



OUTLOOK 2016 / 20
LONDON / 24th February

Generation & Retail

Aitor Moso

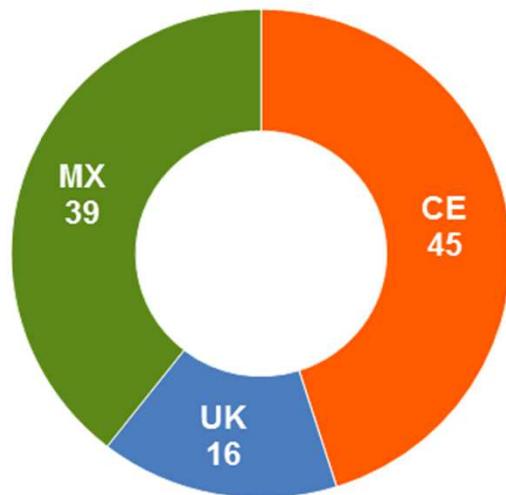
Liberalized Business Managing
Director,
Iberdrola Group

Competitive Portfolio & consolidated customer base

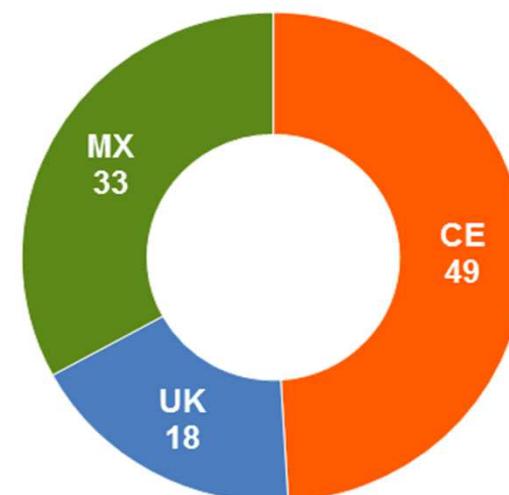
Installed Capacity (MW)	30,000
Under construction & awarded(*) (MW)	2,800
Production (TWh)	97

Contracts with customers (millions)	21.5
Electricity sales (TWh)	115
Gas sales (TWh)	42

Production by region (%)



Electricity sales by region (%)



(*) México & Támeaga project

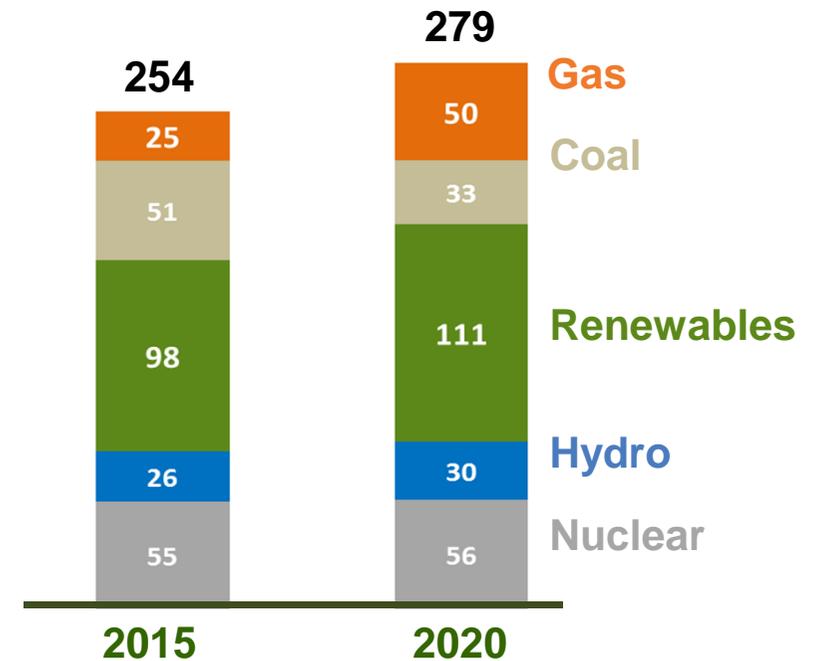
Business overview

Fundamentals of Spanish Electricity Market



- *Annual demand growth +1.8%*
- *Coal to gas switching due to environmental restrictions*
- *Taxes on generation*

Production (TWh)



