



E-Distribuție Banat Buget 2020 Proposal

March, 2020

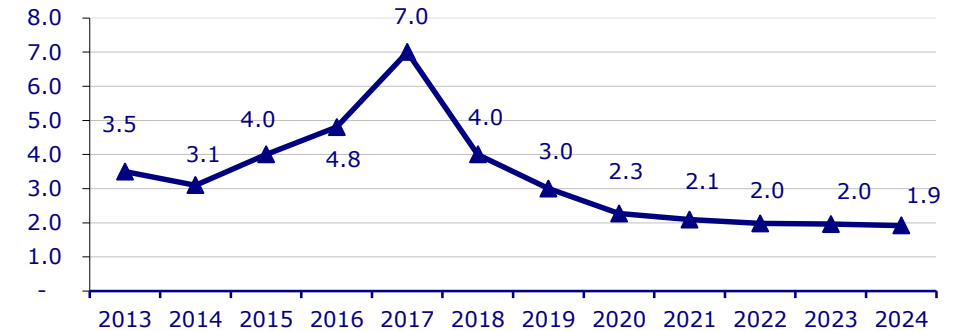
 e-distribuție

Romania – Macroeconomics

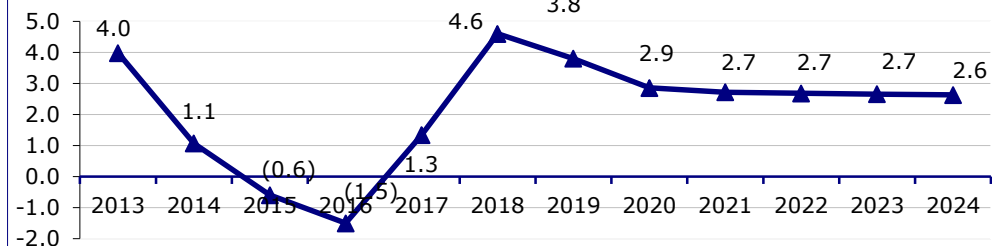
General

PIB per capita (PPS) (****)	63
Populatie (Mil) (*)	19.3
Rating (Moody's)(**)	Baa3
Impozit pe profit	16%
Membra UE din	2007

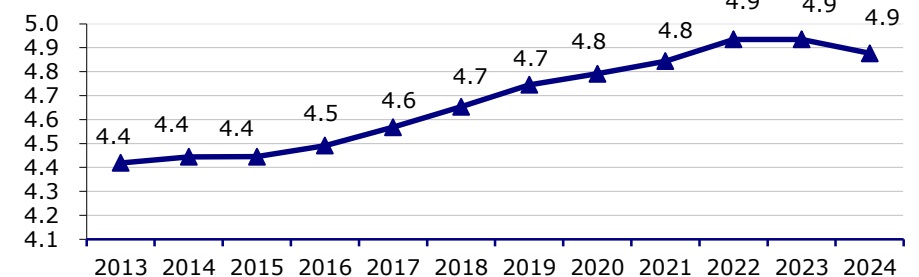
Evolutie PIB (%) (***)



Evolutie Inflatie (%) (***)



Curs mediu de schimb RON vs € (***)



