



**Public Power Corporation SA**

# **Business plan 2009-2014**

## **“Repositioning for Performance and Growth”**

**Dimitri Papakonstantinou, Strategy & Planning Director**

**“Greek – Albanian Cooperation in the Energy Sector” Conference,  
Tirana January 15th, 2009**



# Agenda

**PPC is facing financial, operational and strategic challenges.**

**PPC plans to undertake significant investments till 2014 in its core activities and new developing sectors to continue its growth.**

**PPC will exploit all opportunities for performance improvement and revenue growth, in order to have a strong competitive position in the liberalised energy market.**



# **PPC is facing financial, operational and strategic challenges.**

## **Sub-optimal operations**

**PPC's operational performance rests below the desired and attainable levels**

## **Regulatory challenges**

**Differences continue to exist in the business environment between Greece and the other European countries**

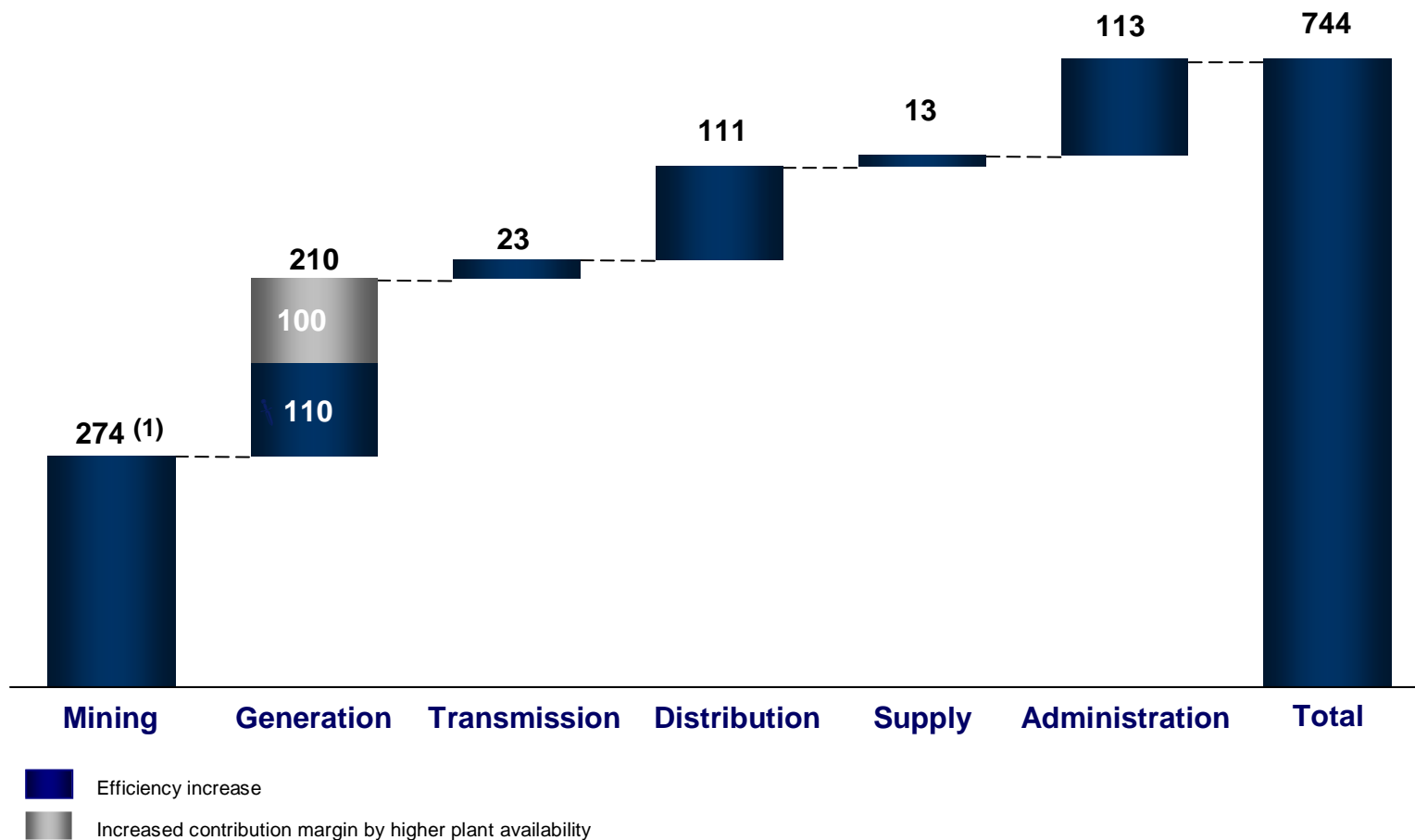
## **Poor financials**

**The financial results of PPC during the last few years are not satisfactory.**



In the Strategic Plan we defined an efficiency gap of about €750 m. compared with the best practices of European electric utilities

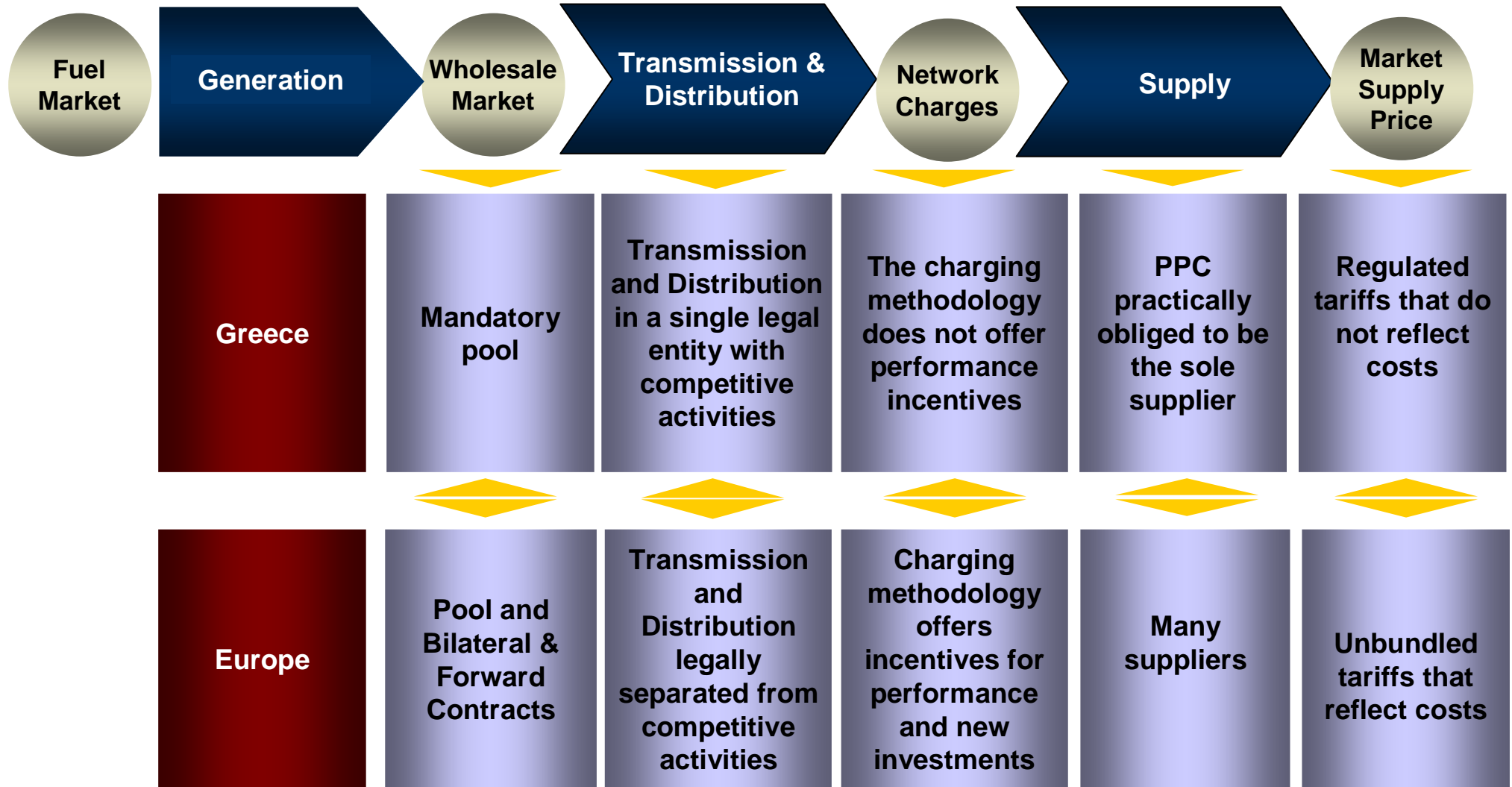
PPC has an efficiency gap of ~€750m p.a. compared to European best practices