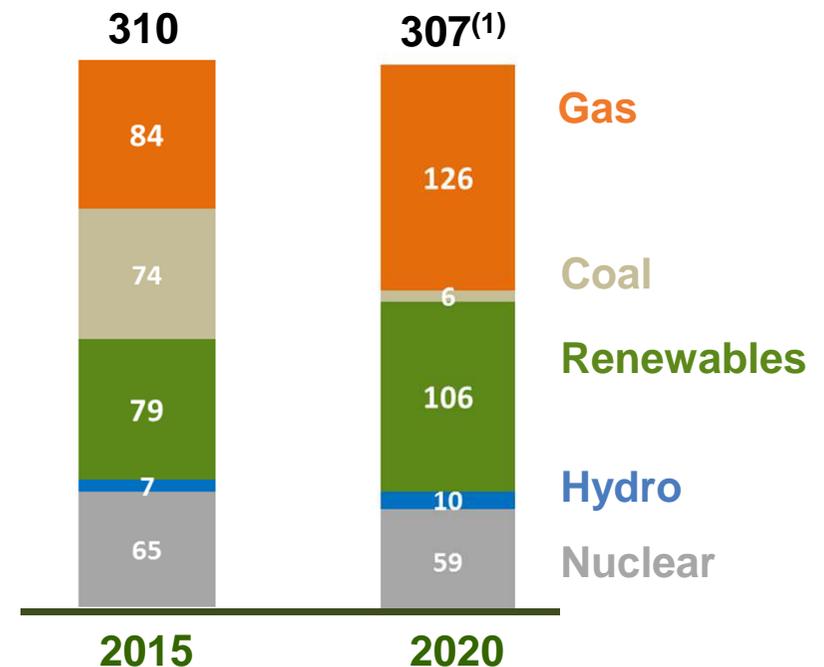
Average Electricity Price 2016-2020: 48 EUR/MWh
Stable during the period

Fundamentals of UK Electricity Market



- *Annual demand growth +0,5%*
- *Increase of renewable production*
- *Coal to gas switching due to carbon-tax*
- *Capacity payments from 2018 onwards*

Production (TWh)

