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NON-TECHNICAL SUMMARY INVESTMENT PROGRAM OF PGE DYSTRYBUCJA S.A.

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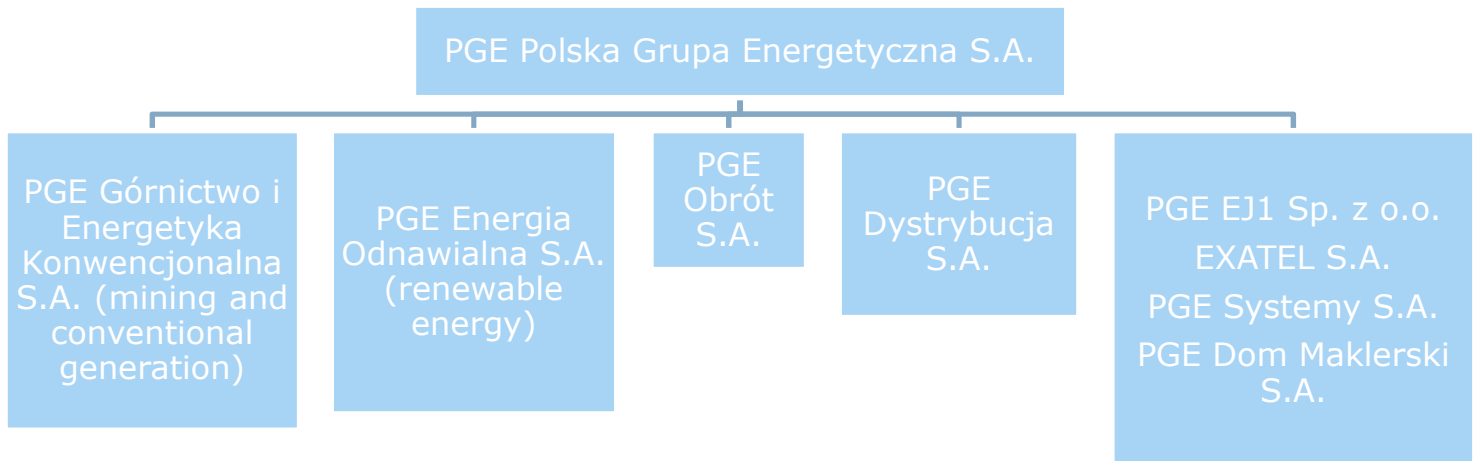
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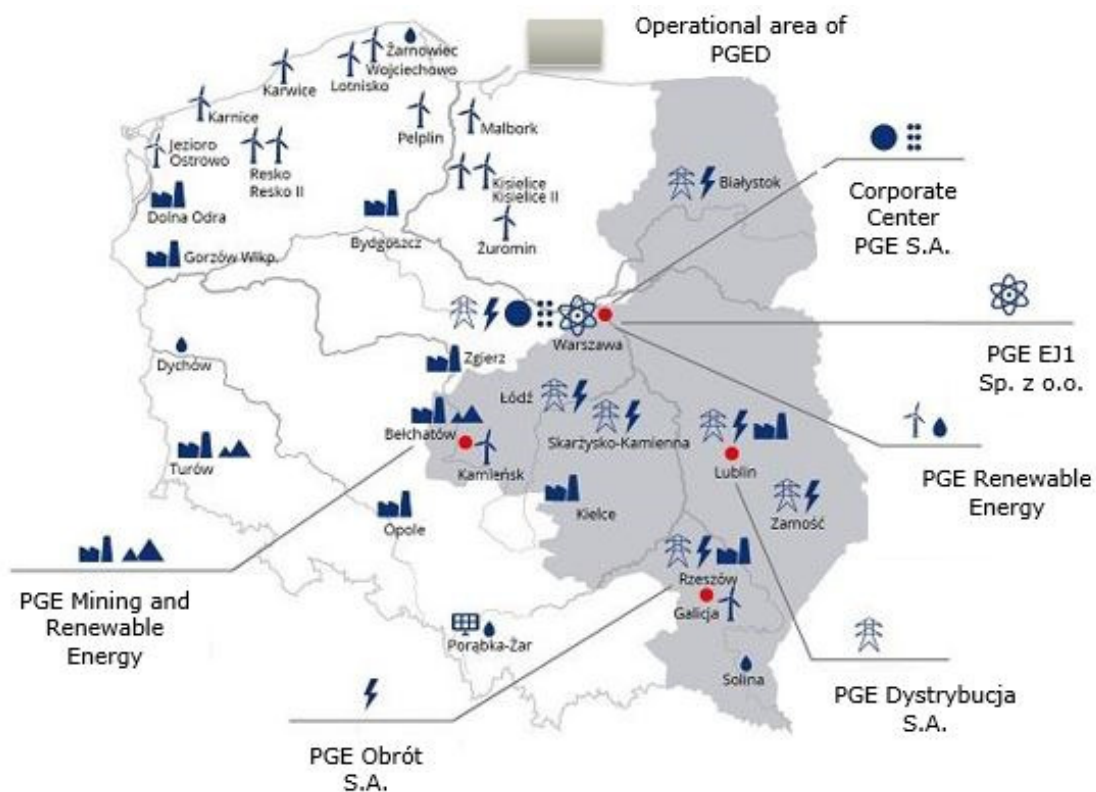
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1. INTRODUCTION AND PRESENTATION OF PGE DYSTRYBUCJA S.A.

