of its core operations. A supportive regulatory regime providing stable and predictable cash flows underpins the ratings. These strengths are partly offset by REE's debt funding and diversification into speculative businesses, such as telecommunications, and its plans to continue expansion in higher risk countries.

REE was created on Jan. 29, 1985, to operate the Spanish national transmission grid, including international interconnectors. REE also operates the electricity system and manages the international electricity contracts. REE is responsible for ensuring that there is a balance between production and consumption of power, and for the continuity and reliability of the electricity supply. The highly meshed transmission grid results in a good level of availability and low levels of energy loss and interruption. The Spanish government owns 29% of REE, however, this has not been factored into the rating.

The electricity transmission tariff-setting mechanism protects REE from the risk of market price volatility, provides stable cash flows, and allows for a reasonable return on capital. Investments and loans to subsidiaries that are not involved in domestic electricity transmission operations require the approval of the regulatory authorities. Although this does not provide the regulated activities with full financial ring fencing, it does provide a certain level of comfort in that the regulator would not permit investments that could have a material negative impact on the financial position of REE.

REE's strategy is to leverage its know-how and its assets to increase shareholder value. Accordingly, REE has begun to diversify into telecommunications--as a carriers' carrier and in Internet provider services--

using its backbone fiber-optic network. It is also expanding internationally in electricity transmission operations.Although small, these investments are either speculative grade businesses or are located in relatively unstable and high risk countries. The diversified activities are undertaken by subsidiary companies.

Domestic electricity operations, which accounted for about 93% of REE's EBIT in 1999, are the group's core business and underpin its ratings. The contribution from telecom business and international operations is expected to increase significantly by 2004. REE's strong cash-generating ability has allowed it to fully fund its capital expenditure program from internal sources. Increasing capital expenditure in the national grid--euro (Eur) 500 million ($425 million) over four years--to cope with growth in domestic electricity consumption and in REE's new activities, will reduce the company's future net-cash-flow-to-capex ratio to about the 50% level. Funds from operations interest cover in 1999 was 10 times (x) and, although this should reduce in line with the increase in debt levels, the five-year average is expected to remain at more than 4x. Standard & Poor's expects the management to maintain a conservative and prudent policy, and for gearing levels to remain at about 60%, up from the current 40%.

OUTLOOK: STABLE

The outlook reflects Standard & Poor's opinion that the stable and predictable cash flows from the transmission activities should support the rating in the future, while allowing some telecom activities and moderate international expansion, Standard & Poor's said. --CreditWire