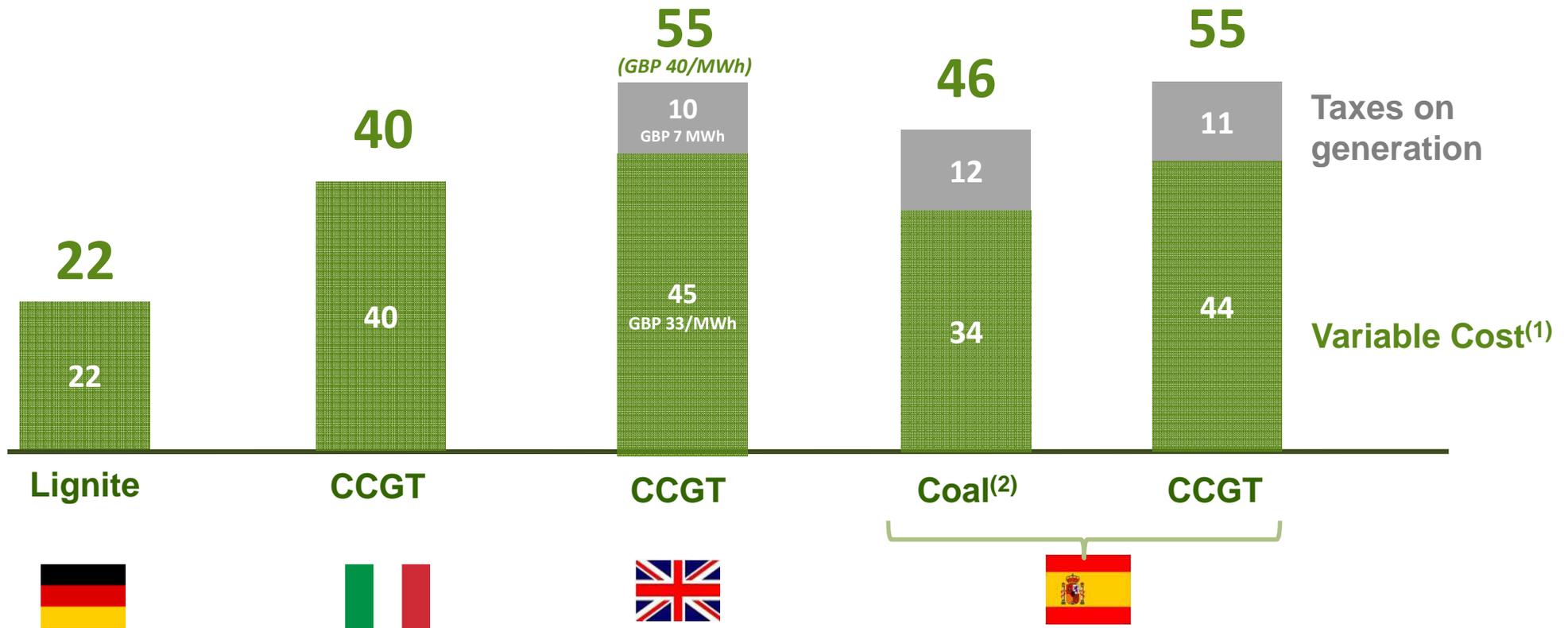


(1) Imports increase by 32 TWh during the Plan due to higher interconnection capacity

Electricity Price 2016-2020: 40 GBP/MWh
Stable during the period

The price in each market reflects the cost of marginal technology and taxes on generation

Electricity Prices (EUR/MWh)



(1) Variable costs include fuel, CO₂, O&M. It includes gas capacity charges for CCGTs. It includes logistic costs for coal plants
 (2) Average of imported and domestic coal, including logistic costs

Generation and Retail business positioning

1

Production allocated to customers

2

Portfolio of flexible gas contracts

3

Diversified and flexible generation mix

Iberdrola's positioning: Production (1/2)

1 Production allocated to customers

Electricity balance (average year)



(1) The production of Renewables Business is managed as a additional technology in the generation mix
 (2) Includes BM/AS production and the reduction in the exposure as a consequence of the taxes referenced to revenues (taxes on generation)

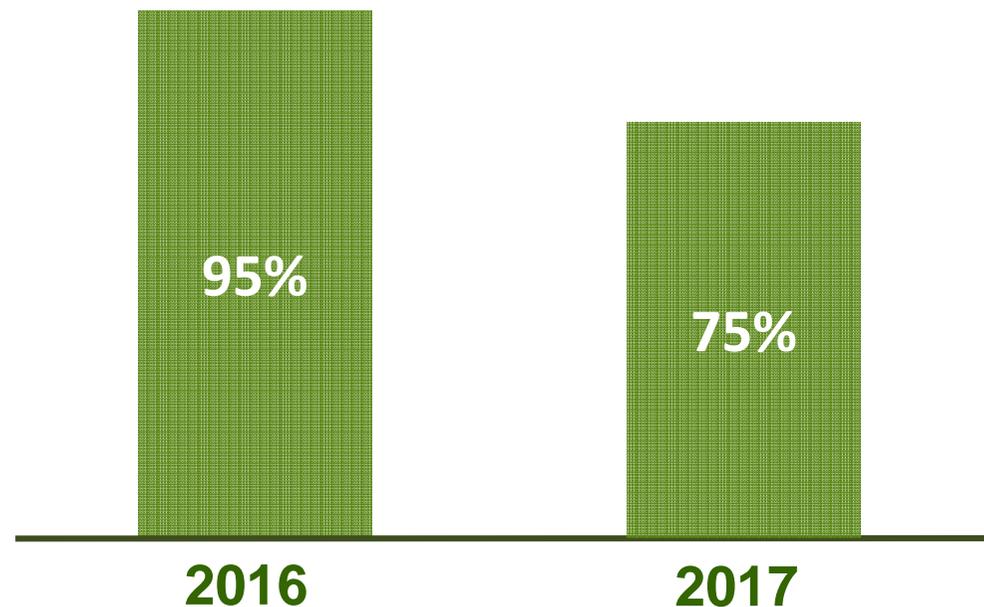
The price to end consumers determines generation revenues

