

IBERDROLA RESPONSE TO THE ENTSOG INFORMAL PUBLIC CONSULTATION ON COST-BENEFIT ANALYSIS FOR PROJECTS OF COMMON INTEREST

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0. Background and Introduction

Iberdrola, S.A. (“Iberdrola”) is a global energy company, active in the electricity and gas markets and listed on the Spanish Stock Exchange. In the European Union, its main presence is in Spain, where it has its headquarters, and in the United Kingdom, through its affiliate Scottish Power.

Iberdrola welcomes the opportunity to respond to this informal consultation on the Cost Benefits Analysis for Projects of Common Interest.

1. Iberdrola’s Response.

- Methodology proposed by ENTSOG would be a combination of a quantitative and qualitative assessment including the CBA.

In line with “DG Regio CBA Guideline”, any CBA methodology should be based only in economic benefits. If the final purpose of the methodology is to rank projects, any qualitative criteria should be explicitly monetized. Otherwise, the use of these qualitative criteria will have an implicit economic impact in the project selection not easily visible, and consequently less transparent.

- ENTSOG methodology will provide guidance on discount rates to be applied. As the final output of the use of the discount rate is a project ranking, it is important, that the selected discount rate does not benefit certain projects over others.

Higher discount rate would penalize projects with longer maturation times. As projects candidates to receive de PCI label are likely to have easy access to capital markets, a low discount rate is suggested.

For the same reason, a single discount rate should be used for all the projects. If, for example, different discount rates were used to different countries, then projects from more developed countries would be discounted normally at a lower rate than those from less developed ones, with the result of that projects from less developed countries would get a lower valuation.

Finally and in order to be practical, the methodology should concentrate on a reduced list of effects, since some macroeconomic effects will be similar for most projects, and as it has been said before, those effects should be monetized.