



## ERSE ANNOUNCES ITS PROPOSAL FOR TARIFFS IN 2018 AND PARAMETERS FOR 2018-2020

### Investors & Analysts' Briefing

Reuters: EDP.LS  
Bloomberg: EDP PL

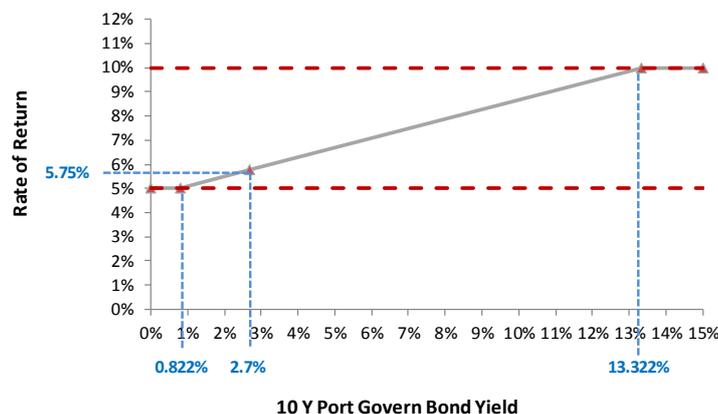
**Lisbon, October 15<sup>th</sup> 2017:** Pursuant to the terms and for the purposes of the article 17 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council and of article 248-A of the Portuguese Securities code, EDP - Energias de Portugal, S.A. (“EDP”) is providing the following information to the market:

The Portuguese Electricity Regulator (“ERSE”) announced its proposal for electricity tariffs in 2018 and the parameters for the regulatory period 2018-20, following which it is worth noting that:

For the last resort electricity supply (operated by our subsidiary EDP Serviço Universal), ERSE proposed regulated gross profit in 2018 (excluding previous year adjustments) of €37 million, considering a 0.2% average decrease for normal low voltage (NLV) electricity tariffs. ERSE’s assumption for the avg. electricity purchase cost for the supply of clients is €51/MWh in 2018.

ERSE proposed regulated gross profit for the activity of electricity distribution (operated by our subsidiary EDP Distribuição) is €1,076 million for 2018 (excluding previous year adjustments), considering:

- i) For the high and medium voltage distribution segment, a preliminary a rate of return (“RoR”) of 5.75% before taxes. The definitive rate in the period 2018-20 will be set for year t, according to the daily average of the 10 year Portuguese government bond yield between October of year t-1 and September of year t – this mechanism foresees a floor and a cap of 5% and 10%, respectively. Note that the preliminary RoR of 5.75% reflects an underlying average of 2.7% for the 10 year Portuguese government bond yield and that each 2.5% change in Portuguese government bond yield implies a 1% change in the RoR.



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ii) For the low voltage distribution segment, a preliminary RoR of 6.00% in 2018.

In 2019 and 2020, the OPEX base and, for the low voltage distribution segment the CAPEX base as well, should be adjusted annually for an efficiency factor of “GDP deflator – 2%”.

According to ERSE’s proposal, Portuguese electricity system’s regulatory receivables, which are expected to amount to €4.7 billion by the end of 2017, should decline by €0.7 billion over 2018.

For our electricity generation subsidiary in Portugal, EDP Produção, ERSE’s tariff proposal considers the following assumptions:

- i) Provisionally, the final adjustment of CMEC, amounting to €154 million, to be recovered annually between 2018 and 2027. EDP reiterates that it does not envision the reasons that lead to the discrepancy between this amount and the amount of €256 million that was calculated by EDP/REN’s Technical Working Group. EDP has, in accordance with the law, solicited information on this matter to ERSE.
- ii) Reversion to the electricity system of “clawback” amounts relative to the period of 2015 to 2017, which had resulted from the application of the Decree-Law Nr. 74/2013 (in case this Decree-Law come to be applied as to determine such reversion). EDP awaits both the information regarding the fundamentals and criteria used for the reversion, and the information concerning the new framework to be applied to the Decree-Law Nr. 74/2013, following which EDP will take a sustained stance on the matter.

In line with electricity regulation rules in Portugal, the Tariffs Advisory Board, which includes representatives from regulated companies and consumers, shall issue its nonbinding opinion until November 15<sup>th</sup>. Following that, ERSE will approve the final tariffs and parameters until December 15<sup>th</sup> 2017.

**EDP – Energias de Portugal, S.A.**