



Investors & Analysts' Briefing

Reuters: EDP.LS
Bloomberg: EDP PL

ERSE ANNOUNCES ITS PROPOSAL FOR TARIFFS IN 2022 AND PARAMETERS FOR 2022-2025

Lisbon, October 16th, 2021: Pursuant to the terms and for the purposes of the established in 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**”) provides the following information to the market and to the public in general:

The Portuguese Electricity Regulator (“ERSE”) announced its proposal for electricity tariffs in 2022 and the parameters for the regulatory period 2022-25, following which it is worth noting that:

End users’ regulated electricity tariffs for 2022 in the normal low voltage (NLV) segment, compared to the year 2021 average, which includes residential and SMEs electricity consumers, to increase by 0.2% on average. This reflects the combined impact from:

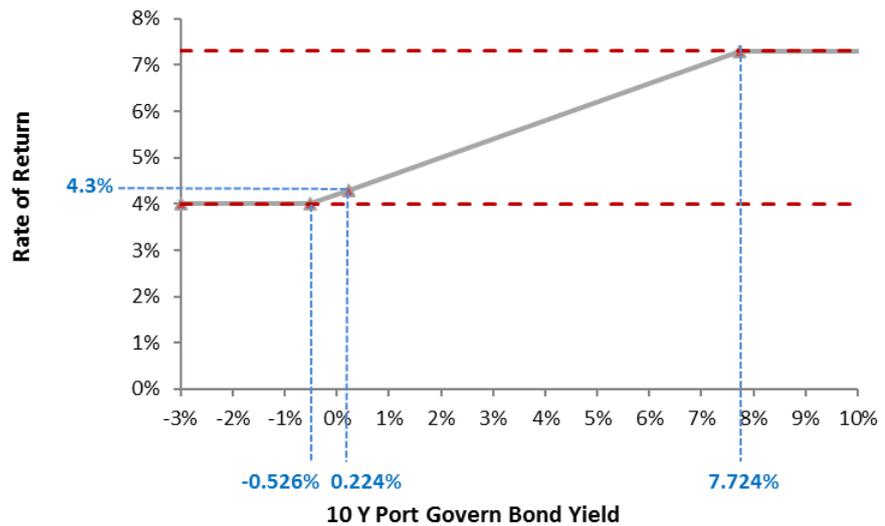
- i) Grid access tariffs decline by 52.2%, mostly supported by the favourable evolution of the differential between the stable feed-in tariffs for special regime generation (including renewables and cogeneration) and the higher wholesale electricity prices.
- ii) Average purchase cost in wholesale electricity market for the supply of regulated clients assumed at €105.5/MWh for 2022, which compares with the €49.5/MWh initially assumed in the tariffs for 2021, which rose €5/MWh in July and September this year.

ERSE proposed regulated gross profit for the activity of electricity distribution (operated by our subsidiary E-Redes) is €1,014 million for 2022 (excluding previous year adjustments), considering:

- i) A preliminary a rate of return (“RoR”) of 4.3% before taxes. The definitive rate in the period 2022-25 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 4% and 7.3%, respectively. Note that the preliminary RoR of 4.3% reflects an underlying average of 0.224% 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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In 2023, 2024 and 2025, the OPEX base and the CAPEX base of electricity distribution, should be adjusted annually for an efficiency factor of “GDP deflator – 0.75%”.

For the last resort electricity supply (operated by our subsidiary SU Electricidade), ERSE proposed regulated gross profit of €35 million for 2022 (excluding previous year adjustments).

According to ERSE’s proposal, Portuguese electricity system’s regulatory receivables, which amounted to €3.5 billion by the end of 2020, should decline by €1.7 billion over 2022.

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 15th. Following that, ERSE will approve the final tariffs and parameters until December 15th 2021.

EDP – Energias de Portugal, S.A.