



E-Distribuție Dobrogea Budget 2021 Proposal

March, 2021

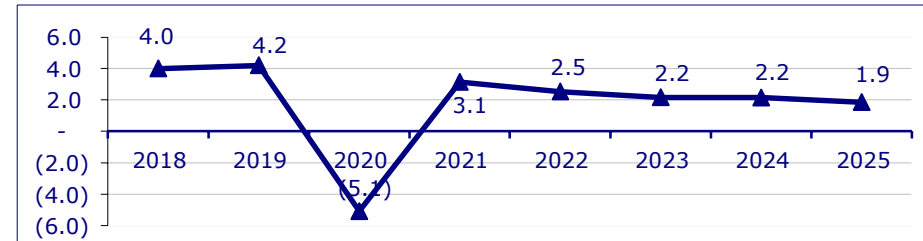
 e-distribuție

Romania – Macroeconomics

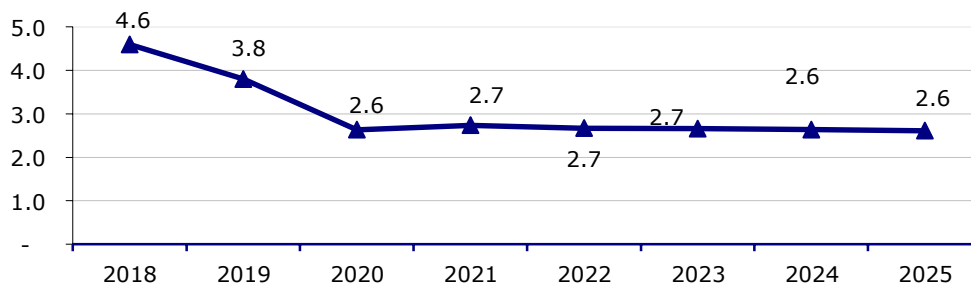
General

GDP per capita (PPS) (****)	70
Population (Mil) (*)	19.4
Rating (Moody's)(**)	Baa3
Income tax rate	16%
Member EU from	2007

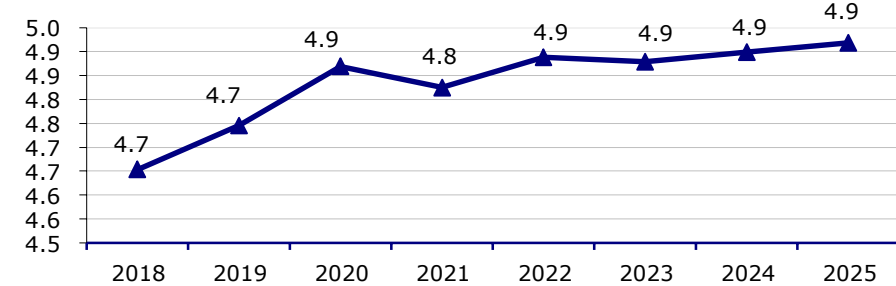
GDP evolution (%) (***)



Inflation rate (%) (***)



Average exchange rate RON/EUR (***)