* Sursa: Eurostat last estimation

** Sursa: Moody's rating 23 July 2019 Raport Anual

*** Sursa: Enel Group estimations (2020-2024), Eurostat last estimation 2019

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

EDB - BP 2020 – Regulatory assumptions

Distribution

- Annual update of distribution tariffs according with current methodology :
 - 2014 - An increase with 3.3% for HV, 4.6% for MV and a decrease with 6.5% for LV vs the approved tariffs as of 1st January 2013;
 - 2015 - Decrease of distribution tariffs by 3.2% for HV, 3.0% for MV and by 2.3% for LV vs the approved tariffs as of 1st January 2014;
 - 2016 - Decrease of distribution tariffs by 15.8% for HV, 15.2% for MV and by 15.0% for LV vs the approved tariffs as of 1st January 2015;
 - 2017 - Decrease of distribution tariffs by 9.7% for HV, 8.8% for MV and by 9.0% for LV vs the approved tariffs as of 1st January 2016;
 - 2018- Decrease of distribution tariffs by 3.3% for HV, 1.5% for MV and by 0.9% for LV vs the approved tariffs as of 1st January 2017.
 - 2019 – Decrease of distribution tariffs by 0.9% for HV, 1.5% for MV and by 2.6% for LV vs the approved tariffs as of 1st January 2018.
 - 2020 – Decrease of distribution tariffs by 4.4% for HV, increase by 0.1% for MV and by 1.1% for LV vs the approved tariffs as of 1st January 2019.
- ANRE order 114/2014 modified by Order 169/2018 establishes the parameters for 4th regulatory cycle (2019-2023):
 - ✓ Network losses target 2019-2023: 8.79% >>7.96%
 - ✓ Network losses ex-ante reference price: actual average price between all DSOs and TSO considering 12 months analysis (July 2017-June 2018) ; 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 constrains for RC4
 - ✓ OPEX not recognized (eg monopoly tax, penalties)
 - ✓ 95% profit of other activities to be shared
- ANRE Order 60/2019 for setting Regulated Rate of Return:
 - ✓ RRR = 6.9% real pre-tax for existing RAB at 31.12.2018 and for new investments 2019-2023

Regulatory Scenario E-Distribuție Banat



WACC	2nd RC					8.52%	3rd RC					4th RC	
	2008	2009	2010	2011	2012		2013	2014	2015	2016	2017	2018	2019
Distribution tariffs evolution			10%				8.5%		7.7%			Q1 - 5.66%; Q2-Q4 - 6.9%	6.90%
Average increase annual	-3.03%	8.65%	4.93%	1.20%	3.83%	7.04%	-1.78%	-2.58%	-15.24%	-9.07%	-1.08%	2.35%	0.76%
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%

EDB - 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 Banat area and in addition, the start of works for the construction of a new HV/MV primary station (Covaci).
	<ul style="list-style-type: none"> 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.
	<ul style="list-style-type: none"> Focus of the LV network for quality improvement;
HV Network Improvement	<ul style="list-style-type: none"> HV overhead lines refurbishment; Installation of OPGW on existing 110 kV lines (also for insuring communication with TRANSELECTRICA stations)
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; Creating a new website for Distribution (private area)

EDB - Focus on Distribution strategy (1/2)

Under Implementation

QUALITY PLAN - Remote-control

- Already introduced, with the support of E-Distribution know-how and with visible results
- 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.

NETWORK IMPROVEMENT

- Focus on MV network refurbishment in order to improve quality of service and reduction of corrective maintenance cost following incidents;
- Modernizing MV lines for increase reliability of the network.

SMART METER PROGRAM

Using the technologies of Global Infrastructure & Network - Enel Group, this program:

- 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.

EDB - 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 (BEAT systems)
- Continuous upgrade of SAP technical modules (PM, MM) with new functions which will bring efficiency in our distribution activity
- Upgrade of SMART applications including the start of functional analysis for introducing of mobile apps (NETNAV).
- Convergence with the ICT Global Systems by starting the functional analysis for HeartBeat in 2018;

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 Banat - Highlights Budget 2020

Performance Indicators	2019 Actual	2020 Budget
Distributed Energy(TWh)	4.5	4.6
Net profit (Mil RON)	168	(6)
CAPEX (Mil RON)	203	173
No. of employees	761	762