PGE Dystrybucja S.A. (further referred to as PGED) is a Distribution System Operator (DSO). PGED is a member of PGE Capital Group (GK PGE), which parent company is PGE Polska Grupa Energetyczna S.A. The simplified GK PGE structure is presented below:



As presented on a figure below, PGED geographically operates in Podlaskie Voivodeship, Lubelskie Voivodeship and parts of Warmińsko – Mazurskie, Mazowieckie, Świętokrzyskie, Małopolskie, Łódzkie and Podkarpackie Voivodeships.



PGED comprises the following divisions:

- 1. PGE Dystrybucja S.A. Branch Białystok** - area of approx. 27 200 km², covering the whole Podlaskie Voivodeship and a part of Warmińsko – Mazurskie and Mazowieckie Voivodeships. The length of power transmission lines (both over ground and underground) equals to 42 488 km (exclusive of LV connections to customers), the division operates 14 750 transformer stations having up to 694 700 customers
- 2. PGE Dystrybucja S.A. Branch Lublin** - area of approx. 12 144 km², in Lubelskie Voivodeship, the length of power transmission lines equals to 33 229 km (exclusive of LV connections to customers), the division operates 9930 transformer stations having up to 556 342 energy consumers.
- 3. PGE Dystrybucja S.A. Branch Łódź – Teren** - operates in Łódzkie Voivodeship excluding area of the city, covering area of approx. 15 100 km². The length of power transmission lines equals to 36 694 km (exclusive of LV connections to customers), the division operates 11 949 transformer stations having up to 630 798 energy consumers.
- 4. PGE Dystrybucja S.A. Branch Łódź – Miasto** – operates within the area of the city, i.e. Łódź, Pabianice and Zgierz, covering area of approx. 1 523 km². The length of power transmission lines equals to 14 029 km (exclusive of LV connections to customers), the division operates 3 689 transformer stations having up to 529 596 energy consumers.
- 5. PGE Dystrybucja S.A. Branch Rzeszów** - area of approx. 16 382 km², in Podkarpackie Voivodeship and a part of Świętokrzyskie, Lubelskie and Małopolskie Voivodeship, the length of power transmission lines equals to 40 019 km (exclusive of LV connections to customers), the division operates 11 521 transformer stations having up to 710 718 energy consumers.
- 6. PGE Dystrybucja S.A. Branch Skarżysko – Kamienna** - area of approx. 16 504 km², in Świętokrzyskie Voivodeship, the length of power transmission lines equals to 40 054 km (exclusive of LV connections to customers), the division operates 13 230 transformer stations having up to 772 339 energy consumers.
- 7. PGE Dystrybucja S.A. Branch Warszawa** - area of approx. 18 299 km², covering the almost the whole Mazowieckie Voivodeship and a part of Lubelskie, Warmińsko – Mazurskie and Podlaskie Voivodeships. The length of power transmission lines (both over ground and underground) equals to 47 406 km (exclusive of LV connections to customers), the division operates 18 087 transformer stations having up to 931 484 energy consumers.
- 8. PGE Dystrybucja S.A. Branch Zamość** - area of approx. 15 283 km², in Lubelskie and Podkarpackie Voivodeships, the length of power transmission lines equals to 29 939 km (exclusive of LV connections to customers), the division operates 9 032 transformer stations having up to 437 745 energy consumers.

