



PRESS RELEASE

The Portuguese energy services authority (Entidade Reguladora dos Serviços Energéticos or ERSE) has released today in its website a “Proposal for Tariffs and Prices of Electricity for 2009 and Parameters applicable during the regulatory period 2009/2011”.

ERSE’s proposal comprises the following elements:

- The average annual (real) efficiency benefits required for the period 2009/2011 in relation to the unitary operational costs (per electricity unit delivered) associated to the transmission activity are expected to be set at 3.00%;
- The cost of capital of each of the regulated activities is indexed to the yield of Portuguese public debt (Obrigações do Tesouro or OT’s), with a spread that for the transmission activity should be set at 3.00% for the period 2009/2011. Accordingly, the cost of capital for 2009 should correspond to 7.55% (note: for the current regulatory period this rate is set at 7.00%).

ERSE’s proposal does not contain any information in relation to the following parameters provided for in the Tariff Regulation: (i) incentive applicable to new investments which return on asset base is determined according to “reference prices”, (ii) incentive to maintain depreciated assets that are in conditions to operate and (iii) incentive in relation to the transmission system’s availability.

The grounds and details of ERSE’s proposal shall be submitted to the opinion of the Tariff Council and of the remaining entities usually consulted, which includes REN. The Tariff Council should issue its opinion, by no later than November 17, following which ERSE shall approve the final document in relation to the “Tariffs and Prices of Electricity for 2009 and Parameters applicable during the regulatory period 2009/2011”.

Lisbon, October 15, 2008