



*Unofficial Translation*

*This is an unofficial translation of the proposal indicated below and it has been prepared for information purposes only. In the event of any discrepancy between this translation and the Portuguese version, the Portuguese version will prevail.*

## **ANNOUNCEMENT**

### **ERSE technical note: tariffs and prices for natural gas for the 2016-2017 gas year and parameters for the 2016-2019 regulatory period**

Following the proposal for Tariffs and Prices for Natural Gas for the 2016-2017 gas year and parameters for the 2016-2019 regulatory period disclosed by ERSE and pursuant to Article 248 of the Securities Code, REN - Redes Energéticas Nacionais, SGPS, S.A. ("REN") discloses the attached letter issued by ERSE.

**Lisbon, 14 April 2016**

**REN - Redes Energéticas Nacionais, SGPS, S.A.**



## ERSE'S TECHNICAL NOTE: TARIFFS FOR THE 2016-2017 GAS YEAR AND PARAMETERS FOR THE REGULATORY PERIOD COMPRISED BETWEEN THE GAS YEARS 2016-2017 AND 2018-2019

### 1. FRAMEWORK

- Under the terms of the applicable regulation, ERSE submitted, on the date hereof, the proposal for natural gas tariffs for the 2016-2017 gas year and parameters for the regulatory period between the gas years 2016-2017 and 2018-2019, which will be subject to the Tariff Council opinion. This Tariff Council is composed by representatives of the consumers, of the suppliers in the liberalized market, of the regulated companies, and by the National Municipalities Association. The Tariff Council will present its non-binding opinion regarding the referred proposal up to 15 May 2016. After evaluation of the opinion expressed by the Tariff Council, ERSE will approve the final tariff values, which are to be published until 15 June 2016.
- Simultaneously, ERSE also disclosed a document containing the key elements of the mentioned proposal.
- Bearing in mind that the main economic and financial assumptions for the calculation of natural gas tariffs for the 2016-2017 gas year and for the definition of parameters for the July 2016- June 2019 regulatory period are relevant factors for the economic and financial evaluation of REN's activity for the 2016-2019 period and that the values part of the proposal now submitted by ERSE are, currently, the best available information for the purposes of these values, the following information is made available.

## 2. PARAMETERS

### COST OF CAPITAL

- The risk free rate is fixed at 1.73% for the next regulatory period. This value was obtained on the basis of the average of the 10-year bonds' yields of the main euro zone European countries with AAA rating (Germany, Finland, Austria and The Netherlands), over the last 5 years;
- The cost of debt was defined at 4.23%, resulting from the risk free rate of 1.73% added to a spread of 2.50%;
- For the purpose of calculation of the final RoR for the civil year s, the average of the daily quotations of the index variable from April of the year s up to March of year s+1, will be considered. This average shall be filtered by eliminating the 1/12 of highest quotation and the 1/12 lowest quotation. The starting point is 2.78%;
- A variation of 1% in the RoR is based on a variation in the OT's yield of 2.5%;
- The minimum RoR is set at 5.40%, based on an average OT yield of 1.532%;
- The maximum RoR is set at 9.00%, based on an average OT yield of 10.532%;
- The base rate of return (RoR) defined for 2016 is 5.9%.

The following figure represents the indexation methodology of the base RoR for REN's natural gas regulated activities.