1

Production allocated to customers

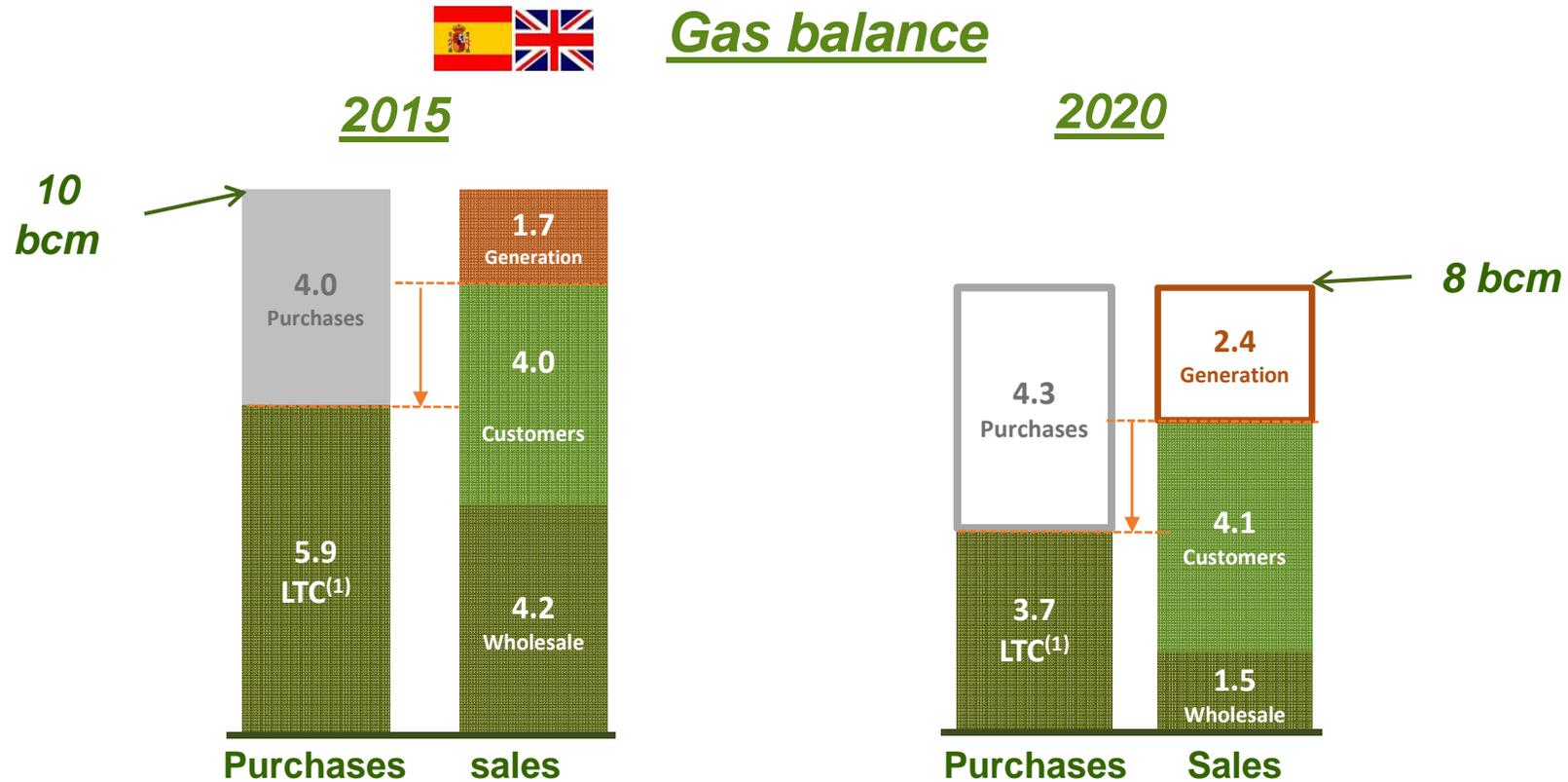


Committed % of production allocated to customers



In advance customer supply management means that 85-95% of the production is closed before the start of each year

2 Portfolio of flexible gas contracts



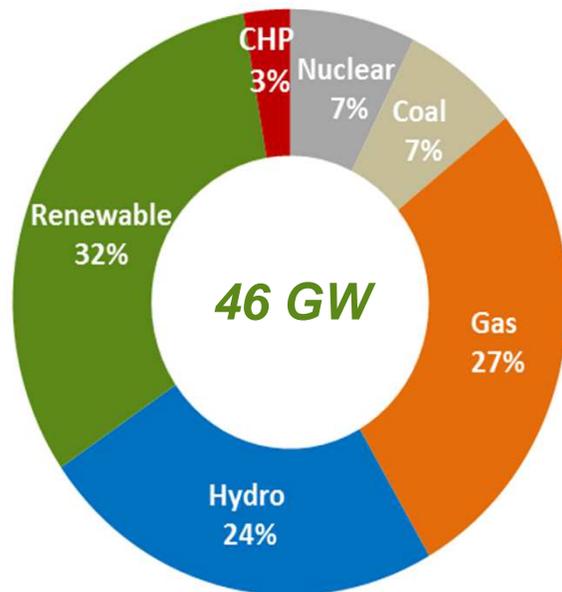
(1) LTC: Long Term Contracts

Guarantees competitive gas supply to fulfil our commitments

3

Diversified and flexible generation mix

Installed capacity⁽¹⁾



- *Improved flexibility due to investments in hydro: 1,100 MW installed since 2013, and 1,150 MW under construction*
- *“Natural Hedging” of hydro production*
- *Growing need of balancing services in our markets*