Note(1): Lignite as compared to hard coal











# The important differences that we outlined in the electricity value chain between Greece and Europe, remain today





# Customer tariffs in Greece remain regulated and do not reflect costs...

Country	Industrial <sup>(1)</sup>	Residential <sup>(1)</sup>
Greece 	Regulated tariffs, without discrete charges, that do not reflect costs	Regulated tariffs, without discrete charges, that do not reflect costs
Portugal 	Market price <sup>(2)</sup> or tariff with securitization of tariff deficit	Market price <sup>(2)</sup> or tariff with securitization of tariff deficit
Spain 	Market price <sup>(2)</sup> or tariff <sup>(3)</sup> reflecting costs	Market price <sup>(2)</sup> or tariff <sup>(3)</sup> reflecting costs
France 	Market price <sup>(2)</sup>	Market price <sup>(2)</sup> or tariff <sup>(3)</sup> reflecting costs
Belgium 	Market price <sup>(2)</sup>	Market price <sup>(2)</sup> or tariff <sup>(3)</sup> reflecting costs
Ireland 	Market price <sup>(2)</sup>	Market price <sup>(2)</sup> or tariff <sup>(3)</sup> reflecting costs
Italy 	Market price <sup>(2)</sup>	Market price <sup>(2)</sup> or tariff <sup>(3)</sup> reflecting costs
United Kingdom 	Market price <sup>(2)</sup>	Market price <sup>(2)</sup>

Notes <sup>(1)</sup>: Country overview – differences may apply

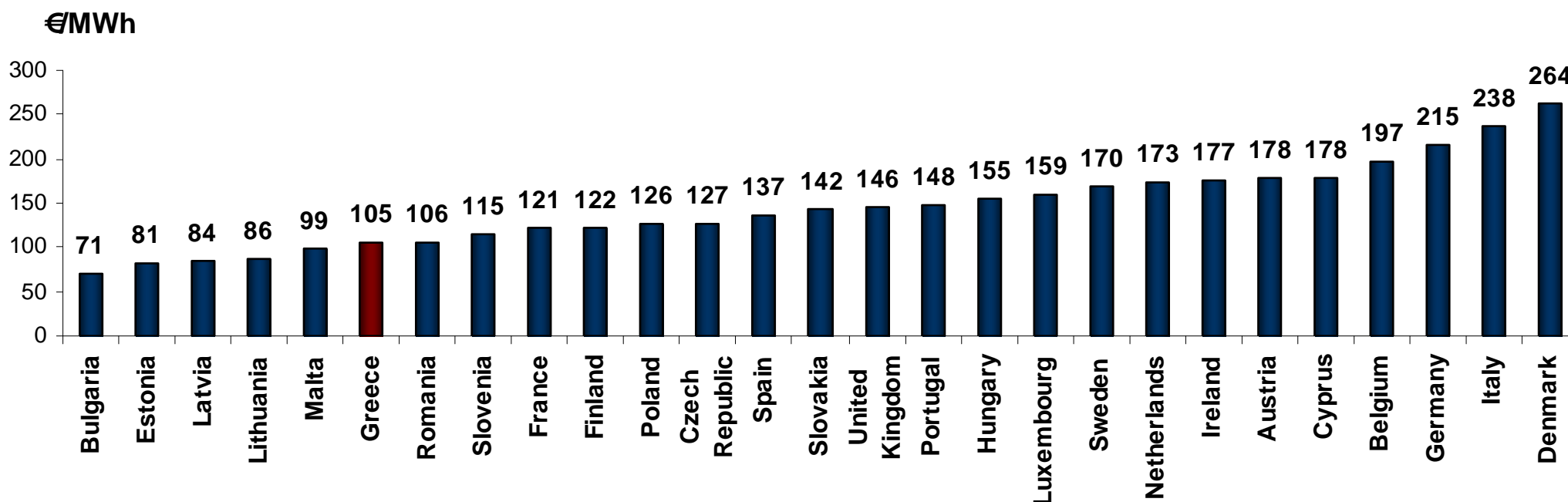
<sup>(2)</sup>: the market price is set by the market

<sup>(3)</sup>: regulated tariff



... resulting in the lowest electricity prices for households in EU15 and one of the lowest in EU27

Electricity tariffs with taxes and PSOs for households with annual consumption 2500 to 5000 kWh (1st half 2008)



Source: Eurostat



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# PPC aims to become an efficient and competitive electric utility in the liberalised energy market

