



## 3.4 Wholesale and Retail

### Regulatory environment



#### Spain

- The *Hydrogen Roadmap*, which identifies renewable hydrogen as a key solution for decarbonising those industries that are difficult to electrify, was approved in October 2020. The document sets national objectives to be reached by 2030, including the installation of at least 4 GW of electrolyser capacity, a 25% minimum contribution of renewable hydrogen to total consumption by the industry, and specific minimums for the HGV fleet and hydrogen refuelling stations. These objectives are aligned with the *European Hydrogen Strategy*, which sets milestones for three time horizons (2024, 2030 and 2050) and forms part of the policies to achieve carbon neutrality in the EU by 2050.



#### United Kingdom

- In October 2020 the government extended the price cap applicable to customers with variable rates, default tariffs or prepayment meters until end 2021.



#### Brazil

- Implementing regulation (*Portaria*) No. 465 to expand the free market, which provides that from January 2021 consumers with a capacity above 1.5 MW can purchase conventional energy from any retailer, was published in December 2019. Similarly, consumers with a capacity above 1 MW can do so as from January 2022, and consumers with a capacity above 0.5 MW can do so as from January 2023.



#### Mexico

- In November 2020, the CRE approved resolutions to extend the term of legacy contracts between CFE generation companies and CFE Suministrador de Servicios Básicos (basic services supplier).
- The industrial basic supply tariff has remained stable during 2020. On 17 December the update of the final tariffs for basic supply for 2021 was approved, together with the transmission and distribution tariffs.



#### International

- During 2020, the geographical areas where Iberdrola markets energy approved various packages of emergency measures to combat the COVID-19 pandemic, with the aim of extending measures of protection for vulnerable customers, providing for more flexible bill payments and avoiding suspensions of supply.
- In Italy, Decree Law no 162/2019, postponing the liberalisation of the electricity and gas market for domestic customers and micro-enterprises until 1 January 2022 was published in January 2020. Resolution 491/2020/R/eel, regulating the liberalisation of electricity tariffs for small businesses as from 1 January 2021, was published in December 2020.
- In April 2020 the Portuguese parliament extended the validity of the regulated electricity tariffs for medium voltage until end 2021. The special low voltage tariffs were extended until year-end 2022 and other low voltage tariffs until year-end 2025.



## Objectives, risks and principal activities

### Objectives

- Occupational safety and health.
- Development of growth opportunities and new energy solutions, putting the customer at the centre of the transition: electrification of energy demand and new services.
- Competitive supply and excellence in service to customers.
- Operational excellence and continuous improvement in efficiency.
- Environmental management and protection of biodiversity.
- Risk identification and minimisation.

### Significant risks

- Regulatory risk: Changes in regulations in the countries in which it operates.
- Operational risks: Availability rate of facilities and potential incidents with environmental impact.
- Market risk: Commodity prices and competition levels in liberalised markets.
- Technological and cybersecurity risks affecting the security of the facilities or the information of our customers.

### Principal activities 2020

- **Spain: Continuous development of products and services** meeting the needs of customers (*Customised Plans, Smart services, Smart mobility, Smart solar, Smart home, Smart clima and Smart Cities*). Development of green hydrogen projects.
- **United Kingdom:** Responsibility is assumed for the supply of 375,000 new contracts with customers from two retailers that ceased operations during 2020.  
A cumulative total of 1.7 million smart meters has also been installed in the United Kingdom.
- **Mexico:** Completion of CC Topolobampo III (779 MW capacity) and 514 MW thermal under construction.
- **Europe:** Growth of retail activity and connection to customers through *Smart Solutions*, which has led to a total of 9.3 million smart contracts worldwide during 2020.

### Efficiency

- Digitalisation of processes and services to improve the customer experience.
- Optimisation of production and increase in availability of thermal facilities.
- Flexible operation to participate in complementary markets.

### Growth

- Spain: development of the largest complex in Europe for green hydrogen for industrial use, operational in Puertollano (Ciudad Real) in 2021. This is the first milestone in a plan to develop 800 MW of green hydrogen with an investment of 1,800 million euros by 2027.
- United Kingdom: continued widespread deployment of smart meters.

- Mexico: 3,500 MW of installed capacity in the last three years (largest private sector electricity producer in the country).
- Loyalty-building and development of new digital products and smart solutions meeting the needs of customers, which promotes efficiency and the consumption of renewable energy.
- Expansion of retail activity in Europe with sustained growth due to an efficient and established management model.



## Key figures of the Wholesale and Retail Business

		Spain		United Kingdom		Brazil		Mexico		IEI*		Total	
Item	Unit	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Gross margin</b>	€M	2,916	2,932	798	684	89	92	913	935	77	45	<b>4,794</b>	<b>4,688</b>
<b>EBITDA</b>	Millions	1,469	1,558	250	110	59	64	790	762	0	(25)	<b>2,568</b>	<b>2,469</b>
Electricity contracts	Millions	10.0	10.1	2.8	2.8	0.0	0.0	0.0	0.0	0.7	0.6	<b>13.6</b>	<b>13.5</b>
Gas contracts	Millions	1.1	1.0	1.9	1.9	0.0	0.0	0.0	0.0	0.3	0.2	<b>3.3</b>	<b>3.1</b>
Smart solutions contracts	Millions	6.3	5.7	2.1	1.9	0.2	0.1	0.0	0.0	0.8	0.7	<b>9.3</b>	<b>8.4</b>
<b>Contracts total</b>	Millions	17.4	16.8	6.8	6.6	0.2	0.1	0.0	0.0	1.8	1.5	<b>26.2</b>	<b>25.1</b>
<b>Gross investments</b>	Millions	261	318	157	218	17	31	199	381	87	85	<b>721</b>	<b>1,033</b>
<b>Workforce</b>	No. of people	2,602	2,646	1,413	1,552	164	128	982	997	282	191	<b>5,443</b>	<b>5,514</b>

• IFRS 11 has been applied to the financial information.

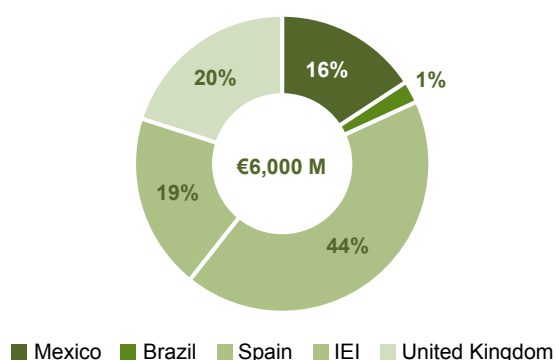
• \* IEI- Iberdrola Energía Internacional.

🕒 Quarterly Results Report

## Outlook 2020 - 2025

- Gross investment of more than **€6,000 million during the period**, for:
  - Retail expansion in new markets and growth of smart solutions for customers, to reach 40 million contracts.
  - Production of green hydrogen, as an alternative to decarbonisation in consumption niches where electrification is not possible or competitive.

Gross investment 2020-2025 (€M)



Customer contracts in 2025 (million contracts)

