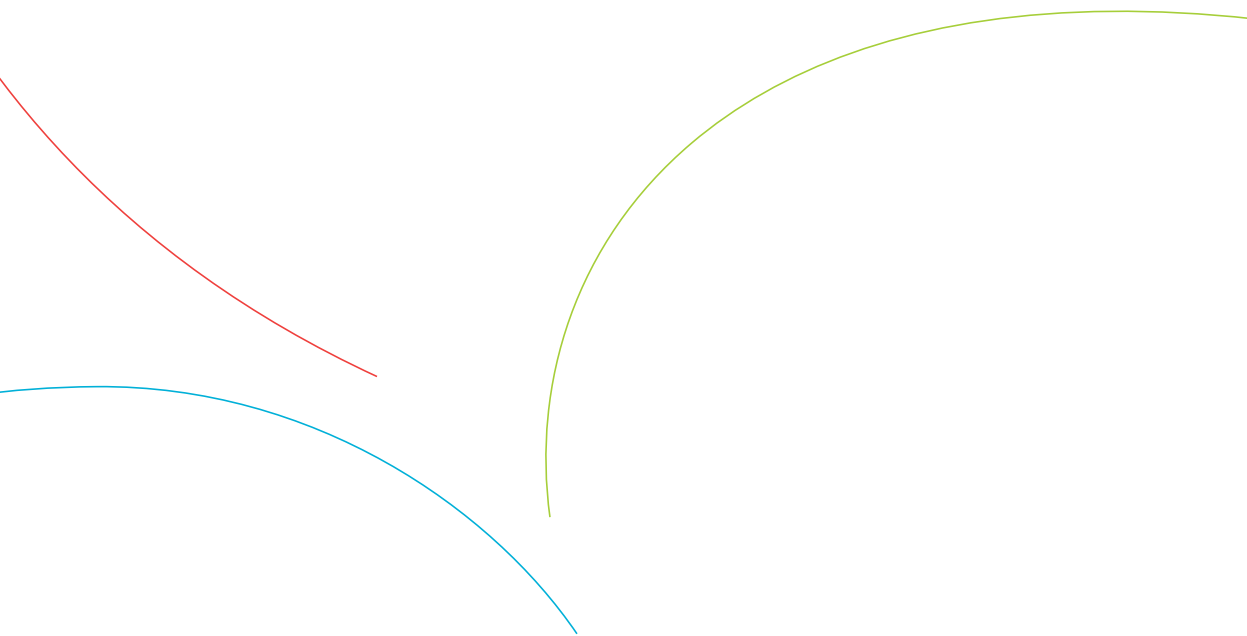




Annual report
summary document
2010



Annual report
summary document
2010



This report is a summarised version of our activities in the 2010 fiscal year. The complete version of the Corporate Responsibility Report, as well as legal information (Consolidated Annual Accounts and Corporate Governance Report) are published solely in electronic PDF format and are available on the corporate website: www.ree.es.

With this format, which we are publishing for the third consecutive year, we pursue two objectives. On one hand, to improve communication with our stakeholders showing in a simple summarised form the key commitments and results of Red Eléctrica's corporate responsibility within the economic, social and environmental scope, and on the other hand, applying our policy of reducing environmental impacts, by not publishing the complete documents on paper.

This English version is a translation of the original and authentic Spanish text found in the "INFORME ANNUAL – INFORME RESUMEN 2010", originally issued in Spanish. In the event of discrepancy, the Spanish-language version shall prevail.

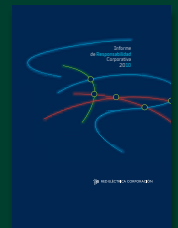
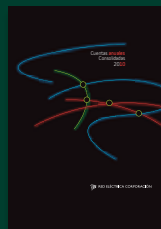


Should you not be able to access the electronic version for any reason, you may request a printed copy of the PDF document to be sent to you via the DÍGAME information service:

Stakeholder Attention Centre:

www.ree.es
digame@ree.es
Telephone: +34 91 728 62 15
Fax: +34 91 650 45 42

Scope of the summary document:
Activity in Spain



The edition in electronic format has represented a saving of **34 tonnes of paper**.



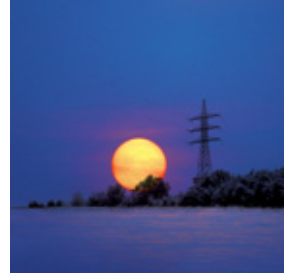


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- 07 Environmental responsibility 60



Letter from the Chairman

Dear reader

2010 has been an extremely important year for our company, as we have finalised the acquisition process, which began in 2002, of the transmission assets that remained under control of the distribution companies.

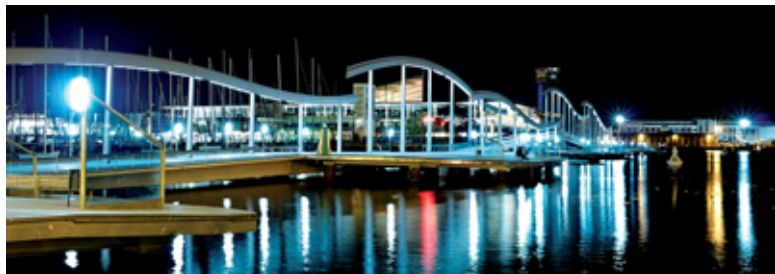
These purchases constitute the definitive milestone of our consolidation as sole transmission agent, including the Balearic and Canary Island systems, making us into the TSO of the Spanish electricity system. In this way, we have complied with that established by Law 17/2007.



Additionally, in 2010 the company has again met the expectations of growth thanks to our remarkable investment programme. An investment programme directed towards effectively implementing the electricity infrastructures plan. The execution of this plan enhances the efficiency and competitiveness of the electricity market, and will be a key element in driving the economy of our country on the road to long-term growth.

The investment in the transmission grid is also fundamental to guarantee the stability of an electricity system that features a greater penetration of renewable energies. Only a high capacity grid that is both meshed and robust, allows a higher quality management and the flexibility to compensate the energy flows which vary tremendously between their origin and destination points depending on meteorological conditions. This fact is particularly important in a country like ours, with few interconnections with the European electricity grid.

For this reason, we have greatly increased transmission grid investment in recent years, growing from 510 million euros in 2006 to 865 million in 2010. During this period, nearly 2,500 km of new electricity line has been commissioned; of which 839 km correspond to projects carried out in 2010. These new facilities have been focused mainly on the structural reinforcement of the grid, the creation of new energy transmission hubs



and to strengthening of international interconnections, with the aim of guaranteeing the security and stability of the electricity supply.

Similarly, we have continued to reinforce the capacity of our Control Centre of Renewables Energies (CECRE) to control and monitoring renewable energies. This control centre, which effectively manages the enormous variability of these intermittent energies, without affecting the quality and security of supply, has contributed to the fact that in 2010, 35% of the electricity generation was of renewable origin. This has made it possible to reduce the CO₂ emissions derived from electricity production by 21% compared to that in 2009. The outstanding work that we are carrying out regarding the integration of clean energies positions us as the world's leading TSO in this field.

At the same time, we are continually moving ahead with new tools that will enable us to face the new challenges of the system regarding increased energy efficiency and the achievement of a more balanced consumption profile, allowing a greater flexibility in demand. For this reason, the effective management of the demand, the use of pumped-storage power stations to service the operation, the increase of energy storage capacity and the development of intelligent charging, in particular with regard to electric vehicles, form the pillar on which the company, as operator of the electricity system, bases its vision of future.

The challenge of sustainability also extends to the creation of value. Over recent years, the net profit of the company has almost doubled, surpassing the 200 million euros reported in 2006 and reaching 390 million euros in this financial year. The shareholder remuneration has been increased by the same proportion in this period, paying a dividend of

1.88 euros per share in 2010. This data once again confirms the fulfilment of our commitments concerning growth in results and retribution to shareholders and investors.

Our investment plan and the increase in our managed asset base mean that we continue on a trajectory of creating stable employment. In order to continue developing human capital we have established a new personnel management model, and we continue promoting equal opportunities in employment and professional development. In this scope, it is worth noting that we are one of the six companies of the Ibx 35 to earn the distinction for equality granted by the Ministry of Health, Social Policy and Equality. Similarly, we continue to drive forward measures regarding work-life balance above and beyond those established by law, we promote high levels of training and continue to pay close attention to the occupational health and safety of employees with an emphasis on prevention and monitoring.

Respect for the environment and the conservation of biodiversity continue to be a basic principle of our business management. In 2010 we have strengthened this commitment by approving our biodiversity strategy and drawing up an action guide on the subject. Also, we have continued to work hard to avoid or reduce the impacts our facilities have on the surroundings, as well as in the control and reduction of our emissions and the promotion and awareness of sustainable practices amongst employees.

All these activities, together with the implementation of the best practices of corporate governance, consolidate us, for a fifth consecutive year, as the leading listed company regarding corporate responsibility.