Profit and loss

e-Distribuție Banat		ACTUAL 2019	BUGET 2020
Profit and Loss			
REVENUES - TOTAL	Mil RON	550.8	565.1
Operating revenues	Mil RON	487.5	500.3
of which Electrical business revenues	Mil RON	461.5	471.7
Other revenues	Mil RON	26.0	28.6
Other income	Mil RON	63.3	64.8
OPERATING COSTS	Mil RON	471.6	414.4
Cost of purchased power	Mil RON	167.0	193.5
Cost of materials and services	Mil RON	123.2	117.1
Materials	Mil RON	13.4	13.9
Services	Mil RON	109.8	103.2
Other operating costs	Mil RON	97.6	11.3
		-	
Personnel expenses	Mil RON	83.7	92.5
MARGIN FROM OPERATIONS GROSS (EBITDA)	Mil RON	79.2	150.7
DEPRECIATION AND AMORTIZATION	Mil RON	(72.0)	152.4
OPERATING MARGIN (EBIT)	Mil RON	151.1	(1.7)
Financial income and expenses	Mil RON	21.3	11.9
EBT (Earning before taxes)	Mil RON	172.4	10.2
Income taxes	Mil RON	4.7	16.1
NET INCOME	Mil RON	167.7	(5.9)

OPEX

External Opex and materials

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e-Distributie Banat		ACTUAL 2019	BUGET 2020
Materials and Services Costs			
Raw materials and consumables stores used	Mil RON	13.4	13.9
Services	Mil RON	109.8	103.2
Intercompany Services	Mil RON	34.6	36.0
Maintenance and repairs	Mil RON	35.2	28.0
Property costs	Mil RON	13.2	9.5
Telephone, post office and data transmission expenses	Mil RON	7.2	5.3
Other services	Mil RON	5.2	7.2
Other costs related to personnel (e.g. travel)	Mil RON	4.1	6.4
IT services	Mil RON	6.1	5.9
Advertising, promotional services, canvassing and printing	Mil RON	0.9	1.6
Insurance premiums	Mil RON	1.0	1.2
Technical services	Mil RON	1.9	0.8
Services - Others	Mil RON	0.0	0.8
Distribution and storage	Mil RON	0.3	0.6
R&D and engineering charges	Mil RON	0.1	-

PERSONNEL

e-Distribuție Banat		ACTUAL 2019	BUGET 2020
Number and cost of labour			
Average number - total	nr.	758	768
Number at the end of the period	nr.	761	762
Manager/ Executive	nr.	-	1
Middle management	nr.	51	51
Salaried	nr.	301	298
Hourly+temporary	nr.	409	412
Total Employment cost	Mil RON	83.7	92.5

EDB - CAPEX

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e-Distributie Banat		ACTUAL 2019	BUDGET 2020
CAPEX Own Funds			
High voltage	Mil Ron	29.9	16.1
Medium voltage	Mil Ron	39.4	39.5
Low voltage	Mil Ron	64.1	72.2
Total Network	Mil Ron	133.4	127.8
Others	Mil Ron	10.5	17.9
TOTAL	Mil Ron	143.9	145.8

CAPEX connections

59.6

27.1

CAPEX total

203

173

Balance Sheet

e-Distributie Banat		ACTUAL 2019	BUGET 2020
ASSETS	Mil RON	1,835.6	2,202.9
Net tangible assets	Mil RON	1,797.3	2,167.1
Net intangible assets	Mil RON	21.8	19.3
Other non current assets	Mil RON	16.5	16.5
Net working capital	Mil RON	-100.9	-126.3
Inventories	Mil RON	1.3	3.8
Trade receivables	Mil RON	166.7	154.4
S/t financial receivables	Mil RON	0.0	0.0
Other current assets	Mil RON	7.6	7.8
Net tax receivables/(tax payables)	Mil RON	0.0	0.0
Trade payables	Mil RON	184.4	173.2
S/t financial payables	Mil RON	0.0	0.0
Other current liabilities	Mil RON	92.1	119.2
Invested Capital	Mil RON	1,734.7	2,076.5
Provisions and deferred revenue	Mil RON	511.1	510.5
TFR (staff leaving indemnity) provisions and other	Mil RON	32.4	27.0
Deferred tax liabilities net advanced tax assets	Mil RON	0.0	4.4
L/t future risks and charges	Mil RON	5.4	2.6
Deferred revenue	Mil RON	473.2	476.5
Net invested capital	Mil RON	1,223.6	1,566.0
Cash and cash equivalents	Mil RON	1,263.2	403.8
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Equity	Mil RON	2,486.8	1,969.8
Group equity	Mil RON	2,486.8	1,969.8