* Source: Eurostat last estimation

** Source: Moody's rating Baa3 negative from 24 April 2020 and confirmed in October

*** Source: Eurostat last estimation summer 2020

**** Source: Eurostat, amounts of 2019 in purchasing power standards

EDD - BP 2021 – Regulatory assumptions

Distribution

- Annual update of distribution tariffs in line with the current methodology:
 - 2020 – Increase of distribution tariffs by 7.3% for HV, by 7.6% for MV and by 6.3% for LV vs the approved tariffs as of January 2019.
 - 2021 – Decrease of distribution tariffs by 0.2% for HV, increase by 3.6% for MV and by 2.9% for LV vs the approved tariffs as of January 2020.
- ANRE order 114/2014 modified by Order 169/2018 establishes the parameters for 4th regulatory cycle (2019-2023):
 - ✓ Network losses target 2019-2023: 8.80% >>8.26%
 - ✓ Network losses ex-ante reference price: actual average price between all DSOs and TSO considering 12 months analysis; ex-post reference price: min (DSO actual price, average actual price of all DSOs and TSO); BM +/- 5% of total losses volumes
 - ✓ RAB reduced for assets disposed/not used
 - ✓ Yearly investments rule: RAB IN=RAB OUT
 - ✓ OPEX: Personnel, Safety and Maintenance costs pass-through up to the approved value
 - ✓ Other OPEX: max 5% efficiency allowed, sharing mechanism 60-40%
 - ✓ ICO Costs under ANRE Checking for RC3, introduced more constraints for RC4
 - ✓ OPEX not recognized (e.g. monopoly tax, penalties)
 - ✓ 95% profit of other activities to be shared
- Law 290/15.12.2020 related to approval OUG 106/2020 related to financing residential customers and Law 155/24.07.2020 related to financing business customers with the network line up to 2.500m:
 - ✓ DSO has obligations to finance and realize the connection installation if the connection solution provides the same voltage level at the delimitation point and at the connection point, to put in function the connection in 90 days from obtaining the building permit, to reimburse to the user the costs with the design and execution, if that was provided by user, in maximum 5 years, to ensure the documentation in order to recover within the Dx tariff the costs incurred for the connection installations.
 - ✓ Customer (with the exception of non-households for which the length of the new connection is higher than 2.500m) has to pay only the component of the connection tariff corresponding to the verification of the file and the switching on of the user's installation, the right to directly conclude the contract for the design, execution of the works with a chosen provider and only non-households (for which the length of the new connection is lower than 2.500m) must use and keep the destination of the place of consumption for a period of 5 years from the PIF, otherwise he must return the DSO the value of the design and execution works.
 - ✓ Non households with the connections higher than 2.500m have to pay the whole connection tariff (like before the regulatory change).
 - ✓ The financial impact estimated is 20.6 MRON out of which households 7.2 MRON and business 13.4 MRON
(impact calculated with recognized depreciation on accelerated 5 years period for households connection paid by DSO and for the non-households with the recognized depreciation for connection useful life).
- ANRE Order 60/2019 for setting Regulated Rate of Return:
 - ✓ RRR = 6.39% real pre-tax for existing RAB at 31.12.2018 and 7.39% for new investments 2019-2023

Regulatory Scenario E-Distribuție Dobrogea



	2nd RC						3rd RC					4th RC		
												121 days - 6.9%; 12 days - 5.66%; 233 days - 6.39% + 1% for new investments		6.39% + 1% for new investments
WACC	10%					8.52%	8.5%	7.7%			Q1 - 5.66%; Q2-Q4 - 6.9%			
Distribution tariffs evolution	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Average increase annual	-1.71%	10.42%	2.24%	4.89%	6.36%	8.04%	-0.25%	-0.18%	-12.63%	-6.35%	2.05%	2.61%	6.51%	2.89%
CPI	4.40%	3.00%	5.30%	3.74%	5.06%	1.40%	3.00%	2.20%	-0.37%	-0.83%	0.26%	3.82%	3.00%	2.72%

EDD - Distribution strategy - main pillars:



	Under Implementation
QUALITY PLAN	<ul style="list-style-type: none">▪ Continuation of refurbishment program for HV/MV primary stations which are important for Dobrogea area▪ Remote control program continuation and refurbishment of the MV/LV secondary substation;▪ Installation of MV reclosers and remote-control overhead disconnectors;▪ Focus of the MV network for quality improvement;▪ Focus of the LV network for quality improvement
HV Network Improvement	<ul style="list-style-type: none">▪ HV lines refurbishment;▪ Installation of OPGW on existing 110 kV lines (also for insuring communication with TRANSELECTRICA stations)
LOAD INCREASE	<ul style="list-style-type: none">▪ Starting the connection project to the 110 kV network of the future Mamaia primary station▪ Realization of new transformation stations, in order to increase the connection capacity for new consumers in LV network and to improve the voltage level
SMART METER PROGRAM -Losses Reduction	<ul style="list-style-type: none">▪ Further implementation of Smart Meter Project, including also own personnel;▪ Focus on meter centralization outside the household premises targeting to detect and prevent frauds and to read the customers not read for a long time.▪ Measuring systems to be done in Primary Stations to allow management of energy balance on MV.▪ Installation of balance measurement systems in MV/LV substations;▪ Replacement of AMR with expired useful life
Commercial Service Quality	<ul style="list-style-type: none">▪ Improving of commercial and technical systems