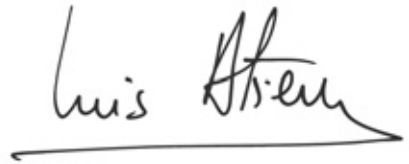
In the future, we will continue focusing on operational excellence and the main activities shall be aimed at the development of the electricity infrastructure plan and to the integration of acquired assets. In the next five years, we have forecasted an investment of 4 billion euros



to strengthen the transmission grid. In addition, we shall work to reinforce international interconnections and to make our renewable energy and efficiency goals by driving demand-side management initiatives and by promoting technological innovation

In addition, our strategic commitment shall be developed with a focus on operating efficiency and financial soundness, focusing on the creation of value and maintaining a dividend payout which increases in line with the growth in company results.

Lastly, for yet another year, I would like to emphasize the company's commitment to the ten principles of the United Nations Global Compact, a highly worthy initiative targeted to achieving a more just and united world.

A handwritten signature in black ink, reading "Luis Atienza Serna". The signature is written in a cursive style and is positioned above a horizontal line that extends to the right.

Luis Atienza Serna
Chairman



RED
ELÉCTRICA
DE ESPAÑA

Key Figures

(Consolidated data)

Consolidated net turnover



(€ million)

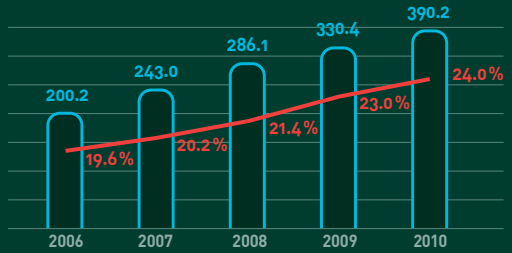
 Consolidated net turnover
 EBITDA



After tax results



(€ million)

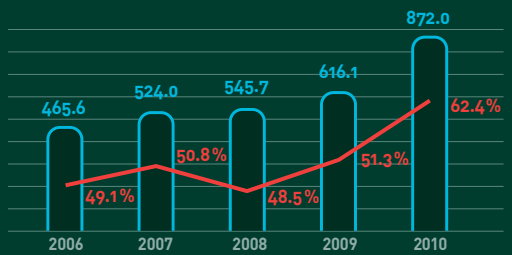
 After tax results
 ROE (Net Income / Equity)



Cash-flow after tax



(€ million)

 Cash-flow after tax
 Cash-flow/turnover



Gross Fixed Assets

(€ million)

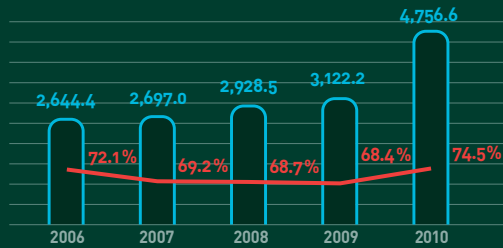
 Gross Fixed Assets
 Return on Assets (ROA) after tax (EBIT/Net assets)



Net Financial Debt

(euros)

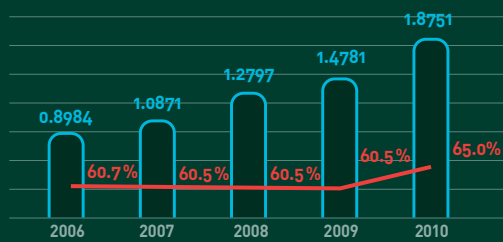
- ▮ Net Financial Debt
- ▮ Net Financial Debt / (Net Financial Debt + Equity)



Dividend per share

(euros)

- ▮ Dividend per share
- ▮ Consolidated Pay-out



Transmission Grid

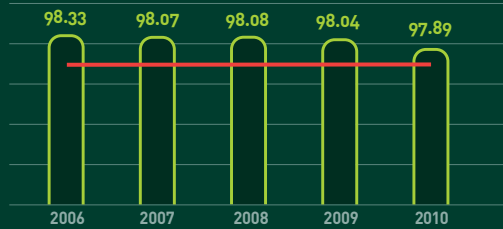
- ▮ Kilometres of circuit
- ▮ Busbars in substations



Grid availability

(percentage)

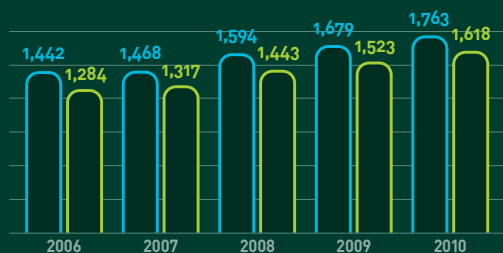
- ▮ Availability index
- ▮ Reference value (R.D. 1995/2000): 97%



Workforce

(number of people)

- ▮ Red Eléctrica Group
- ▮ Red Eléctrica de España





Strategic Plan 2011-2015



The Strategic Plan shall be developed with a focus on operational excellence and with a clear orientation towards the quality of the service and the security of supply.

Strategic objectives:

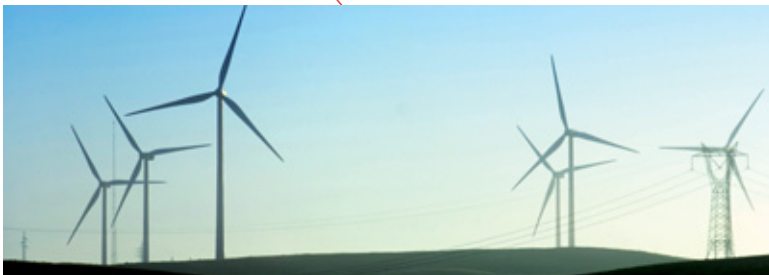
- The execution of the electricity infrastructure plan and the integration of acquired assets.
- The integration of renewable energies and the fostering of energy efficiency by promoting demand management strategies.
- Maintaining the highest levels of operational efficiency and financial soundness.

Financial objectives:

2011-2015:
4 billion euros investment in the transmission grid

Maintaining the rate of growth in earnings per share (EPS) in the short term and growth superior to 12% per year in the long term

Increase in the **dividend** per share in line with the growth in EPS



RED ELÉCTRICA DE ESPAÑA

01

Company
profile



Red Eléctrica is the sole transmission agent and operator of the Spanish electricity system. Its mission is to ensure the global functioning of the system guaranteeing at each moment the continuity and security of supply.

We approach this mission with a clear orientation towards excellence and sustainable development, which is structured on the following principles:

- Adopt the best practices of good governance.
- Offer a secure and efficient quality service to society.
- Create value for all our stakeholders.
- Generate stable and quality employment.
- Foster dialogue, integration and social development.
- Protect and conserve the natural environment.

1,763
employees in
the Group

38,400
kilometres of
electricity lines
in all the
national territory

Since its creation in 1985, Red Eléctrica has exerted its responsibility as sole transmission agent and electricity system operator with objectivity, transparency and independence, and has always been guided by a clear directive: to contribute to the benefit of a secure, efficient electricity service of maximum quality for society as a whole.





Key factors of our business management model

- Independence from the other electricity system agents.
- Transparency as system operator.
- Neutrality in decision making.
- Commitment to sustainable development.
- Business management excellence.
- Organisation based on people.

The functions of electricity system operator and sole transmission agent of high voltage electricity make Red Eléctrica the key player regarding the functioning of the Spanish electricity system.

In 2010, in compliance with Law 17/2007, Red Eléctrica has completed the acquisition of the transmission assets from the electric utility companies. The purchase of these assets represents the culmination of the consolidation process of Red Eléctrica as sole transmission agent, converting it into the exclusive TSO (Transmission System Operator) of the Spanish electricity system.

The holding company of the Group is Red Eléctrica Corporación, which has two dependent subsidiaries: Red Eléctrica de España, responsible for the electricity activities in Spanish territory, and Red Eléctrica Internacional, responsible for the Group's activities internationally.

Shareholder structure

(31.12.10)



SEPI (State Owned Industrial Holding Company)

Core Activities

Electricity system operator

Red Eléctrica operates the Spanish peninsular electricity system as well as the peninsular and extrapeninsular systems, assuring at all times the continuity and security of the electricity supply, as well as the correct coordination of the generation and transmission system.

As operator of the system, it is responsible for managing the country's constant balance between consumption and generation.

Sole transmission agent and grid manager

Red Eléctrica, in its role as manager of the high voltage grid, is the sole transmission agent and is responsible for the transmission of electricity from the generating power stations to the areas of consumption, carrying out this function under a regime of exclusivity.

In addition, it has the responsibility for developing, extending and maintaining the transmission grid under homogenous and coherent criteria.

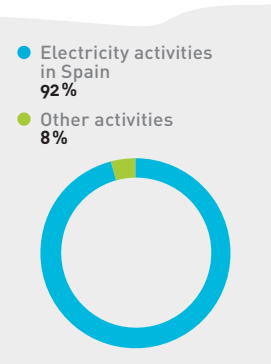
We manage a meshed, robust and reliable transmission grid which offers a service of the highest quality to the electricity system as a whole.