## Objectives

**Efficient power plant portfolio, respecting the environment**

Build new plants with best available technology

Decommission old, inefficient and polluting power plants

Accelerate completion of large hydro projects

**Improved service to our customers**

Increase network reliability

Improve efficiency of network

**Achieve 20% market share in Renewable Energy Sources**

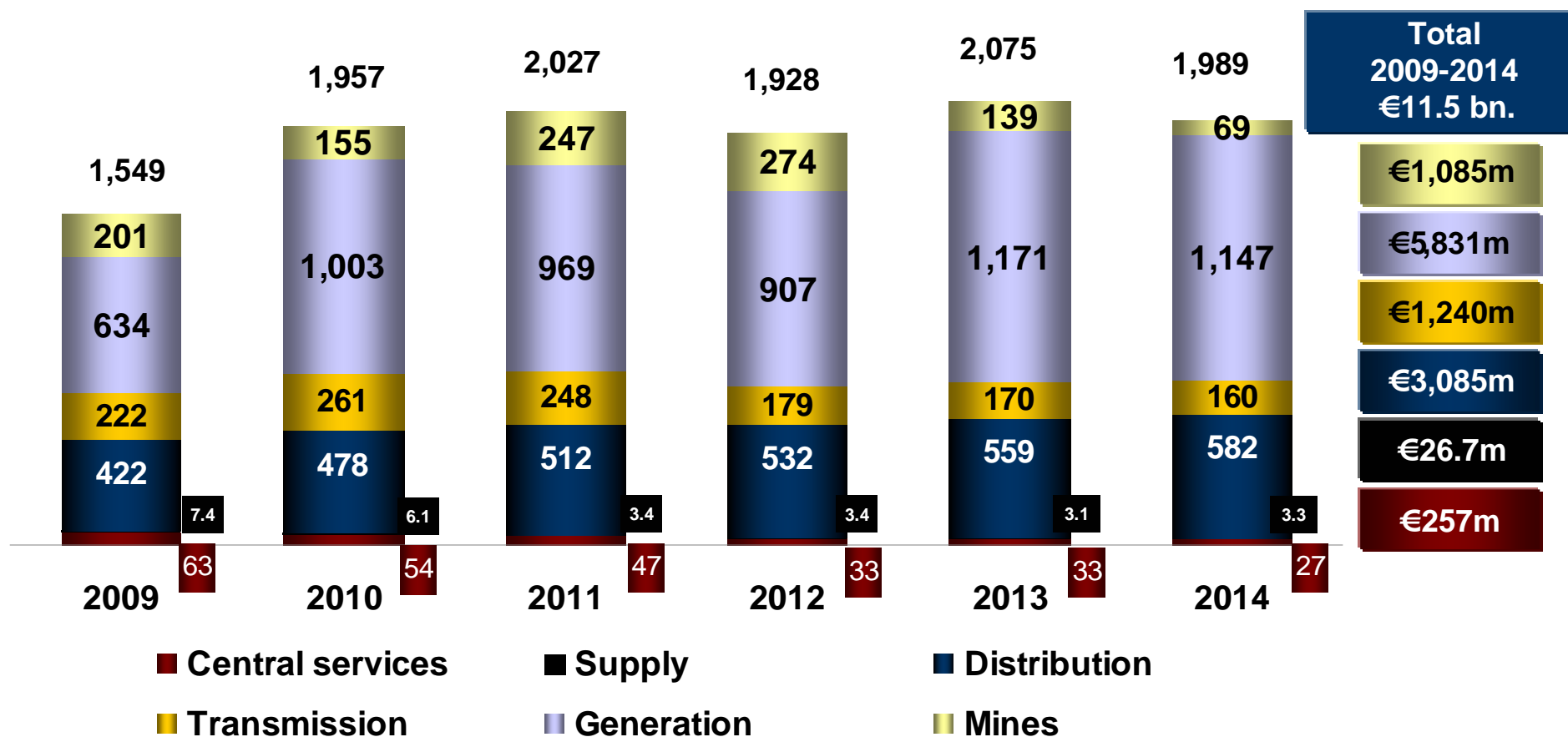
Active in all sectors: wind, solar, small hydro, geothermal



# PPC company investment plan is c.€11.5 bn.

## Investment plan 2009-2014

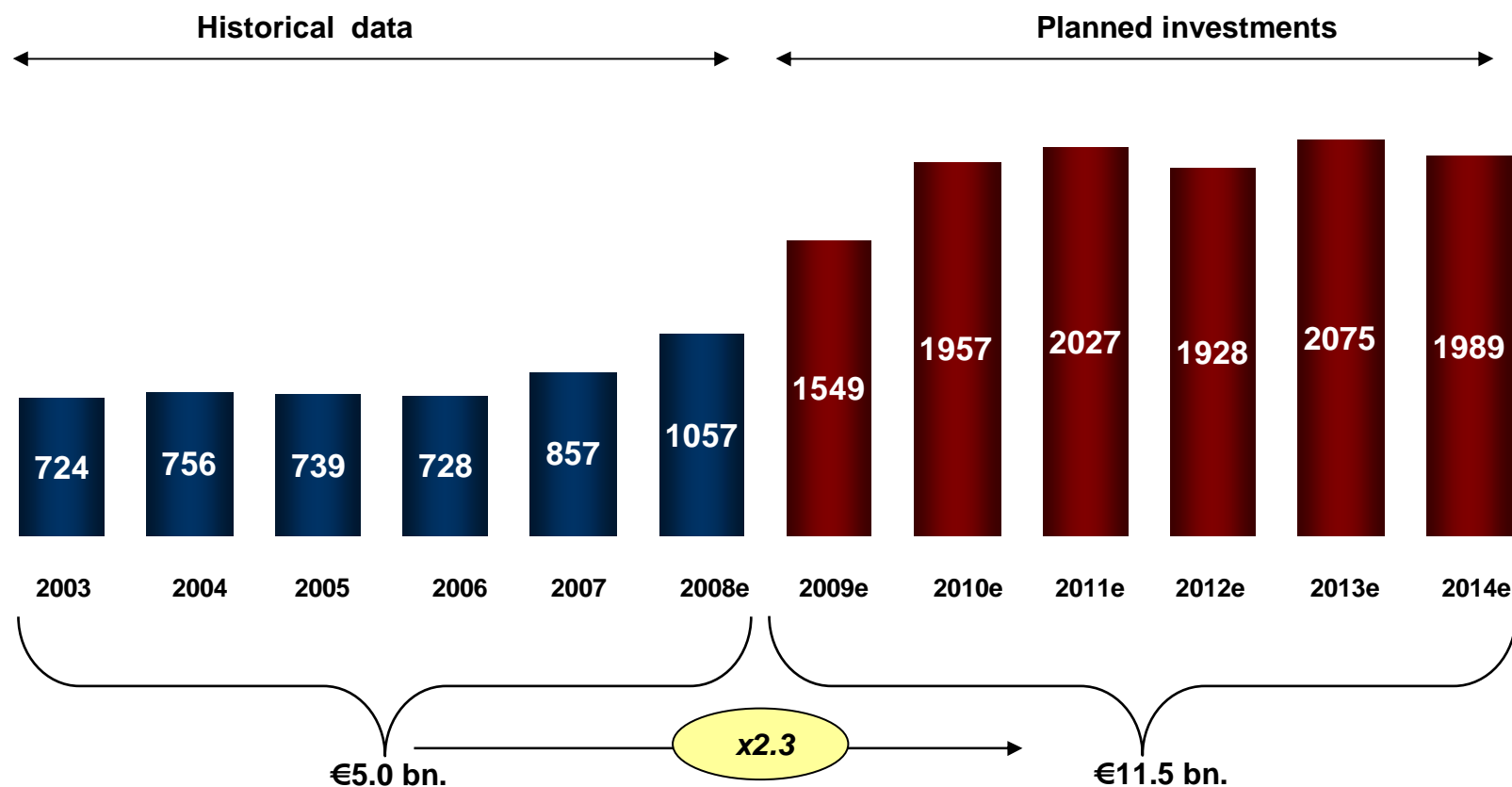
(€mil. nominal values)