The total number of PGED consumers equals to 5 263 722 (as for December 31, 2015).

PGED, as for the end of 2015, operates 355 902 km of power transmission lines (PTL), which comprises the following:

- 220 kV – 21 km;

- 110 kV – 10 133 km, inclusive of 25 km of underground PTL;
- 30 kV – 1 107 km, inclusive of 28 km of underground PTL;
- 20 kV – 2 101 km, inclusive of 266 km of underground PTL ;
- 15 kV - 105 985 km, inclusive of 17 466 km underground PTL;
- 1 – 10 kV – 742 km, inclusive of 742 km of underground PTL ;
- 0.4 kV – 163 769 km, inclusive of 40 989 km of underground PTL and 19 352 km of overhead PTL;
- Power connections – 72 044 km, inclusive of 16 420 km of underground connections and 19 352 km of overhead insulated connections.

The high voltage power transmission lines constitute a small percentage of the total length of the exploited network, however it acts as essential in terms of electricity distribution within the system. Network 110 kV power transmission lines of the PGED works mostly in a ring system between stations MV/110 kV and 110/MV. The 110 kV power transmission lines are mainly overhead ones. The medium voltage power transmission lines are also mainly overhead ones (91 433 km, which stands for 83.2% of the total length of MV PTL).

In order to fulfil strategic aims, i.e. lowering the SAIDI and SAIFI indicators, the company gradually replaces non-insulated cables with insulated or semi-insulated overhead power transmission lines.

PGED, as for the end of 2015, operates 92 188 main electrical substations, which comprise the following:

- 450 HV electrical substations;
- 804 HV/MV transformers of a total capacity of 15 428 MVA;
- 91 738 MV/LV electrical substations;
- 92 412 MV/LV transformers of a total capacity of 13 947 MVA.

Most of the HV/MV main electrical substations are open air stations, however 9 of them are indoor stations. In case of MV substations, the amount of indoor stations equals to 17 987.

2. SCOPE OF THE INVESTMENT PROGRAM

The company carries out the Investment Program in accordance with The Development Plan which was agreed upon with the President of the Energy Regulatory Office, to satisfy current and future electrical energy demand within the period 2016-2019. Financing of a part of the Investment Program in an amount exceeding 6 billion PLN to be spent in the period between 2016 and the end of 2019 is provided among others by the European Bank for Reconstruction and Development (EBRD).

The Investment Program consists of many tasks on:

- connection of new energy sources, inclusive of renewable energy sources;
- development of the distribution system for connection of new energy sources;
- connection of new consumers;
- development of the distribution system for new energy consumers;
- modernization and refurbishment of existing infrastructure
- automation of network operation;

and others.

Implementation of the Investment Program (for the years 2016 – 2019) which is a part of the Development Plan assumes among others:

- construction of almost 150 thousand connections to new energy consumers;
- installation or replacement of more than 2 million of energy meters;

- related to connection of new consumers and sources as well as to refurbishment of existing assets – construction of new and refurbishment of existing single- and double-rail lines: 1663 km HV PTL, inclusive of 35 km underground PTL, more than 6500 km MV PTL, inclusive of 3634 km underground PTL and almost 5500 LV PTL, inclusive of 2627 km of underground PTL;
- construction and expansion of approximately 34 HV/MV substations and almost 2150 MV/LV substations, including installation of new transformers.