International activity

The investment in transmission grids in other countries is channelled through the subsidiaries integrated into Red Eléctrica Internacional: the Bolivian company TDE, of which it owns 99.94% of its capital and the Peruvian company REDESUR, in which it holds a 33.75% stake. In 2010, the Peruvian company Transmisora Eléctrica del Sur in which Red Eléctrica holds a 55% stake was founded.

We guarantee the functioning of the electricity system, 24 hours a day, every day of the year

Distribution of the consolidated turnover (2010)



02

Corporate Governance



The implementation of the best recommendations regarding good governance signifies a key strategic objective in Red Eléctrica's business management model.



Rules of governance applied by the Company

The rules of corporate governance are subject to continuous updating, in order to improve the best practices of good governance of the Company and to offer the markets a greater transparency regarding its business management.

The Company's rules of governance

- Articles of Association
- Regulation governing the General Shareholders' Meeting
- Regulation governing the Board of Directors
- Internal Regulations governing conduct in the Securities market
- Procedure for proxies, voting and information by remote means at the General Meeting
- Code of Ethics *

* The Code of Ethics has a management system for enquiries and claims available on the corporate website (www.ree.es).

Majority
(64%) of
independent
board members

Three
(27%) Women
on the Board of
Directors



Corporate governance structure

General Shareholders' Meeting

Red Eléctrica has continued driving its commitment to transparency and best corporate practices in the relation it maintains with its shareholders.

In this respect, the rights of the shareholders have continued to be improved with respect to their participation in the General Meetings, making it easier for the shareholder to request and obtain information and encouraging their participation in the Meeting via electronic means.

Corporate Governance best practices in relation to General Shareholder's Meeting

- No minimum number of shares required to be able to attend the Meeting.
 - Separate voting on each one of the matters submitted for approval in the Meeting.
 - Fostering the participation of shareholders in the Meeting via the implementation of an electronic voting system.
-
- All the pertinent information regarding the Meeting is made available to the shareholders via the corporate website.
 - Live broadcast of Meeting via Internet, (in Spanish and English).

Board of Directors

The Board of Directors is composed of eleven members, with a majority of independent members (64%).

The Board has two Committees: both presided over by independent board members.

- Audit Committee (composed of one executive board member, two independent members and one external nominee).
- Corporate Governance and Responsibility Committee (composed of two independent board members and one external nominee).

Of the seven board members, of whom the committees are comprised of, three are women (43%).



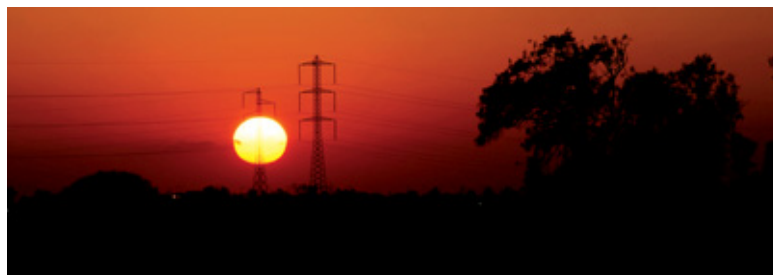
Board of Directors

	Position on the Board	Board member type	Audit Committee	Corporate Governance and Responsibility Committee
Luis Atienza Serna	Chairman	Executive	-	Member
Antonio Garamendi Lecanda	Member	Independent	-	Chairman
Manuel Alves Torres	Member	External Nominee (SEPI)	-	Member
Rafael Suñol Trepát	Member	External Nominee (SEPI)	-	-
María de los Ángeles Amador Millán	Member	Independent	-	Member
Francisco Javier Salas Collantes	Member	Independent	Member	-
José Folgado Blanco	Member	Independent	-	-
Arantza Mendizábal Gorostiaga	Member	Independent	Chairwoman	-
María Jesús Álvarez González	Member	External Nominee (SEPI)	Member	-
Miguel Boyer Salvador	Member	Independent	-	-
Rui Manuel Janes Cartaxo	Member	Independent	-	-

Corporate governance best practices within the Board of Directors

- Board of Directors, composed of eleven members (three women), with a majority of independent members.
 - Existence of a Corporate Governance and Responsibility Committee.
 - Majority of independent members on Board committees.
 - The Board committees are presided over by independent board members.
 - Annual self-evaluation of all Board members.
-
- Detailed information regarding the remuneration of Board members.
 - A maximum statutory limit exists regarding the remuneration of Board members.
 - The remuneration policy is submitted for approval at the General Meeting.
 - The final remuneration of the Board remains unaltered from that of the previous fiscal year.
-
- Board member profiles: recognised professionals of distinction with extensive professional background.
 - Strict regulation regarding the responsibility of the board members, as well as of the due diligence and loyalty.

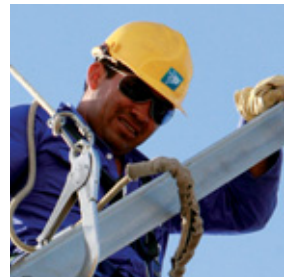
In 2010, Red Eléctrica fulfilled 96% of the recommendations established by the Unified Good Governance Code.



Risk Management

The Red Eléctrica Group has a risk policy that sets out the principles and guidelines for ensuring that material risks, which could affect the objectives and activities of the Group, are systematically identified, analysed and controlled with uniform criteria and within the established risk limits.

The risk control system covers not only the risks related to internal processes but also risks relevant to the environment in which the activities of the Group are carried out. The impact of each risk is evaluated based on four aspects: strategy, the income statement, the electricity system and reputation.



Structure of the Group's risks

- Operational
75%
- Market, business and credit
16%
- Regulatory
9%



Challenges 2010-2012

- Improvement in the risk evaluation methodology by means of the incorporation of statistical processing of historical data.
- Extending the degree of coverage of comprehensive risk management to 100 %.
- Deployment throughout the entire organisation of the IT tool which supports the comprehensive risk management system.

03

Management approach



The challenge of the Red Eléctrica Group is to consolidate itself as a model company which is responsible, efficient and sustainable, integrated into society, caring for all its stakeholders and being a reference in the markets in which it operates.



Presence in key sustainability indexes



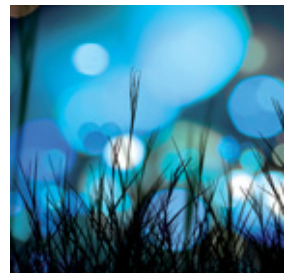
FTSE4Good



We adopt commitments, policies, management systems and activities of outstanding value in the scope of corporate responsibility

The quest for excellence

In 1999, Red Eléctrica set out on the road to management excellence with the adoption of the **EFQM (European Foundation for Quality Management)** model, the main reference for European organisations seeking to achieve excellence in their business management models. In 2003, Red Eléctrica became **the first company in the Spanish electricity sector to obtain the European Seal of Excellence + 500 points**, granted by the Club for Excellence in Management, following the directives of the EFQM.



Management tools

Quality
ISO 9001

Environmental
ISO 14001
EMAS

Occupational health and safety
OHSAS 18001

Corporate responsibility
SA8000
EFR 1000
RS10

In 2009, Red Eléctrica renewed this seal and consolidated its position as leader amongst the 28 companies within Spain which currently possess this recognition. The awarding of this seal also made it possible to obtain the internationally prestigious **Recognised for Excellence in Europe** distinction awarded by the EFQM.

Corporate responsibility management

The corporate responsibility policy of the Red Eléctrica Group is approved by the Board of Directors, in accordance with that set out by the Board Regulations.

In order to guarantee the compliance with the principles established in that policy, Red Eléctrica counts on a corporate responsibility management system, whose most noteworthy elements are:

- The existence of a **Corporate Governance and Responsibility Committee** in the Board of Directors.
- The integration of corporate responsibility into the company plan.
- An organisational structure responsible for coordinating and monitoring actions within this field.
- Stakeholder involvement.
- An evaluation system of the acquired commitments.



Commitment with external initiatives

The commitment of the Red Eléctrica Group regarding sustainable development has led it to adopt and to assume the main international agreements in social and environmental matters. Amongst these, noteworthy is the commitment to the ten principles of the **United Nations Global Compact**.

Most relevant actions in 2010

- The number of corporate responsibility projects increased by 58%.
- A complete re-engineering of the external social vector has been carried out.
- The methodology framework regarding the corporate responsibility operating statement was defined, as well as the basis for its calculation.
- The employee Enquiry Board regarding corporate responsibility was put in place.
- Monitoring of the implementation of corporate responsibility rules by suppliers of goods and services was carried out.

Awards 2010

Distinction "Bronze Class" awarded by SAM Sustainability Yearbook 2011.

First position in the sustainability comparative analysis of European companies in the sector, carried out by Triodos Bank.

First position in the study "Social corporate responsibility in the annual reports of Ibex 35 companies" carried out by the CSR Observatory

International Sustainability and Development Award in the large corporations' category (AICA).