# The execution of an investment plan of such magnitude is a challenge for PPC

## PPC investments 2003-2008 and planned investments 2009-2014 (€ m – nominal values)





# PPC Generation investment plan: new power plants and decommissioning of old, inefficient plants

## 1 Thermal plants: 3,887 MW

Power Station	Fuel	Installed Capacity (MW)	Commissioning year
Komotini	Natural gas	160	2009
Aliveri V	Natural gas	427	2010
Megalopoli V	Natural gas	800	2012
Florina II	Lignite	450	2013
Ptolemaida V	Lignite	450	2014
Aliveri VI <sup>(1)</sup>	Hard-coal	800	2014
Larimna I <sup>(1)</sup>	Hard-coal	800	2015

## 2 Hydro plants: 640 MW

Power Station	Installed Capacity (MW)	Commissioning Year
Mesohora I,II	160	2011
Ilarionas I,II	157	2011
Metsovitiko II	29	2012
Sykia I,II <sup>(2)</sup>	125	2014
Pefkofito I,II <sup>(2)</sup>	160	2014

## 3 Decommissioning Old plants: 2,400 MW

Fuel	Capacity (MW)
Lignite (Ptolemaida I,II,III, IV,Liptol I,II, Megalopoli I,II)	913
Natural gas (Agios Georgios VIII, IX, Lavrio III)	540
HFO (Lavrio I,II, Aliveri III, IV)	750
Diesel and HFO in Cyclades islands	200

## 4 Islands : new units 990MW – Cyclades connection

Islands	Fuel	Capacity (MW)
Crete	LNG	500+70
Rhodes	Oil-fired	120
Lesvos	Oil-fired	120
Various small islands	Oil-fired	180

*Cyclades connection*

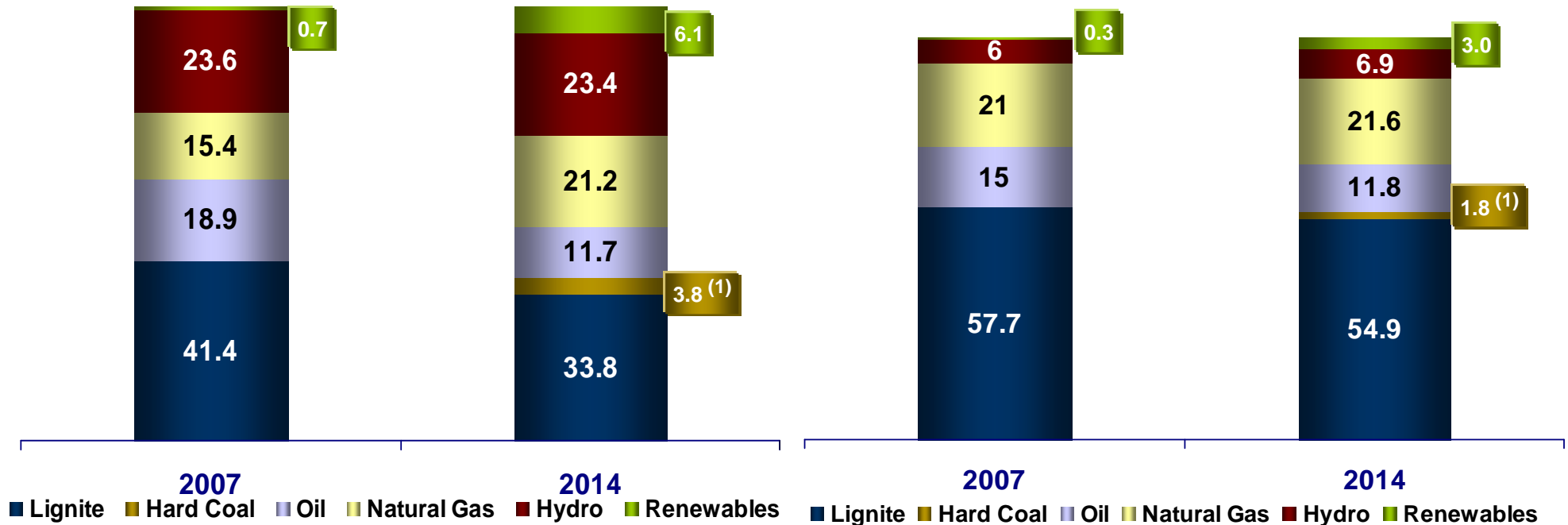
Notes (1)In negotiations, to be developed with two minority partners (up to 200MW each) ; (2) Subject to completion of dams by the State pending minister's approval



# PPC's power plant portfolio in 2014 will ensure reliability, higher efficiency and a decrease of generation costs

## Installed Capacity (%)

## Electricity Generation (%)

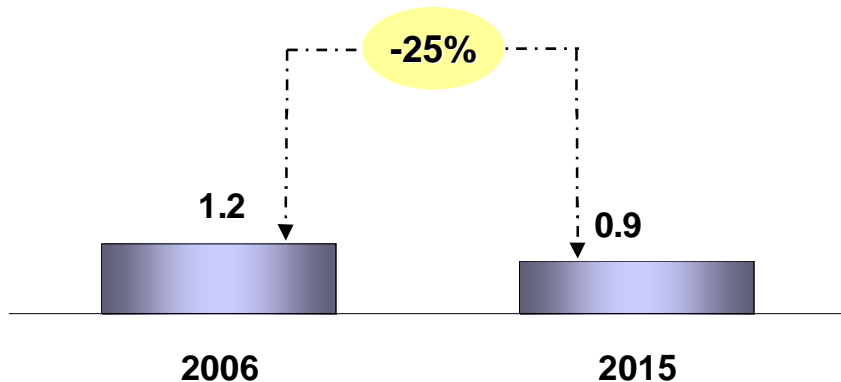


(1) Aliveri VI and Ptolemaida V will start operating in September and November 2014 respectively