EDD - Focus on Distribution strategy (1/2)



Under Implementation	
QUALITY PLAN - Remote-control	<ul style="list-style-type: none">▪ Already introduced, with the support of Enel know-how and with visible results (average interruption period per customer/per year, reached the lowest value ever);▪ One of the primary benefits of the remote-control system is that it allows Enel to restore power supply rapidly from distance, in case of failures affecting large areas;▪ Will help us improve our operational activities through remote maneuvers for all HV/MV primary substations, MV/LV secondary substations, MV overhead disconnector IMS, diminishing the need for the field interventions and increasing simultaneously the safety of our personnel;▪ Lower operative cost for utility companies, which mean savings for their customers;▪ Focus MV, LV network refurbishment in order to improve quality of service and reduction of corrective maintenance cost following incidents;▪ Reduction of MV and LV failure rate and improvement of the behavior of the network.
HV NETWORK IMPROVEMENT	<ul style="list-style-type: none">▪ Focus on HV network refurbishment in order to reduce corrective maintenance cost following incidents;
SMART METER PROGRAM	<p>Using the technologies of Global Infrastructure & Network - Enel Group, this program:</p> <ul style="list-style-type: none">▪ Offers a better control of energy consumption to clients;▪ Having a better overview of their consumption needs, clients will make informed decisions on how they can optimize their consumption and reduce bills;▪ Helps environment by reducing the need to build electrical installations and decreasing the use of lower efficiency old ones since clients reduce their electricity demand;▪ Smart meters one step to smart grid in Romania. This will help the network to detect what is happening with the transit of energy, to balance it, to increase safety and make it more resistant to network disruptions and other problems;▪ Lower operative cost for utility companies, which means savings for their customers.

EDD - Focus on Distribution strategy (2/2)

Under Implementation

Instruments

■ Commercial – Front Office and Back Office Development.

■ ERP – New and Evolutive Improvement

■ GRID – Evolutive Improvement

■ METERING & FILED – New and Evolutive Improvement

Description

- Continuous upgrade of newly implemented commercial applications which will bring efficiency in our distribution activity
- New system to be developed based on gap analysis for the changes in the asset management in order to fulfill the requirements of the authorities;
- Continuous upgrade of SAP technical modules (PM, MM) with new functions which will bring efficiency in our distribution activity
- Upgrade of SMART applications including AUI-Sired-Sired Web, Atlante, Sigraf – SIGRAF Web, AIRE, Geinte, ARIA and start functional analysis for introducing of mobile apps.
- Implementation of EXABEAT for energy management balance and meters measurements, including load curves
- Continuous convergence with the ICT Global Systems
- Grid Blue Sky

Benefits, leveraging on Enel Italia know-how

- Operational efficiency;
- Alignment to the local regulation requirements and to the global reporting inside the group;
- Improvement of the commercial quality of service for the customers.

E-Distributie Dobrogea

Highlights 2021 Budget assumptions



Performance indicators		2020 Actual	2021 MBDG
Distributed energy (TWh)	➔	3.8	3.8
Net profit (Mil RON)	➔	54	58
Distributed clients (no/000)	➔	667	676
Capex (Mil RON)	➔	194	176

Profit and loss

2021 Budget assumptions



e-Distributie Dobrogea		ACT 2020	MBDG 2021
Contul de profit si pierdere			
VENITURI - TOTAL	Mil RON	530.2	525.8
Venituri din activitatea operationala	Mil RON	479.5	488.1
din care: Venituri din activitatea principala	Mil RON	454.0	470.3
Venituri din taxa de racordare	Mil RON	25.4	17.9
Alte venituri	Mil RON	50.7	37.7
Cost cu achizitia de energie electrica	Mil RON	155.3	152.4
MARGINE	Mil RON	374.9	373.4
Costul cu personalul	Mil RON	78.1	85.9
Costuri cu materiale si servicii	Mil RON	111.7	104.3
Costuri materiale	Mil RON	17.9	12.0
Costuri cu serviciile si alte costuri operationale	Mil RON	93.7	92.4
OPEX	Mil RON	189.7	190.2
EBITDA	Mil RON	185.1	183.1
Depreciere si Amortizare	Mil RON	121.0	99.4
Creante nerecuperabile	Mil RON	0.3	5.0
EBIT	Mil RON	63.8	78.8
Cheltuieli si venituri financiare	Mil RON	0.3	0.3
Venituri financiare	Mil RON	2.2	0.3
Cheltuieli financiare	Mil RON	1.9	(0.0)
EBT (Profit inainte de impozitare)	Mil RON	64.1	79.1
Impozit pe profit	Mil RON	10.4	20.7
PROFIT NET	Mil RON	53.7	58.4