04

Technical
and economic
responsibility



The responsibility of Red Eléctrica is to provide a quality service to society, by means of the efficient management of the electricity system operation and a sustainable development of the transmission grid.

The commitment we undertake in the performance of these functions drives us to:

- Permanently creating value for our stakeholders.
- Work towards the achievement of a sustainable energy model.
- Drive technological development and innovation.

390.2
million euros of
net profit



97.89%
transmission
grid availability

865.4
million euros
invested in
the grid

Creating value for our stakeholders

Financial results

Certification ratings:

AA- (Standard & Poor's)

A2 (Moody's)

Red Eléctrica's corporate management maintains a clear orientation towards efficiency and the permanent generation of value.

In 2010, the company achieved highly satisfactory financial results, confirming its expectations regarding profit growth and profitability ratios.

The results for the financial year were 390.2 million euros, 18.1 % more than in 2009.

Return on Assets for the fiscal year (ROA after tax) reached 7.6 % and the Return on Equity (ROE) reached 24 %.

Similarly, the company has maintained its credit ratings, therefore confirming its high level of financial solvency and soundness, as well as its low risk and the strategic importance of its activity.

Economic value generated and distributed (Group)*

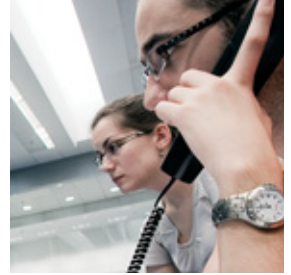
(€ euros)

	2008	2009	2010
Economic value generated (EVG)	1,160.7	1,239.2	1,441.9
Net turnover	1,125.9	1,200.1	1,397.3
Other net income and losses	34.8	39.1	44.6
Economic value distributed to stakeholders (EVD)	(792.2)	(798.6)	(981.6)
Employees: Personnel costs	(93.9)	(104.2)	(112.7)
Company:			
Tax on profits	(128.9)	(130.7)	(170.3)
Investment in the community	(2.7)	(2.1)	(7.5)
Suppliers: Other operating expenses	(283.8)	(277.3)	(308.4)
Shareholders: Dividends	(172.8)	(199.8)	(253.6)
Other capital providers: Net financial costs	(110.1)	(84.5)	(129.1)
Economic value retained (EVR)	368.5	440.6	460.3
Reserves	113.3	130.6	136.6
Repayments and depreciations	255.2	310.0	323.7

* Calculated following GRI protocols.

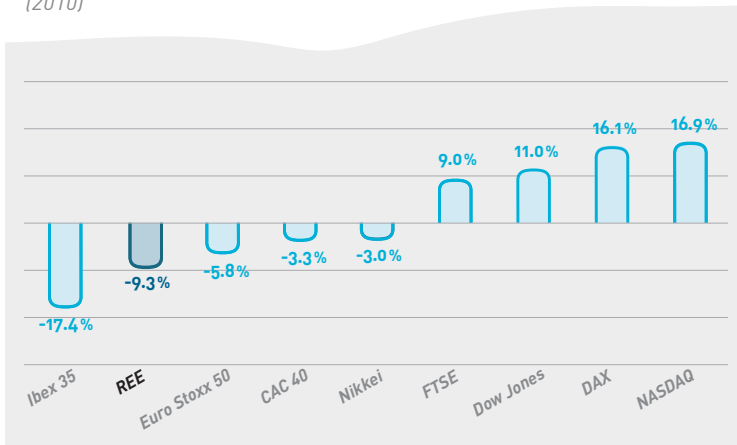
Performance in the stock market

Red Eléctrica's stock price closed at 35.20 euros in 2010, representing an annual decrease of 9.3%, substantially less than the decrease registered by Ibex 35, which registered a fall of 17.4%, and quite similar to that registered by the energy sector in which the Company is encompassed within the Spanish stock market.



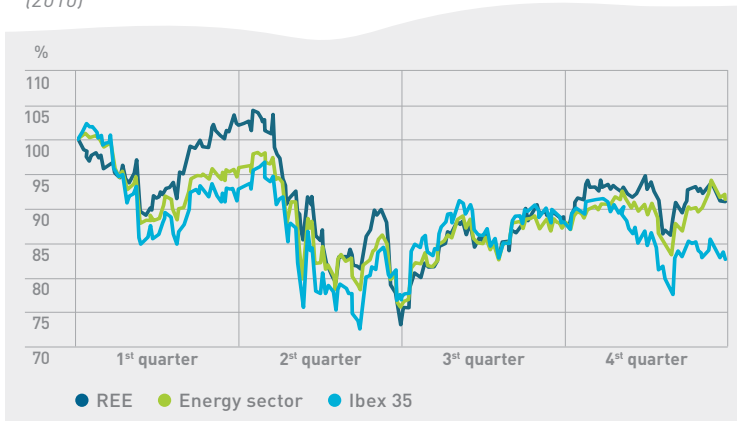
Evolution of the key stock market indexes

(2010)



Comparison between Red Eléctrica, Ibex 35 and the Energy sector

(2010)



The dividend payable per share for 2010 was established at **1.8751** euros



Working towards achieving a more sustainable energy model

Security and quality of the electricity supply

During 2010, the investment effort of Red Eléctrica continued to be focused on the development and structural strengthening of the grid, improving node meshing and creating new energy transmission axes. The main objective of the new grid developments is to increase the guarantee and security of the electricity supply.

The investment in the transmission grid is mainly destined towards facilitating the evacuation of the new installed renewable generation, facilitating power supply for the new High Speed Train corridors, providing support to the distribution networks and, above all, to strengthen the international interconnections, with the purpose of having a greater electricity exchange capacity with our neighbouring countries, which provide us with a greater security of supply and allow us to take better advantage of renewable energies.

In 2010, 839 km of new electricity line and 164 new busbars in substations have been commissioned, which represents a **record investment of 865.4 million euros, 17.8% more than last year.**

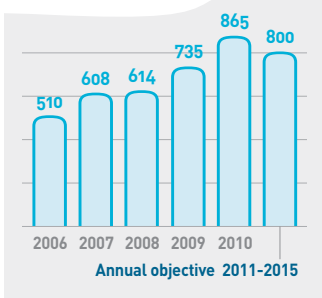
Peninsular y extrapeninsular transmission grid

	2006	2007	2008	2009	2010
km 400 kV	17,005	17,134	17,686	17,977	18,764
km 220 kV	16,420	16,457	16,558	16,698	17,352
km 150-132 kV	22	22	22	22	227
km <132 kV	53	53	53	53	2,050
Total km of circuit	33,499	33,666	34,319	34,750	38,393
Busbars 400 kV	950	1,004	1,055	1,114	1,185
Busbars 220 kV	1,961	2,034	2,103	2,267	2,657
Busbars 150-132 kV	2	2	2	2	32
Busbars <132 kV	2	2	2	2	698
Total number of busbars	2,915	3,042	3,162	3,385	4,572
Transformers (MVA)	56,009	58,459	62,859	66,259	72,432

In 2010, Red Eléctrica carried out, in compliance with Law 17/2007, the acquisition of the extrapeninsular (Balearic and Canary Islands) transmission assets, as well as those transmission assets on the Spanish peninsula which were owned by the electric utility companies.

Investment in the transmission grid

(€ million)



Service quality indicators

	2006	2007	2008	2009	2010
Grid availability ratio (GAR) (%)	98.33	98.07	98.08	98.04	97.89
Energy not supplied (ENS) (MWh)	870	552	574	437	1,666
Average interruption time (AIT) (minutes)	1.817	1.111	1.147	0.914	3.366

Strengthening interconnections

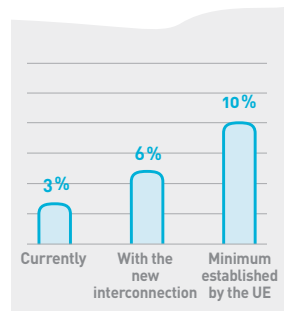
Interconnection with France

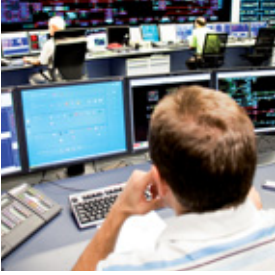
During 2010, INELFE, the company jointly and equally owned by Red Eléctrica and its French counterpart, RTE, awarded contracts for the construction of the 400 kV electricity interconnection line between Spain and France. In the section which crosses the border, approximately 70 km in length, the line will be underground and in Direct Current, which requires the construction of converter stations, one at each end of the line.

The construction of this new interconnection, classified as high-priority interest by the European Union, will allow the present interconnection capacity between both countries to be doubled, increasing from 1,400 to 2,800 megawatts (6% of the maximum Spanish electricity demand), whereby the security of supply will be increased and it will be permit the integration of a higher volume of renewable energy

Spain-France interconnection capacity

Percentage of the maximum demand





production. Similarly, this new line will guarantee the power supply in the province of Gerona and for the future High Speed Train.