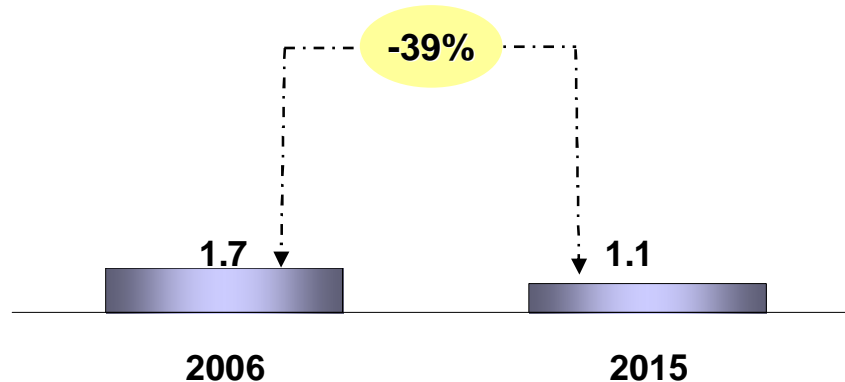


## After the completion of the generation program both CO<sub>2</sub> and conventional emissions decrease

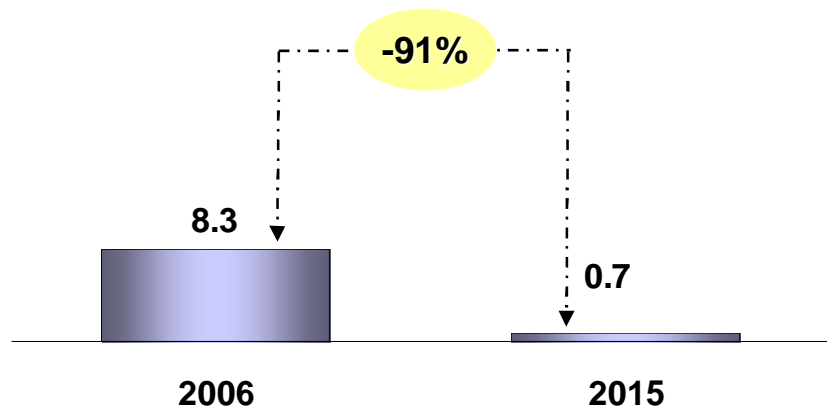
CO<sub>2</sub> in interconnected (kg/kWh)



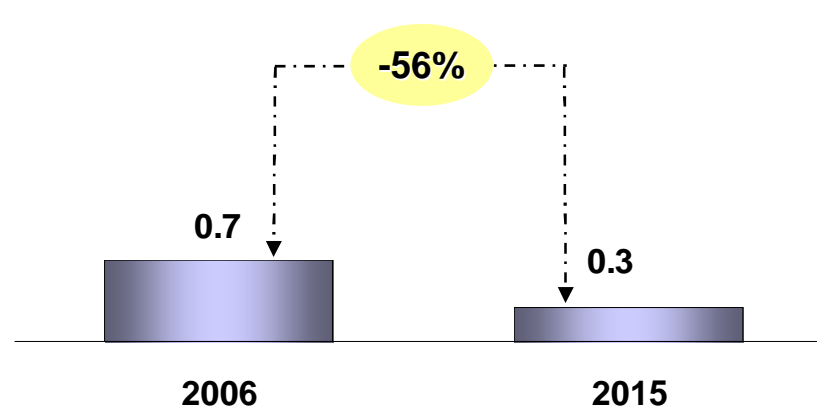
NO<sub>x</sub> in interconnected (g/kWh)



SO<sub>2</sub> in interconnected (g/kWh)



PM in interconnected (g/kWh)

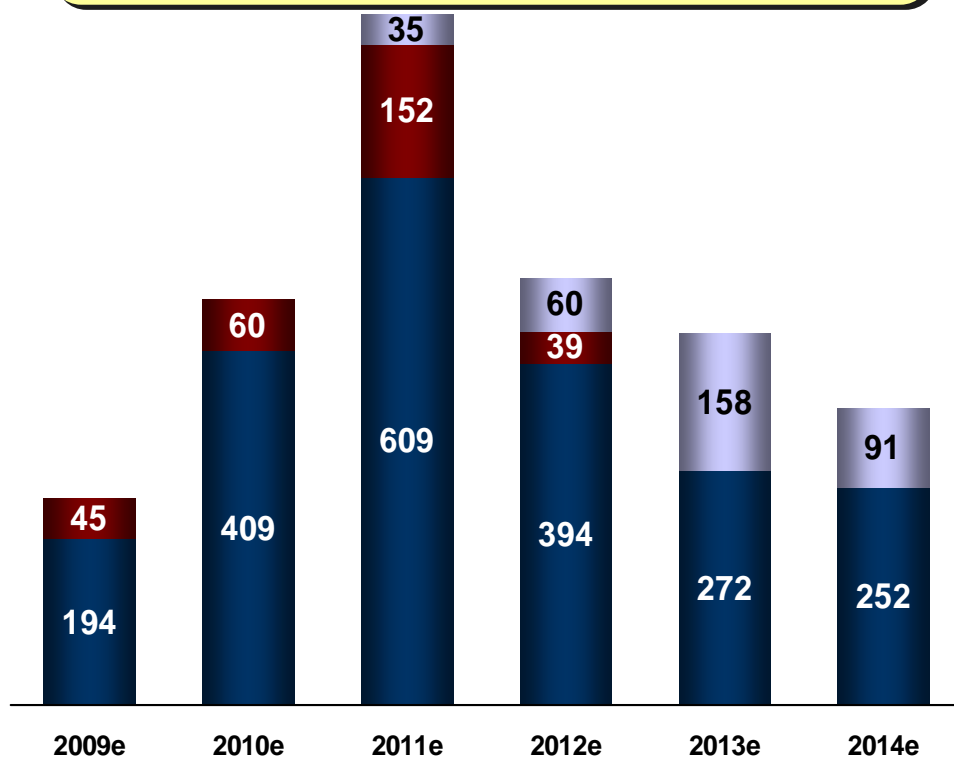




# PPC Subsidiaries and Joint Ventures : €2.8 bn to further propel growth

Investments of subsidiaries and contributions in joint ventures (€ m)

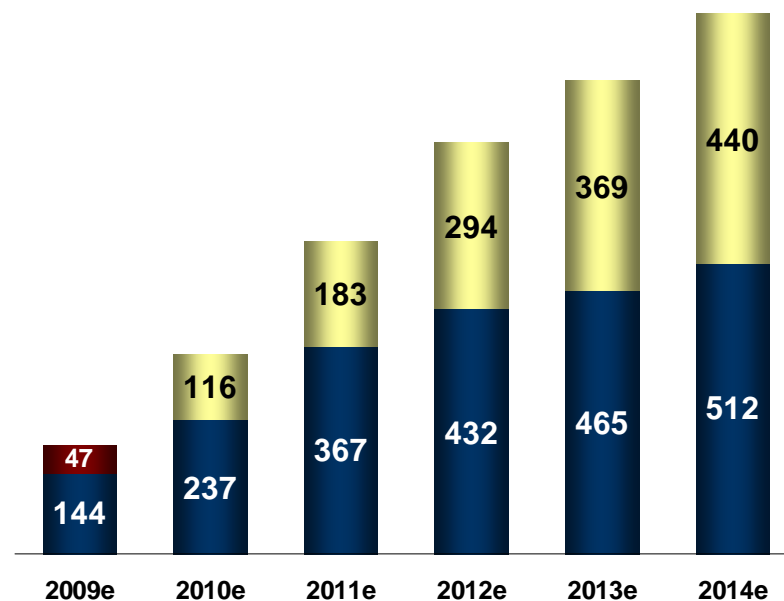
Total 2009-2014 €2.8 bn.