(1) Includes Renewables Business

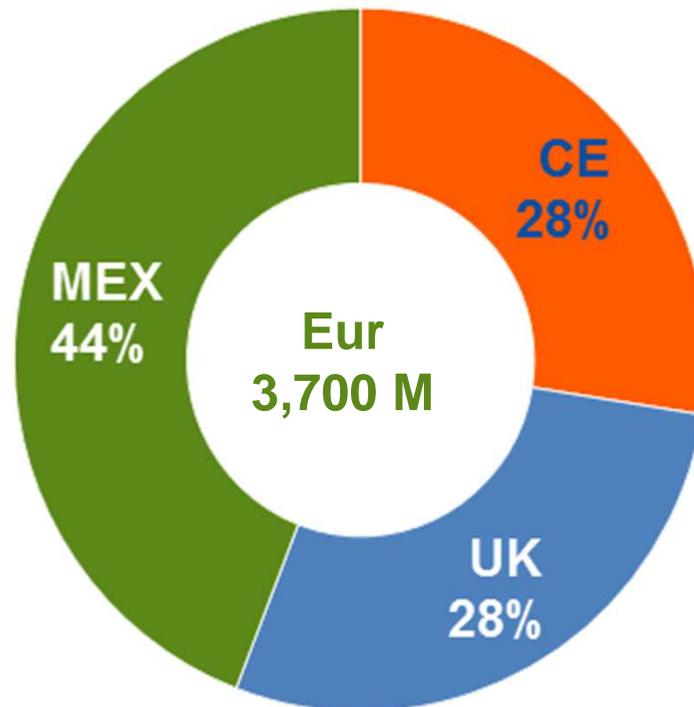
**Stabilizes incomes in exceptional situations
and captures additional opportunities in balancing services**

Selective growth in our markets

Growth investments 2016-2020



Combined Cycles and Cogenerations with PPAs
(Mexico)



Támega Project
(Portugal)



Smart Meters
(UK)

Generation

Market evolution towards cleaner and more flexible generation...



- Moderate demand growth
- Reduced coal production, increase of gas and renewable production
- In Spain, taxes on generation are maintained and lack of adequate capacity incentives
- In UK, capacity payments 2018 onwards

**Flexibility
and
efficiency**

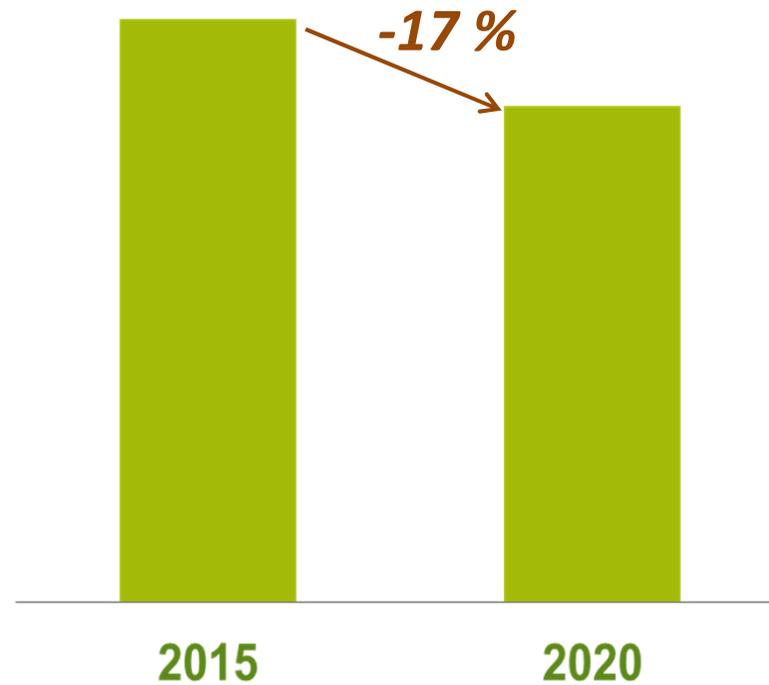


- Market opening and respect of legacy contracts
- Long term capacity auctions

**Growth
and
efficiency**

...requires emission reduction ...