Interconnection with Portugal

During 2010, we continued progressing with the reinforcement works of the Duero and Andalusia axes, as well as advancing in studies for new interconnections from north-eastern Spain, with the objective of having a commercial exchange capacity equivalent to 3,000 MW with the neighbouring country.

Interconnection with the Balearic Islands

The electricity interconnection between the Spanish peninsula and the Balearic Islands, whose conclusion is forecasted for the first half of 2011, is the first submarine transmission interconnection in Direct Current in Spain and the second in the world in which the cables run along the sea bed at depths of up to 1,485 metres.

The project involves a high voltage submarine interconnection composed of three cables (one return cable) 237 km in length, which must be in Direct Current technology, given the distances and the power necessary for this link, which requires the construction of two converter stations one at either end of the interconnection.

This electricity link is fundamental to assure and improve the reliability of the electricity supply in the Balearic system and, at the same time, allows its integration into the Iberian electricity market, which facilitates the existence of a competitive electricity generation market on the islands.

Sustainability and the integration of renewable energies

In 2010, we have continued reinforcing the control and monitoring functionalities of renewable energies carried out by the Control Centre of Renewable Energies (CECRE). This centre, pioneer in the world, allows an increased integration of renewable energy into the system, reducing the amount of CO₂ emissions into the atmosphere and allowing the demand to be covered by means of intermittent energies, without jeopardizing the security and the quality of the supply.

This continued effort has contributed to the fact that in 2010 the generation coming from renewable sources represented 35% of the total production of the electricity system. Noteworthy is the important contribution of wind power generation, with a 16% share, which means this technology occupies the third position in the demand coverage, only behind nuclear energy and that of combined cycle.

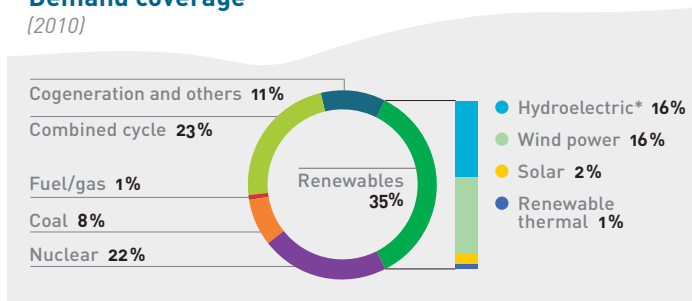
The increase in renewable energy generation on one hand and the reduced production of thermal power plants on the other, have contributed towards the reduction of CO₂ emissions in the electricity sector, estimated at 58.1 million tonnes for 2010, 21% less than in 2009.

We are the world-leading TSO regarding the integration of renewable energies

In 2010, **35%** of the electricity demand was covered by renewable energies

Demand coverage

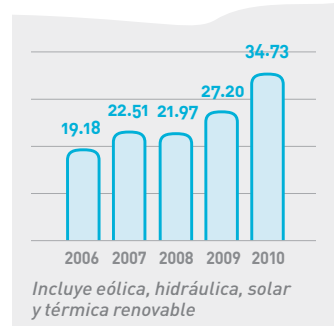
(2010)



* includes the pumped storage generation and hydroelectric production of the ordinary and special regime.

Demand contribution of renewable energies

(%)



Energy efficiency

Energy efficiency is one of the pillars on which the commitments regarding energy, undertaken by Member States of the European Union for 2020, are based.

Conscious of the strong drive these commitments demand, Red Eléctrica is actively working on the development and dissemination of **demand side management strategies** aimed at obtaining a more balanced consumption profile and greater flexibility of the electricity demand, with the purpose of increasing energy efficiency and increasing the integration of renewable energies.

Amongst these initiatives, noteworthy is the firm backing behind the promotion of the **electric vehicle**, which as a new electricity consumer, in addition to the advantages introduced from an environmental point of view and the reduction in our external energy dependency, is going to represent an excellent tool to improve the global efficiency of the electricity system.

The charging of the electric vehicle during the night time hours, in addition to flattening the demand curve, will allow the use of electricity infrastructures to be optimized and will also allow the wind power energy available during the night to be taken full advantage of.

In 2010, within its commitment of support for the electric vehicle, Red Eléctrica has participated in the drawing up of the "Integral plan for the promotion of the electric vehicle in Spain", led by the Ministry of Industry, Tourism and Commerce, where it has coordinated the working group regarding energy management and infrastructures.

In addition, it has continued to collaborate on several research projects (DOMOCELL, MERGE or VERDE), which analyse the future impact of the electric vehicle and identify the infrastructures necessary to achieve their total implementation.



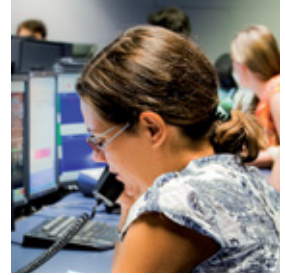
Electric vehicle - property of Red Eléctrica de España.

Driving technological development and innovation

In 2010, Red Eléctrica continued reinforcing the strategic nature of its R&D&i activity, which essentially is to achieve a position of international reference in this matter within the scope of transmission companies and electricity system operators.

The efficiency, security of supply and sustainable development are the axes on which the technological innovation of the company is channelled. As a result, a great part of the research projects in which Red Eléctrica participates, not only at the national level but also at the European level, is related to **energy efficiency and the safe integration of renewable energies**. Additionally, it carries out **environmental interest** projects with the aim of making it possible for the electricity facilities and the social and natural environment to coexist in perfect harmony.

The investment in R&D&i projects during 2010 reached 5 million euros, distributed across a total of 64 active projects. 166 company technicians, 34 being women (20.5%), have collaborated in these projects and almost 45,000 working hours have been invested.



Distribution of R&D&i activities

Aspect	Nº Projects	% of expenditure in R&D&i
Security of supply	40	45.1 %
Competitiveness	14	29.1 %
Sustainability	10	25.8 %

05

Responsibility
towards
employees



For Red Eléctrica, the people are the pillar on which its service vocation to society and its commitment to sustainability and ethical responsibility prevail regarding the execution of its activities.

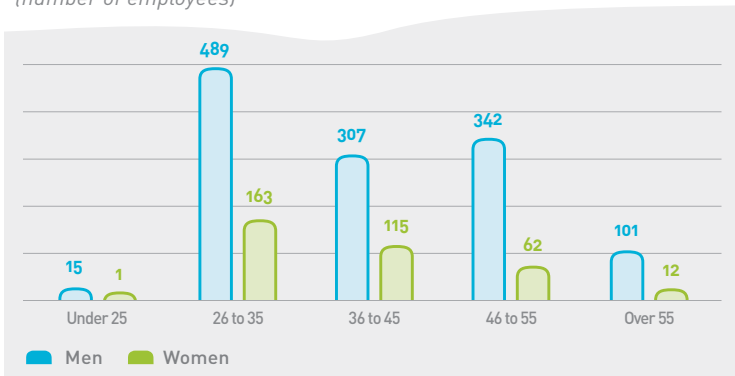
The principal cornerstones of action within this scope are:

- Creating stable and quality employment.
- Social dialogue.
- Occupational health and safety compliance.
- Professional training and development.
- Equal opportunity.
- Work-life balance.
- Corporate volunteer work.



Distribution of staff, broken down by sexes, age groups

(number of employees)



The satisfaction and development of people represents the main objective of our human resources policy



Creating stable and quality employment

Sustainable growth in employment

The total workforce of the Red Eléctrica Group has grown 5% with respect to the previous year reaching a total of 1,763. The most significant increase, representing a growth 6.2%, took place within the activities related to electricity in Spain.

Employment policy

The Company employment policy ensures transparent and non-discriminatory processes in recruitment and promotes internal promotion and job stability.

Remuneration model

The remuneration model is based on criteria of internal equality, non-discrimination, transparency and recognition by means of fixed remuneration within a wide range of salary bands and extraordinary incentives which acknowledges superior performance and noteworthy contributions.

Organisational efficiency

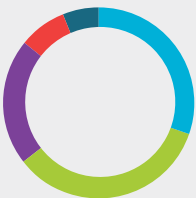
In 2010 a new model of people management was defined with the objective of strengthening the company's human capital and to increase business efficiency, transversal competencies for non-director personnel have also been defined.

Internal communication

Red Eléctrica counts on diverse multidirectional internal communication tools and activities oriented towards increasing the commitment, motivation and efficiency of employees towards the company.