■ PPC Renewables ■ MoU Halyvourgiki ■ MoU RWE

PPC Renewables investment plan 2009-2014, €2.1 bn.  
Evolution of installed capacity, MW

950 MW in RES till 2014



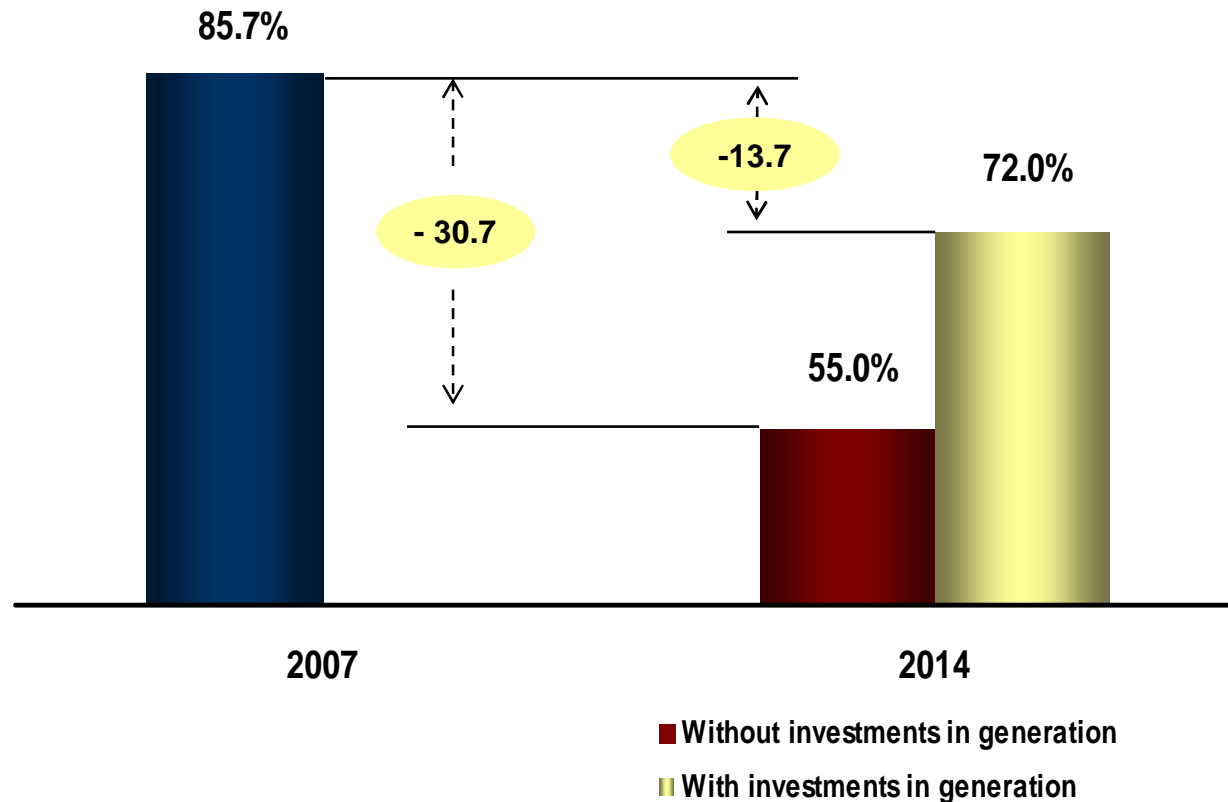
■ Planned ■ Not identified ■ In negotiations

Note:  
SENCAP is not included.



**Clear choice : Without new investments in power plants and RES, the share of PPC generation in the wholesale market will decline significantly**

**PPC Generation share in the wholesale market  
with and without investments (%)**







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# **Business Plan : Pulling all performance levers across PPC, addressing operating costs and revenue potential to realise planned investments.**