CO2 Emission conventional generation



...and a flexible mix

Generation: Focus on flexibility

Commissioning of the extension of Cortes-La Muela pump storage, the biggest storage plant in Europe...



	<u>2014</u>	<u>2016</u>
Turbine	930 MW	1,800 MW
Pumping	550 MW	1,300 MW

La Muela storage capacity 36 GWh
Iberdrola Pumping Capacity 4,400 MW

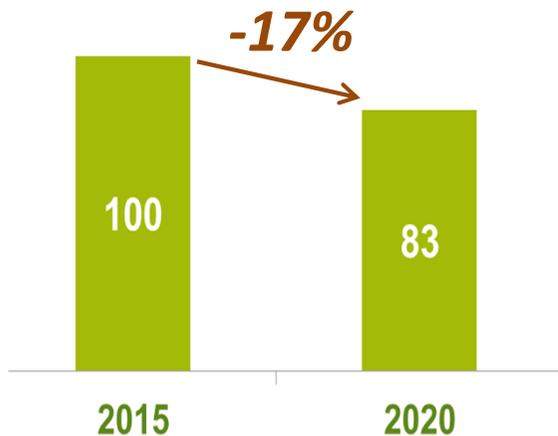
...with 4 times lower cost than the most efficient battery

Generation: Focus on efficiency

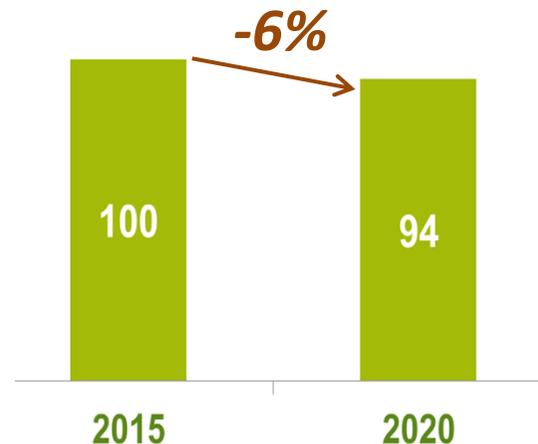
Consolidation of operating efficiencies, improvement in Mexican fleet efficiency and Longannet closure