3. RATIONALE OF THE PROGRAM

Each Polish energy distribution company is obliged to possess valid "Strategy and Development Plan" (Development Plan), developed based on the Article 16 of the Energy Law of 1997. Following the legal requirements, PGED worked out and implements investment program for years 2016-2019 which is a part of the whole Development Plan.

This comprehensive document defines development goals for the company, among which the following are considered as of potential to influence the social and environmental aspects of the company operations:

- connection of new energy consumers and sources;
- provision of power supply reliability and high quality of supplied electrical energy;
- reduction of the power network overloads;
- optimization of the distribution network operations;
- reduction of energy losses in distribution;
- improvement of electrical equipment service safety;
- decrease of negative impact of used electrical devices on the environment;
- optimization of energy distribution costs.

The environmental advisor of the EBRD, Ramboll Environ Company, identified the following environmental and social benefits of the program:

- Expected direct social benefits will result from improved reliability of the network and supplied power quality achieved by modernization of the system elements. System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI – ratio of customers exposed annually to a risk of long and very long breaks to total number of served customers) will be lowered to the values determined by the President of the Energy Regulatory Office in the Quality Tariff. Failure to achieve anticipated rates may result in financial penalty imposed by the President of URE.
- Development of distribution networks and new connections will allow new customers to connect to the power supply, thus the program will stimulate spatial development in the PGED operational area.
- Large investment spending will positively influence regional and national economy, among others by generation of new working places in the companies providing supplies and construction services to the energy distribution companies and will stimulate activation of economic development of the program development territories.

Every 3 years a 'moving' update of the Development Plan is carried out. Currently, an update covering the period 2017-2022 is in the process of agreeing with the President of the Energy Regulatory Office.

4. COMPLIANCE WITH ENVIRONMENTAL LEGISLATION

From the regulatory point of view it is expected that majority of the program (improvements/modernisations or new line construction/equipment replacement) will be undertaken under simplified environmental procedure and no EIA assessment/report will be required. This will in general apply to the investments undertaken on transmission lines of medium and low voltage, as long as such investments do not influence protected areas of Natura 2000 network. Investments on 110 kV lines will be, according to the law in force, will be subject, in individual cases, to full EIA procedures. Despite the power lines' voltage, any investment that may influence Natura 2000 areas will be subject to EIA procedure. According to the regulations, EIA procedure requires public consultations and participation of NGOs in the process.

PGED strictly follows legal requirements and technical standards applicable both to normal operations and for new developments. This indirectly means, that the specific tasks of the Investment Program can be from the earliest considered to be planned, designed and implemented in accordance with the law and standards. It must be mentioned, that environmental impacts generated by company operations are fully regulated by the law and standards, thus even the investments which do not fall under the EIA requirement must not generate excessive impact with respect to environment, including electromagnetic fields, noise generation or use of banned substances, such as asbestos or PCB. Further, taking into account that Poland as a member of EU must follow the EU legislation it can be concluded that company operations and implementation of the Investment Program are compliant with Polish law and EU directives.

PGED possess 22 identified edifices protected under Heritage Protection Law, either as historical monuments or being located inside heritage protection zones. Having in mind cultural heritage protection, each time before commencement of any modernization or refurbishment of edifices under heritage protection or such that potentially be under such protection (as historical monuments or edifices located within heritage protection zones), the company verifies status of such edifices in relevant Heritage Conservator office. Civil works on protected edifices are conducted after consultation of relevant Conservator.

5. ENVIRONMENTAL, HEALTH AND SAFETY AND SOCIAL IMPACTS

The risk for the Development Plan to be implemented without appropriate attention paid to EHS and social issues is limited. PGED strictly follows legal obligations of the Polish building and environmental law and H&S regulations, thus necessary assessment of adverse potential environmental or social impact of the program is secured.

6. ADDITIONAL INFORMATION AND GRIEVANCE PROCEDURE

In case of any complaints or grievances related to the investment program please contact the nearest Distribution Branch of PGED. The contact details and grievance mechanism (contact form) are presented on the PGED website at www.pgedystrybucja.pl.

For additional information related to the operations of the company or the investment program please contact:

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