## **Investments**

**Revised  
Investment  
plan  
€13.5 bn.**

## **Expenses**

**Reduction in  
controllable costs in  
the areas of:  
-Personnel  
-Materials  
-External Services**

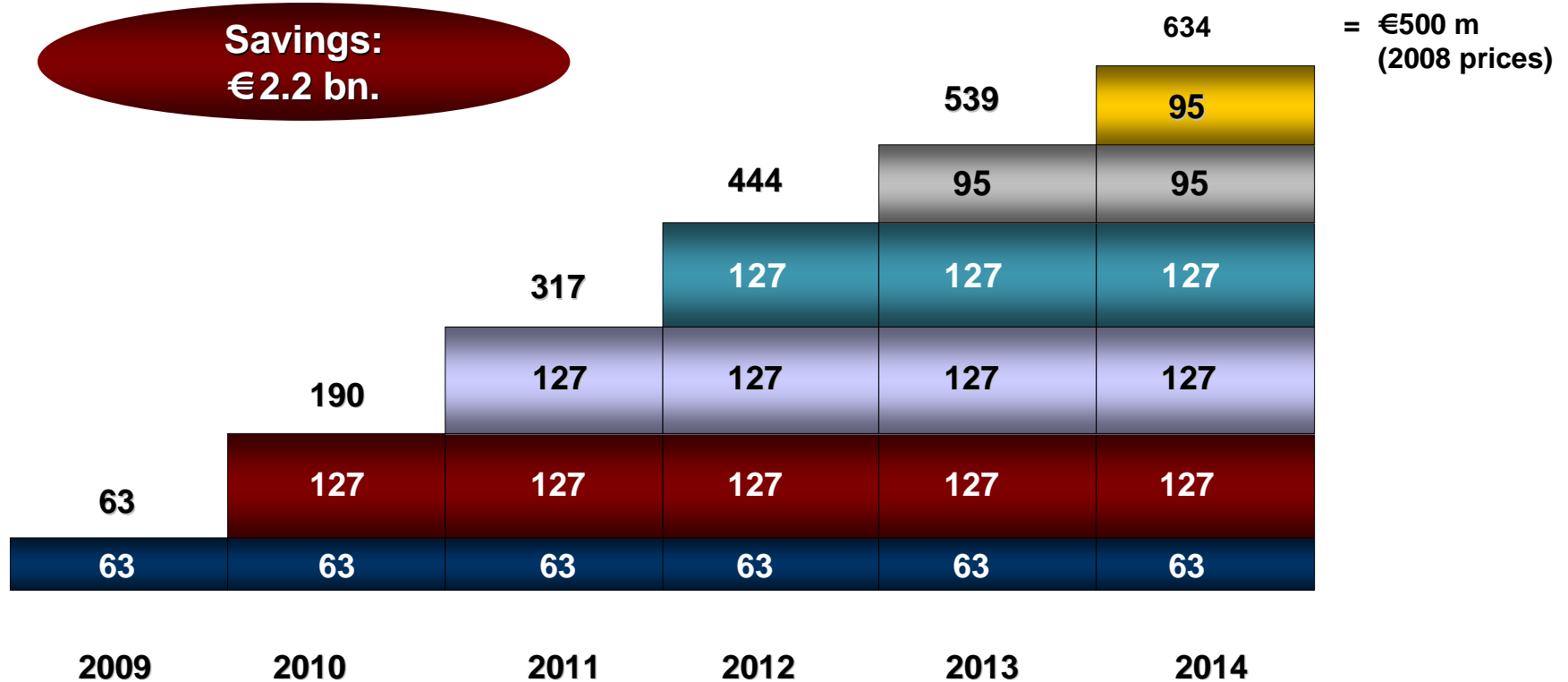
## **Revenues**

**Required  
revenue  
increase to  
support  
investment  
plan**



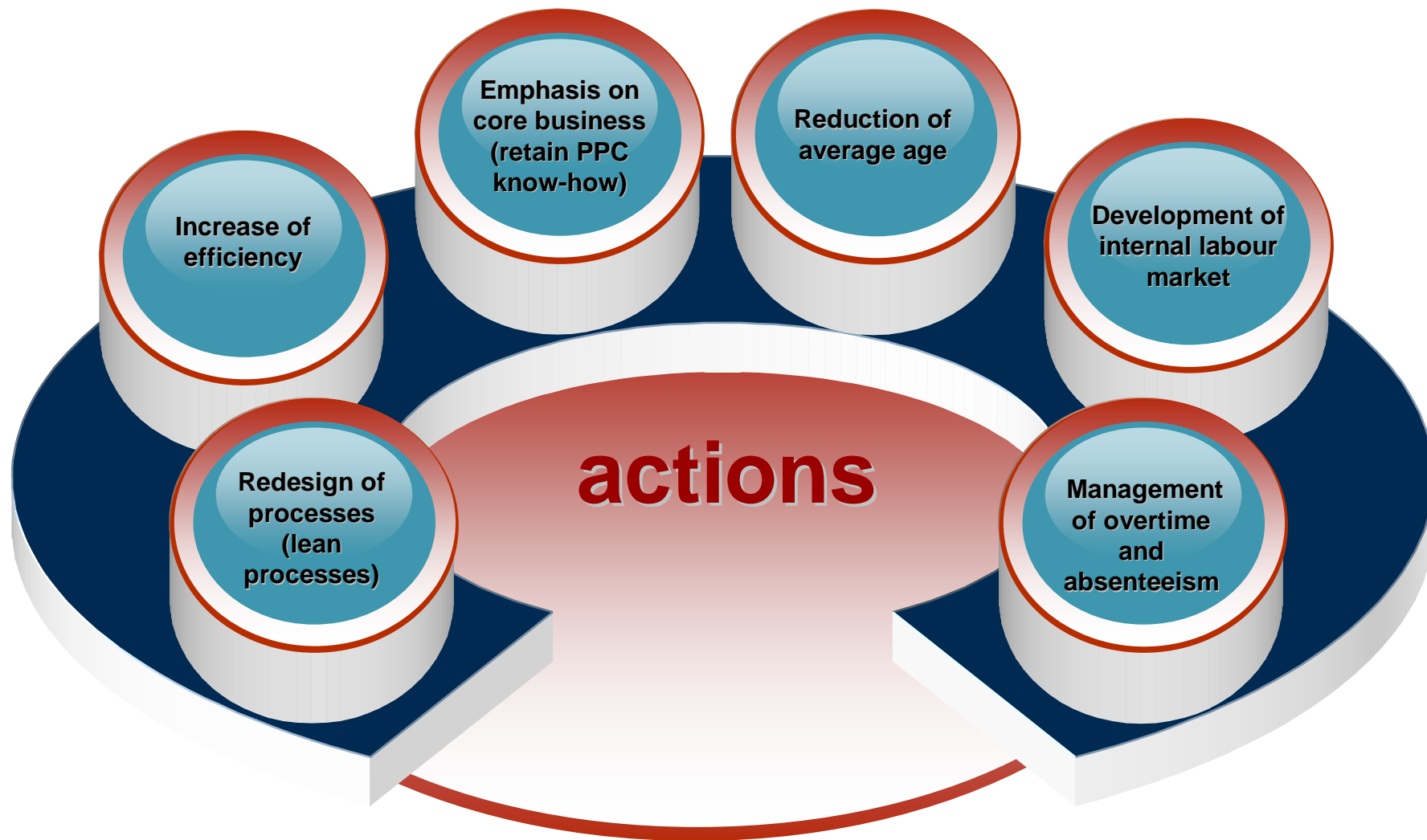
**A comprehensive operational improvement program will deliver gradually €500 m annually by 2014**