Workforce structure by professional group

- Management team
6.5%
- Senior technicians
30.0%
- Inter-med. technicians
34.5%
- Specialist technicians
21.3%
- Auxiliary technicians
7.7%



Key employment indicators*

	2008	2009	2010
Total workforce	1,443	1,523	1,618
Net creation of employment <i>(number of jobs)</i>	126	80	95
Average age	39	40	40
Average time in the company <i>(years)</i>	10.6	11	11
Non-desired turnover-external <i>(%)</i>	2.8	1.0	1.0
Total turnover <i>(%)</i>	4.4	1.7	1.7
Fixed contracts <i>(%)</i>	98.2	99.0	99.5

* Data from Spain

Social dialogue

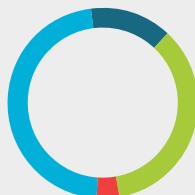
The IX Collective Bargaining Agreement of limited effectiveness, in force until 31 December 2012, represents the legal framework by which Red Eléctrica commits itself to the fulfilment of values such as equal opportunity, professional development, work-life balance and non-discrimination in all activities related to human resource management.

The permanent dialogue between the company and the social representation is carried out through the different committees and other dialogue mechanisms established in the Agreement. The majority of the work centres count on workers' representation.

Union representation

[31.12.10]

- Unión General de Trabajadores (UGT) **13.7%**
- Comisiones Obreras (CC.OO) **35.3%**
- Confederación General del Trabajo (CGT) **3.9%**
- Sindicato Independiente de la Energía (SIE) **47.1%**



Committees with participation of social representatives

- Geographical mobility committee
- Training committee
- Occupational Health and Safety Committee
- Social Affairs Committee
- Parity committee for vigilance and interpretation
- Parity Committee for Equality
- Parity Committee on Professional Classification
- Committee for monitoring the flexibility system
- Work-life balance negotiation working group
- Psychosocial risk observatory

OHSAS 18001 certification in all activities

Occupational health and safety commitment

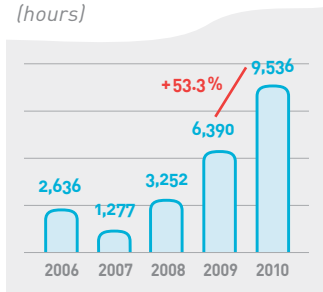
Red Eléctrica's has an occupational health and safety management system oriented towards the prevention and monitoring of health risks to employees and the development of actions geared towards achieving a better quality of life.

During 2010, a revision and improvement of the occupational health and safety management system was carried out, and it has been adapted to the updated regulations applicable regarding occupational health and safety matters.

The system of **occupational health and safety management**, certified in accordance with the international OHSAS 18001 standard, is based on:

Occupational safety training

(hours)



- An **occupational health and safety policy**, based on prevention and vigilance.
- An **in-house prevention service**, made up of employees who are qualified in the different preventive specialities regarding occupational health and safety.
- A **safety and vigilance committee** comprised of six social representatives from all work centres.
- A **permanent medical service** for monitoring and preventing health risks.
- An **occupational risk evaluation system** which is rolled out to suppliers and contractors.



Key occupational health and safety indicators

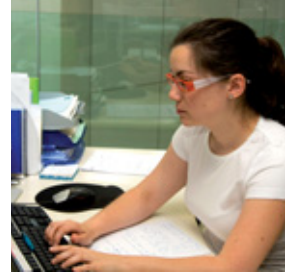
	2008	2009	2010
Accident frequency rate	4.21	4.69	7.09
Serious accident rate	0.15	0.11	2.34
Absenteeism rate	2.28	2.51	2.27
Medical check- ups	1,011	1,097	1,010

Supporting ongoing training and professional skills development

Red Eléctrica maintains a continuous commitment towards the professional development and training of its employees which, in turn, forms the basis of training plans oriented towards adding value and consolidating the excellence levels within the management of the corporate business project.

This commitment is based on the following fields of action:

- The development of knowledge, skills and competencies.
- Induction programmes to welcome and integrate new employees.
- The management and transfer of knowledge by means of the Operation and Maintenance schools which are a reference point in the training of operators and technicians in the management of electricity systems. In 2010, these schools imparted 101,500 training hours to 1,236 participants.
- An appraisal system which evaluates the performance of 100% of the employees. In 2010, the appraisal system was revised and updated and currently contemplates the appraisal of other competencies such as the employee's contribution and commitment.



162,290
training hours,
12% more than
in 2009.

Key training indicators

	2008	2009	2010
Training hours	118,126	144,497	162,290
Hours per employee*	81	84	99
Investment per employee (euros)	4,473	4,969	4,760
Investment in training/personnel costs (%)	6.5	7.6	7.1

* for the average workforce



Equal opportunity seal

16%
of women in
management
positions



Promoting equal opportunities

The **equal opportunity plan**, approved by the company and social representatives, sets out a series of positive actions for promoting real and effective equal opportunities amongst the company's men and women in areas of employment, training, remuneration and communication.

In 2010, noteworthy is the recognition of Red Eléctrica as one of the six companies listed on the Ibex 35 that have been granted the equal opportunity seal that the Ministry of Health, Social Policy and Equality awards to those companies distinguished for putting in place policies of non-discrimination between the sexes.

Equal opportunities in employment and professional development

Over the last five years the number of women on the workforce has grown 34.8%, which makes the company's commitment towards equal opportunity in employment evident. Additionally, the percentage of women in positions of responsibility has grown from 15.7% in 2009 to 16.2% in 2010. The equality ratio was 0.9%, which demonstrates a non-discriminatory behaviour on behalf of the company.

Integration of those with disabilities

Our commitment to the integration of those with disabilities is oriented towards the search for recruitment formulas (employment fairs for the disabled) and the application of alternative measures. Amongst the noteworthy initiatives are: contracting services from special employment service centres and the donations made to Fundación Juan XXIII and Fundación Adecco, for the development of activities oriented towards improving labour and social integration of people with disabilities.

By means of these alternative measures we have exceeded the quota of 2%, established by LISMI, regarding the contracting of people with disabilities.

Additionally, we work towards the progressive improvement regarding accessibility to and mobility within the company’s facilities, and in integration projects geared to employees with family members having some degree of disability (Plan Familia).



Promoting the work-life balance

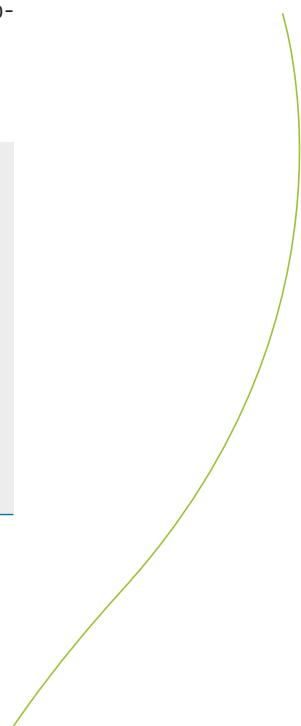
The **Red Concilia Project** encompasses the activities and best practices regarding work-life balance put in practice by Red Eléctrica and that represent an improvement to the current regulation.

In 2010, the “Work-Life Balance Guide” was drawn up. The most significant aspects regarding equality and work-life balance in the company have been included in this guide. The guide has been distributed to all employees. In addition, the different institutional bodies, responsible for the management of the work-life balance, have been defined and their mission is to propose new measures in line with employee needs and to ensure the adequate implementation and application of existing ones.



Work-Life Balance Measures

	Nº de medidas
Flexible work schedules	5
Leave	10
Support during motherhood and fatherhood	7
Disability/dependant family members	3
Social benefits and products	9
Services	7
Events and activities	7
Total	48





Supporting and driving corporate volunteer programmes

Through the corporate volunteer group “EnREDando” various projects of solidarity, humanitarian and sustainable development are carried out and count on the participation of company employees.

Main activities organised in 2010

Aid Campaign for Haiti Earthquake Victims

75,000 euros collected. Médicos sin Fronteras.

Food Donation Campaign

Delivery of food supplies to the Signos de Fe de la Salle School in Lima (Peru). Madre Coraje.

Solidarity Christmas Gift Campaign

10,100 euros collected.

Project: construction of a residence for children and youths with intellectual disabilities. Fundación Apsuria.

Red Eléctrica's Fifth Solidarity Sports Week

209 participants.

14,175 euros collected.

Project: Fundación Vicente Ferrer in India.

Fifth Fair Trade Campaign

2,792 euros raised through sales of different products. SETEM.

Solidarity Auction

3,576 euros donated. Fundación Apsuria.

Annual Campaign for Blood Donations

61 people donated blood. Red Cross.







50

06

Responsibility towards society

In Red Eléctrica we understand that the development of our activities must be dealt with from a responsible and ethical position with regard to society and the environment.

Our commitment to society is supported by two fundamental pillars:

- Transparent and open dialogue with our stakeholders, shareholders, customers, suppliers, the mass media and social institutions and society.
- Contributing to society, promoting trust relationships in the communities in which Red Eléctrica is present and through activities focused on its commitment towards society.

7.7
out of 10
global satisfaction
level of the
stakeholders



Stakeholder attention centre

www.ree.es
digame@ree.es
Telephone: +34 91 728 62 15
Fax: + 34 91 650 45 42



Fostering dialogue with our stakeholders

Shareholders and investors

In order to carry out the communication with shareholders and investors Red Eléctrica depends on two departments – Minority Shareholder Relations Office and Investor Relations –, which suitably identify and resolve the concerns and demands for information from these stakeholder groups.