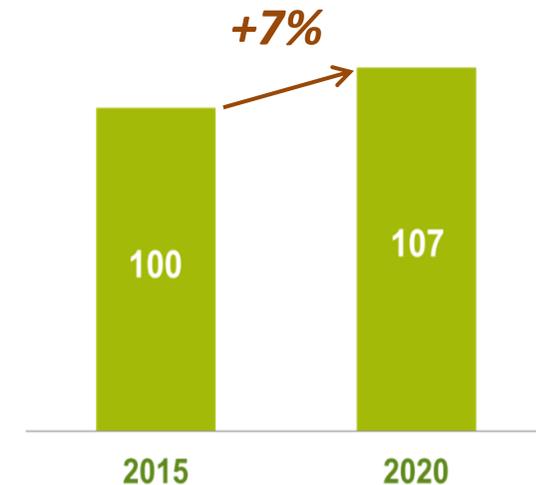
FTE/MWh



NOE/MWh



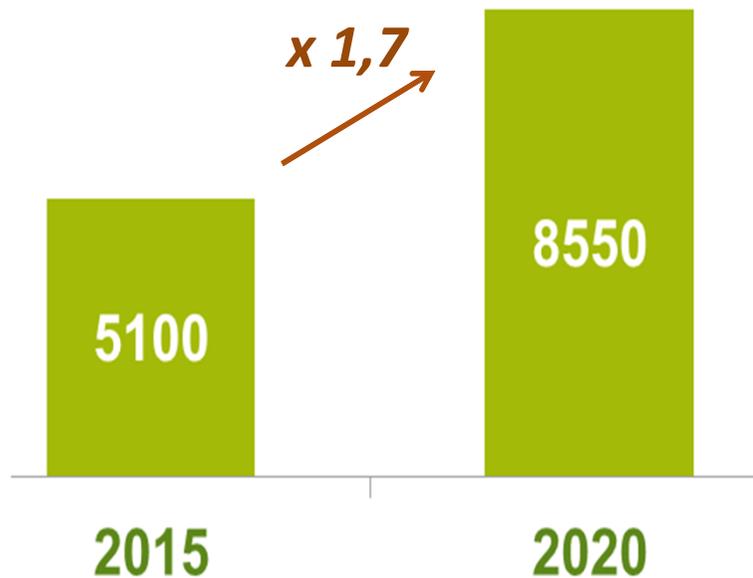
Fleet Performance



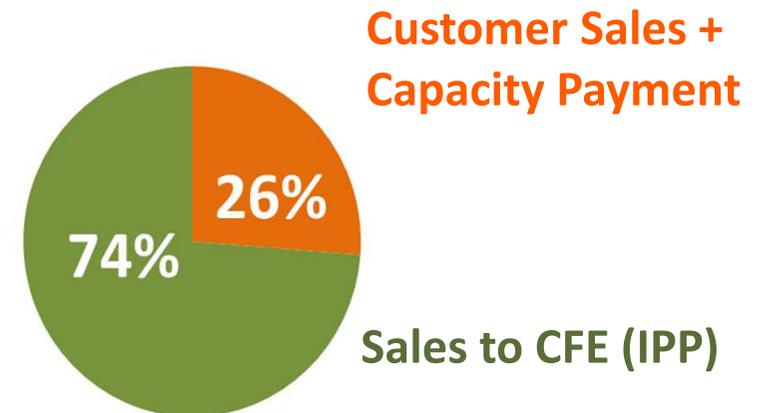
Generation: Growth in Mexico

Investment in 3,450 MW of thermal plants, matched with the evolution of the Energy Reform and the capacity auctions...

Installed Capacity (MW)



Production allocation (TWh)



Generation: Growth in Mexico

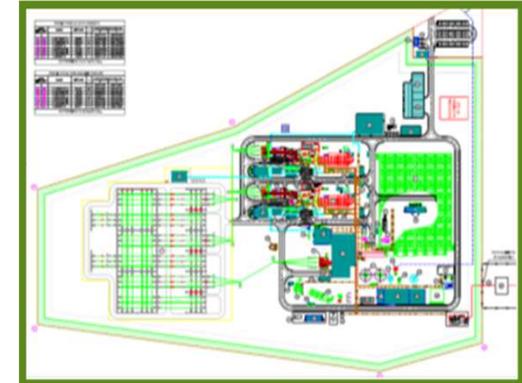
...of which 1,600 MW are under construction



CCGT Baja California III, 294 MW, COD 2016



CCGT Monterrey V, 300 MW, COD 2016



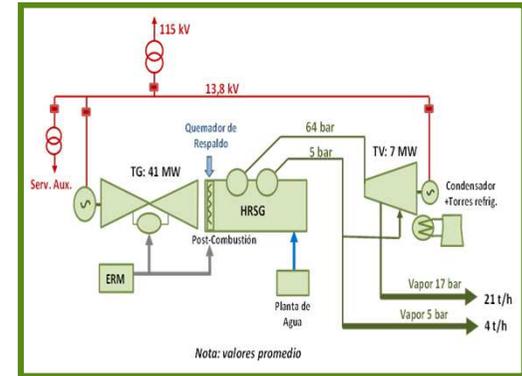
CCGT Escobedo (Noreste), 850 MW, COD 2018



CHP Ramos 50 MW, COD 2016



CHP Dynasol 57 MW, COD 2017



CHP S.J. del Río 50 MW, COD 2017

Retail

Increased competition and new technologies define the new framework for retail business ...



- Highly competitive environment
- Increase of non-energy costs in the electricity bill
- In Spain, high penetration of smart meters
- In UK, obligation to deploy smart meters to all customers by 2020



- Gradual market opening and increasing competition



Smart,
excellence
of service
and cost to
serve

Growth

3 pillars of Retail business...

**Smart
Services**

***Excellence
in customer
service***

**Cost
Efficiency**

...firmly anchored in our digitalization and customer commitment

Portfolio of innovative & customized value propositions ...