### Efficiency improvement (in € m, in nominal prices )



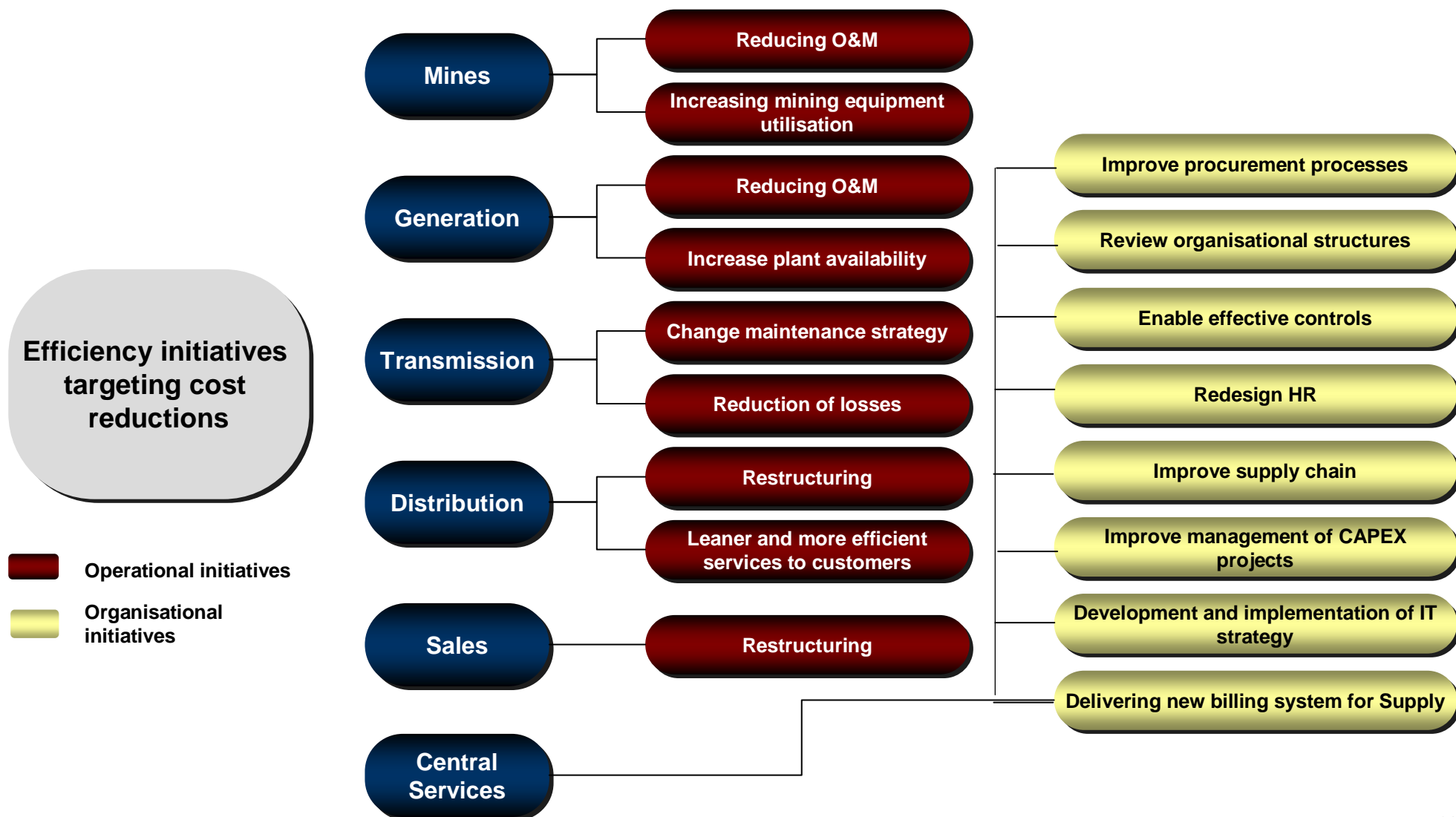


## PPC will achieve the required decreases in personnel costs through the following actions:





# Operational and Organisational initiatives that will result in a decrease in controllable costs





## PPC would propose tariff increases by a total of 17% above inflation over the six year period

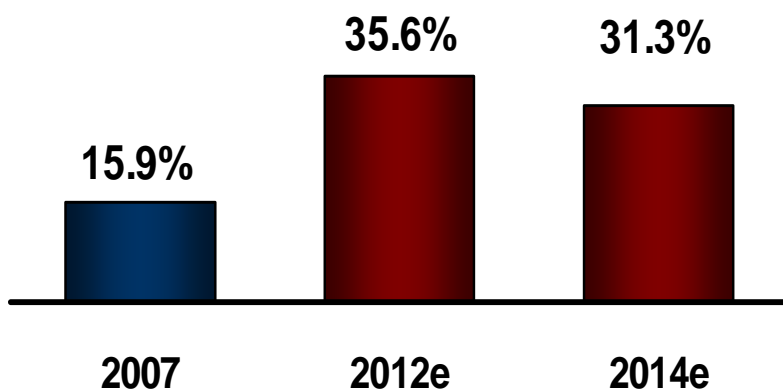
### Proposed tariff increases (%)

	2009	2010	2011	2012	2013	2014
Nominal tariff increase	1%	5%	5%	5%	13%	6%
Inflation	3%	3%	3%	3%	3%	3%
Real tariff increase	-2%	2%	2%	2%	10%	3%

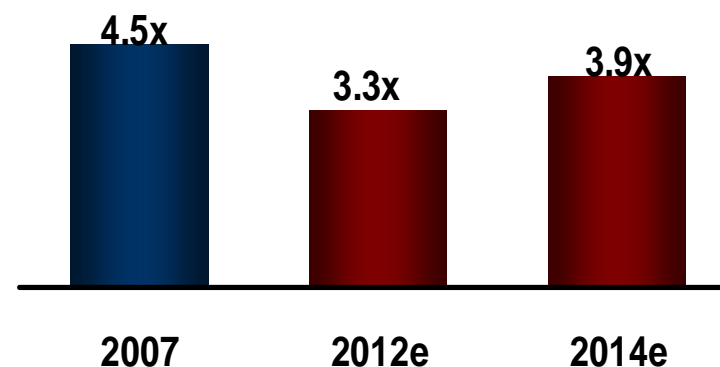


# PPC will achieve a 31.3% EBITDA margin and a 3.9x Net Debt / EBITDA in 2014

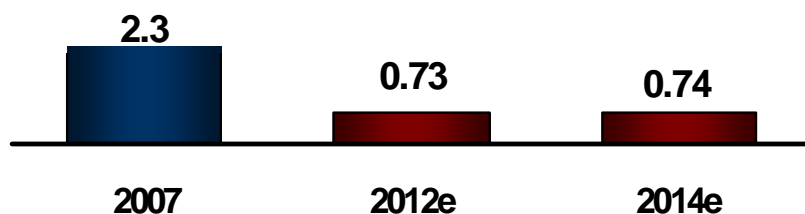
EBITDA margin (%)



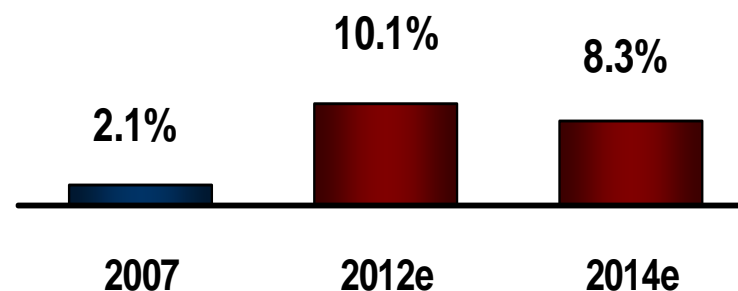
Net Debt / EBITDA



Efficiency ratio (controllable OPEX/ EBITDA)

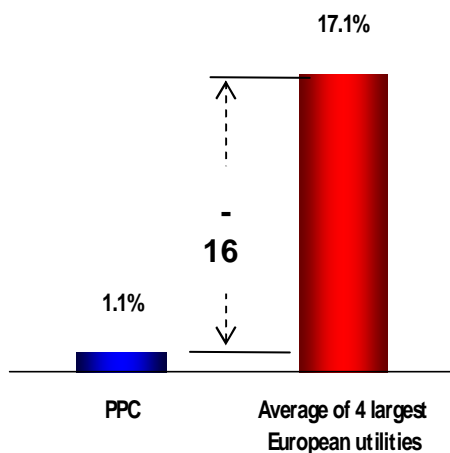


ROCE 2007-2014e (%)





# The Business Plan balances in a satisfactory way the expectations of the customers and employees, and creates shareholders' value



Terminate ongoing value destruction.

Build up generation capability

Decrease in operational expenses

Revenue Increase