Shareholder Relations Office

This office addresses and resolves shareholder enquiries by means of a personalised attention service. During 2010, we have continued encouraging the participation of shareholders in the General Shareholders' Meeting via electronic means, live broadcast of the Meeting via the Internet (in both Spanish and English) and through an electronic voting system. In the 2010 Meeting, 695 shareholders voted via electronic meetings, 83% more than in the previous year.

Investor Relations Department

The Company's management team has continued to regularly take part in presentations and meetings with analysts and institutional investors in the main financial markets of Spain, Europe and the United States. Specifically, during 2010 there were 314 meetings held with analysts and investors in 28 financial markets.

14% of
shareholders
that participated
in the 2010
Meeting (GSM)
voted via
electronic means

Creation of the
**shareholders
forum** in 2011



Customers, business agents and regulatory bodies

Red Eléctrica counts on different communication channels which facilitate the efficient execution of its activities and the quality of the services provided. These channels facilitate awareness regarding the needs and expectations of customers, market agents and regulatory bodies, as well as to participate proactively in the carrying out of the activities of the Spanish electricity system.

To this effect, every two years the satisfaction and requirements of these groups are evaluated by means of surveys and interviews and improvement measures are put in place. In the survey carried out in 2010, a score of 8.02 out of 10 was obtained in the overall satisfaction level (7.6 out of 10 in 2009).

Additionally, Red Eléctrica has management procedures and tools to deal with complaints and enquiries related to the actions it carries out or the facilities it operates. It also submits its critical system operation areas to audit, under SAS standards, making clear its commitment towards the objectives of transparency and independence.

Suppliers

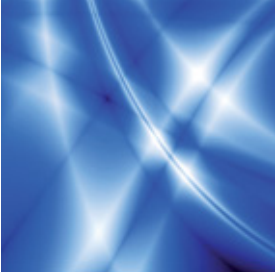
Red Eléctrica maintains the commitment to promote responsible actions in the supply chain. Therefore, in addition to including criteria regarding quality, environmental and safety matters into its supplier qualification system, since 2007 it has also incorporated a specific clause in its General Conditions of Contract regarding corporate responsibility matters which suppliers are obliged to conform to.

Additionally, during 2010, the second edition of the survey which evaluates compliance with corporate responsibility and quality principles was carried out on a selection of its suppliers. As part of this survey,



8 out of 10
Customer
satisfaction level

1,408
suppliers
with purchases
awarded in 2010



121 evaluations were carried out, spanning a total of 53 suppliers. During these evaluations no infringements were identified regarding corporate responsibility matters.

During 2010, the Dedal Project has continued to be developed. This project is focused on improving supplier management and increasing efficiency in the procurement processes. A noteworthy initiative implemented in 2010 was the creation of a web application that allows a more efficient management of the bid awarding process.

Press and media

In 2010, moving forward with its information transparency policy, the Company has continued to foster the direct relationship with the press and mass media institutions with the aim of raising awareness regarding the Company's activities.

Amongst the sessions organised with press and media, noteworthy is the dissemination of the interconnection project between the Spanish peninsula and the Balearic Islands, and the different visits to electricity infrastructures under construction and commissioned in 2010, as well as the backing for the electric vehicle and the integration of renewable energies.

Boosting digital content

Being aware of the importance of Internet in the communication world, the digital contents made available in the press room of the corporate website have been increased and new web technologies

51
press releases
and **38**
meetings held
with journalists
in 2010

have been incorporated making it an interactive site open to all users. Noteworthy is the digital version of the magazine Entrelíneas.

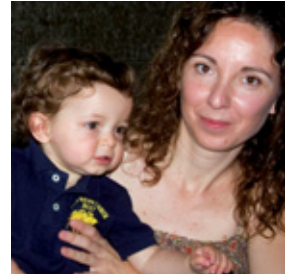
Social environment

Red Eléctrica integrates into this category the educational and research centres; ecological groups; unions; councils; business organisations and institutions; local and regional communities; NGOs and social foundations; and entities with whom it maintains relations in different forms, whilst maintaining the principle of transparency and mutual collaboration.

In 2010, the communication channels and actions have been reinforced; noteworthy is the development of numerous initiatives aimed at strengthening relations with the community and those geared towards social responsibility.

Corporate website

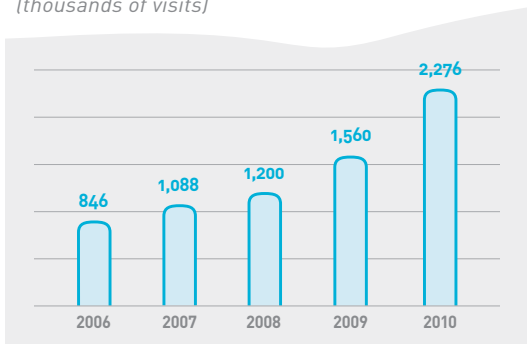
The company's corporate website (www.ree.es) maintains the vocation of improving and disseminating information to all its stakeholders regarding the essential aspects of the operation of the Spanish electricity system and the activities carried out by Red Eléctrica as system operator and manager of the transmission grid.



2,3 million visits to the corporate website

Annual evolution of the corporate website

(thousands of visits)



AA Certification Level corporate web accessibility

In this regard, during 2010, and with the aim of facilitating users with access to the information and the possibility of sharing any web content with third parties, Red Eléctrica has improved its presence in social networks.

Key communication channels with stakeholders

Shareholders and investors	Customers, business agents and regulatory bodies	Suppliers	Press and media	Social environment
<ul style="list-style-type: none"> Integral stakeholder attention centre: DIGAME Service 				
<ul style="list-style-type: none"> Free phone service: 900 100 182 E-mail: accionistas@ree.es and relacioninversores@ree.es Corporate website: shareholders and investors section Publications: annual and quarterly reports Investors and analysts meetings Satisfaction surveys 	<ul style="list-style-type: none"> Market agents' website: (SIOS, SIMEL, SCECI) Public website: www.esios.ree.es Working groups and benchmarking studies Satisfaction surveys and identification of requirements Complaint and incident management system 	<ul style="list-style-type: none"> Corporate website: Supplier section Alliances and Quality agreements Publishing of tenders and awarding adjudications in the BOE and DOUE* Satisfaction surveys RePro evaluation system 	<ul style="list-style-type: none"> Electronic mail: gabinetedeprensa@ree.es Corporate website Press room Press releases and conferences Training days Satisfaction surveys Presence in social networks 	<ul style="list-style-type: none"> Sustainability laboratory Dialogue platforms Corporate website: environment and education sections Diverse publications Visits to the facilities Satisfaction surveys Road show exhibitions at science museums
<p>(*) For significant amounts.</p>				

Contribution to the community

Red Eléctrica carries out an ongoing strategy of contributing to the community in the attempt to align its business objectives with those regarding social and environmental needs. As a basis for this strategy, it promotes all those activities which enable society to better understand the projects carried out by the company in its central role as operator of the national electricity system.

Strengthening relations with the community

Red Eléctrica continually seeks to establish relationships based on trust with those communities in which it has a presence and promotes the development of agreements aimed at beginning institutional and social collaboration projects.

These actions pursue the following objectives:

- **Integrate the presence of the Company in the social, environmental and institutional fabric of the territory** in which its projects take place.
- Explain and disseminate the need for the projects and give adequate responses to the demand for information generated by society.
- **Ensure information transparency** and facilitate the maximum information to society.
- **Reconcile the general interests** within the territorial scope with the needs of the projects.
- **Promote the maximum institutional and social consensus** in the implementation of projects.

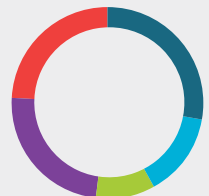
Amongst the actions carried out during 2010, noteworthy are the visits of representatives of the parliamentary chambers and institutions of the autonomous communities to the Control centre of renewable energies of Red Eléctrica. Additionally, two open-door sessions at the



Strengthening relations with the community

(233 events)

- Presentation of REE projects and activities **28%**
- Researching the needs of the social environment, opinion surveys and dialogue platforms **14%**
- Informative publications and brochures **10%**
- Informative technical sessions and participation in professional associations **24%**
- Local agreements related to new infrastructures **24%**



La Eliana (Valencia) and Marmolejo (Jaén) substations which welcomed more than 200 locals from the surrounding areas.

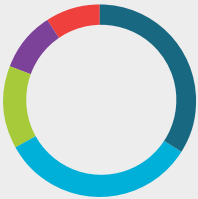
Social responsibility

The actions encompassed by this field highlight the Company's commitment towards society and are focused on benefiting and contributing to business development in keeping with the well-being of society and progress in those territories where it carries out its activities.