OPEX

External Opex and materials

e-distribuție

e-Distributie Dobrogea		ACT 2020	MBDG 2021
Materials and Services Costs			
Materials and consumables	Mil RON	17.9	12.0
Services	Mil RON	93.7	92.4
Intercompany Services	Mil RON	26.8	20.4
Maintenance and repairs	Mil RON	22.1	24.8
Property costs	Mil RON	8.2	8.0
Taxes and commisions	Mil RON	18.7	18.0
Other services	Mil RON	4.3	3.4
Other costs related to personnel (e.g. travel)	Mil RON	2.3	3.6
Telephone, post office and data transmission expenses	Mil RON	4.9	7.6
IT services	Mil RON	3.6	3.1
Advertising, promotional services, canvassing and printing	Mil RON	0.5	1.2
Insurance premiums	Mil RON	0.6	1.3
Technical services	Mil RON	1.3	0.6
Services - Others	Mil RON	0.4	0.3

PERSONNEL

e-distribuție

e-Distributie Dobrogea		ACTUAL 2020	BUGET 2021
Number and cost of labour			
Average number - total	nr.	644	648
Number at the end of the period	nr.	624	638
Manager/ Executive	nr.	2	2
Middle management	nr.	36	37
Salaried	nr.	250	257
Hourly+temporary	nr.	336	342
Total Employment cost	Mio RON	78.1	85.9

CAPEX

e-distribuție

e-Distribuție Dobrogea		ACTUAL 2020	BUDGET 2021
High voltage	Mil Ron	21.5	22.5
Medium voltage	Mil Ron	25.0	20.7
Low voltage	Mil Ron	75.7	62.0
Total Network	Mil Ron	122.1	105.2
Others	Mil Ron	14.4	20.6
TOTAL	Mil Ron	136.5	125.8

CAPEX connections	57.5	50.0
CAPEX total	194	176

Balance Sheet

e-Distribuție Dobrogea		ACTUAL 2020	BUGET 2021
ASSETS	Mil RON	1,736.1	1,787.1
Net tangible assets	Mil RON	1,704.2	1,743.1
Net intangible assets	Mil RON	15.4	27.5
Other non current assets	Mil RON	16.5	16.5
Net working capital	Mil RON	-122.3	-109.6
Inventories	Mil RON	3.3	1.5
Trade receivables	Mil RON	78.3	83.7
S/t financial receivables	Mil RON	0.0	0.0
Other current assets	Mil RON	8.6	6.5
Net tax receivables/(tax payables)	Mil RON	0.0	0.0
Trade payables	Mil RON	134.2	133.0
S/t financial payables	Mil RON	0.0	0.0
Other current liabilities	Mil RON	78.3	68.3
Invested Capital	Mil RON	1,613.8	1,677.5
Provisions and deferred revenue	Mil RON	513.8	519.1
TFR (staff leaving indemnity) provisions and other	Mil RON	31.4	25.5
Deferred tax liabilities net advanced tax assets	Mil RON	0.0	0.0
L/t future risks and charges	Mil RON	6.8	5.3
Deferred revenue	Mil RON	475.6	488.2
Net invested capital	Mil RON	1,100.0	1,158.4
Cash and cash equivalents	Mil RON	124.1	94.3
Cash and cash equivalents	Mil RON	124.1	94.3
Equity	Mil RON	1,224.1	1,252.7
Group equity	Mil RON	1,224.1	1,252.7