Time of Use Tariffs



Tailored solutions

- Flexibility
- Savings
- Customer experience
- Digital

Smart Home



Remote Heating Control Product

- Allows to remote control heating
- Comfort and energy savings

Smart Solar



Generation and Storage distributed solution

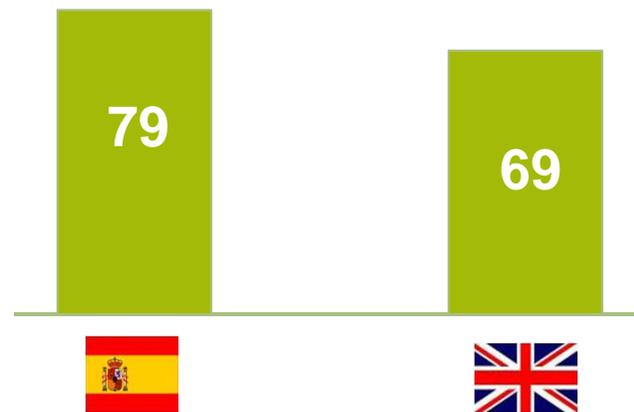
- Personal feasibility study
- Turn Key Installation, Maintenance
- Online Monitoring
- Power Supply back up

...currently, with more than 5 million energy services contracts

Focus on customer service in order to foster customer engagement

First contact resolution (%)

2015 figures



From 5 million digital customers in 2015 to 10.5 million in 2020

Customers: Vulnerable customers

**Committed to all customers
with special sensitivity to the least favoured**



Coverage of Agreements with Public Administrations



- Own protocol of nation wide actions
- Over 20 agreements signed with Public Administrations covering > 80% of our customers



2013: Energy efficiency (ECO)
2015: Fuel poverty: Warm Home Discount
2015: Extension of Hardship Fund

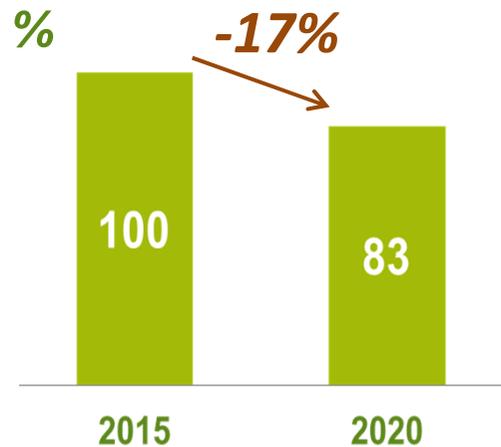
- Committed to our social obligations
- Programs cover 100% of our customers

Customers: Cost Efficiency

Increase of efficiency supported by *digitalization* and integrated customer system



Cost to serve per energy sold



Leadership in costs
(-10 €/contract vs competitors)



Customer integrated system

Investment in customer systems	~270 M Eur
Deployment team	+300 people

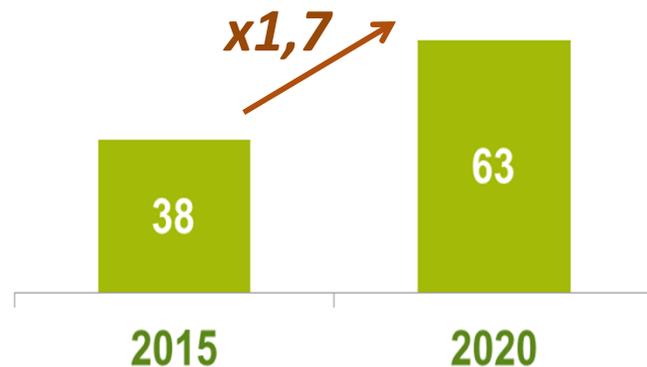
Improved customer service thanks
to the new system and global
operations

Customers: Growth in Mexico & Portugal



Matching growth with the “Energy Reform”

Energy Sales (TWh)

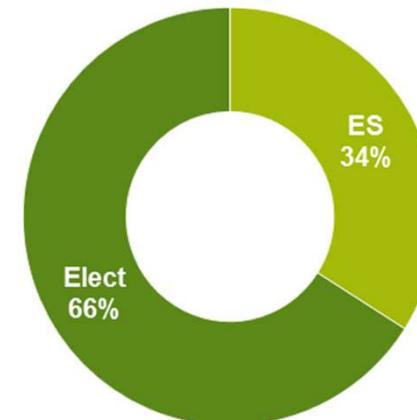


- Liberalization P > 1MW Q3 2016



Growth focused on domestic customers

150,000 contracts in 2015



- Growth in domestic customers with gas sales and products & services
- Synergies with Spanish operations and same electricity hub

Summary

Summary

Business Overview

*Flexible &
balanced portfolio*

*Consolidated
customer base*

*Eur 3,700 M
growth
investment*

Generation

*Clean & flexible
mix*

Cost efficiency

Growth in Mexico

Retail

Smart products

*Excellence of
Service*

Cost efficiency

Growth

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