Social responsibility 2010

(Distribution of the investment)

- Energy sustainability and efficiency **34%**
- Philanthropy, solidarity and social responsibility **33%**
- Scientific and educational development **14%**
- Cultural promotion **10%**
- Supporting local and regional communities **9%**



Social action

The social action programmes are focused, in essence, on initiating projects which contribute to energy sustainability and efficiency; foster educational and scientific development; promote culture and conservation of national patrimony, and support social development by means of philanthropy, responsibility and solidarity actions.

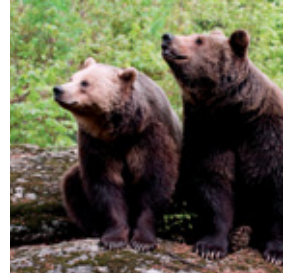
In 2010, more than 80 activities or events were held, within the scope of the social action programme, in collaboration with more than 50 social institutions.



Supporting local and regional development

Red Eléctrica places special importance on those projects which are carried out following sustainability criteria and which contribute to the progress within the local and regional communities.

In this regard, Red Eléctrica’s Sustainability Laboratory, conceived as a tool for the coordination of the Company’s activities with society, analyses and promotes those projects which favour social participation as a foundation for progress, social well-being and sustainable development.



Sustainability projects in 2010

Biodiversity conservation in western Iberia: Campanarios de Azaba Reserve (Red Natura 2000).

Support for the sustainable development of grounds in the Valle del Castillo de Chuecos (Murcia).

Study regarding the population status of the Stone Curlew on the island of Gran Canaria.

Support for agriculture in the mountains via actions aimed at improving the habitat of the brown bear and the grouse (Redes Natural Park in Asturias).

Conservation and management for Steppe birds in Andalusia in special protection areas (Life Project).

Energy efficiency at La Raya (107 municipalities of Zamora Salamanca, along the banks of the Duero River).

Contribution to the community 2010

Group Data
(7,5 M€)

- Strengthening of relations with the community **64%**
- Social responsibility actions **36%**



07

Environmental responsibility



All our activities are carried out in compliance with strict environmental criteria, as established in the principles assumed in our environmental policy.

Our environmental commitment is based on the following action cornerstones:

- Caring for the natural environment in which our facilities are installed.
- Management and conservation of biodiversity.
- The fight against climate change. Energy efficiency and saving.
- Other actions regarding environmental management and control.

100%
of the projects
are submitted to
an evaluation of
an environmental
nature

ISO 14001
Certification
for all our
activities and
facilities



Caring for the natural environment where our facilities are located

In Red Eléctrica we make a significant effort to avoid or to minimize the possible impact our facilities may have on the environment. All our projects are subject to an environmental impact assessment and they are designed seeking out locations and planned routes of least impact for the natural environment.

In addition, in order that the possible impacts are minimized or the resulting impacts are compatible or non-significant, we apply strict environmental criteria in all the development phases of the transmission grid.

Grid planning phase

- Collaboration with the Ministry of Industry in the strategic environmental evaluation of the Electricity Infrastructures Plan.
- Collaboration with the autonomous communities on the development of regional plans.

Project phase

- Environmental assessment of all new facility/ installation projects.
- Definition of the best locations and routes.
- Definition of preventive and corrective measures.

Construction phase

- Environmental supervision to ensure compliance with environmental requirements.
- Verification of the efficiency of the preventive and corrective measures put in place.

Maintenance phase

- Definition of the environmental requirements to be observed during works.
- Revision and audit of the degree of compliance with the environmental requirements.

Actively working on biodiversity conservation

Biodiversity conservation is a basic principle within our environmental policy and of our business strategy. During 2010, we have strengthened this commitment approving the strategy for biodiversity and drawing up the pertinent action guide.

Biodiversity in our day-to-day activity

...biodiversity protection during the construction of our facilities

- Increasing the height of line towers above the tree line in order to protect woodlands.
- Interruption of works during the periods of bird nesting and breeding, and other potentially sensitive fauna species.
- Hanging of cables by helicopter, or by hand, and the use of a boom crane for hoisting electricity line towers in protected spaces or with sensitive fauna.
- Relocation of species affected by works carried out.
- Fencing off and marking of areas to avoid affecting habitats or species of interest.
- Restoring areas affected by construction activities with indigenous species.



New bird flight diverter device deemed to be of public interest.



... actively working on the protection of vegetation, fighting forest fires and their prevention

- Adequate maintenance of lines and security corridors (100% of the facilities are revised annually).
- Minimum impact on the species during corridor maintenance activities: respecting scrubland and the arboreal species which contain small and slow growing species, minimizing activities on protected species (pruning only) and repopulating degraded zones.
- Non-use of chemical methods regarding the treatment of the security corridors.
- Collaboration with the responsible public administration areas.
- The establishment of fire fighting agreements with public administrations (three new agreements in 2010). Collaboration with different organisms in the development of R&D&i: Vulcano project.



... working to reduce the risk of birds colliding with overhead electricity lines

- The marking of electricity lines with devices (bird flight diverters) to avoid bird collisions with lines.
- Immediate intervention when faced with hazards for fauna.
- Knowledge improvement regarding the behaviour of species which could collide with the lines: cartography of bird flight paths.
- R&D&i oriented to the prevention of that which may affect fauna: design of a collision detector.



... committed to the fight against the loss of biodiversity

- Collaboration with public and private organisations on projects of common interest for the conservation and improvement of biological diversity.
- Development of environmental projects with local communities via the company's Sustainability Laboratory.
- Internal company training and awareness.

Noteworthy projects

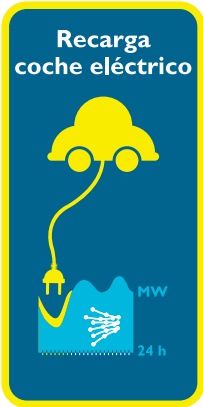
Project for the reintroduction of the Black Vulture: first recorded successful breeding of the Black Vulture in the Pyrenean massif for more of a century.

Involvement in the Life Project: conservation and management in special protection areas for Steppe birds in Andalusia.

The REE Forest: the repopulation of 85 hectares of hills affected by fire in the province of Teruel.

Marking of lines with bird flight diverters





Various recharging points for electric vehicles have been installed at our offices.

Efficiency and climate change

The fight against climate change

Our active contribution, as transmission agent and system operator, regarding the development of a more sustainable energy model that mitigates the effects derived from climate change, is aimed at:

- **Constructing grids** which facilitate the evacuation of renewable energies and the application of operation solutions via our Control Centre of Renewable Energies (CECRE), to maximize the safe **integration of clean energies** into the system.
- **Promoting energy efficiency** by means of the development of demand-side management initiatives directed towards the efficient and responsible use of energy, noteworthy is the implementation of the electric vehicle.
- **Controlling emissions** derived from our activities, with an objective of a 20% reduction by 2020. In this regard, the following actions have been defined: to register and to reduce SF₆ gas emissions, to apply energy efficiency measures in our facilities and processes, and to compensate for our emissions by the planting of trees.

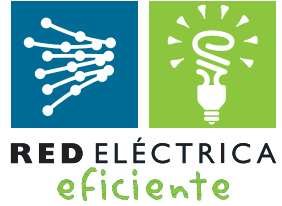
Constructing more kilometres of grid to integrate the new installed renewable power and to power the High Speed Trains.

We have compensated for **49%** of our direct emissions through the planting of **103,000** trees in Teruel



Red Eléctrica eficiente

Under the brand “Red Eléctrica eficiente” the initiatives the company promotes regarding energy efficiency are included.



Key actions in 2010

Implementation of efficiency measures

- Replacing current lighting elements for more efficient ones.
- Implementation of other efficiency means at work centres: insulation and the fitting of glass.
- Installation of recharging points for electric vehicles.
- Holding meetings via video conferencing.
- Definition of the efficiency requirements that the company vehicles must comply with.
- Application of efficiency measures for IT systems.

Research, development and innovation



- Participation in the following projects: Active Demand Management (ADM), electric vehicle (VERDE, DOMOCELL y MERGE) and the integration of renewables (TWENTIES).
- Presence in national and international working groups and forums:

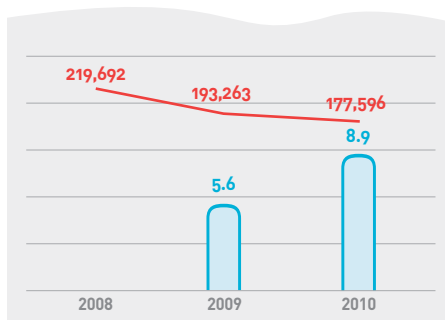
Communication and awareness

- Awareness campaigns regarding energy efficiency and responsible consumption both internally and externally

Practical case:

La Eliana maintenance centre (Valencia)

-  (t of CO₂ equivalent) achieved with respect to 2008
-  Electricity consumption (kWh)



Efficiency measures implemented

- The installation of LED lighting in interior of facilities.
- Low consumption lighting with movement sensors and timer switch in WC's.
- The fitting of low emissivity glass.
- Insulation of the facade and ceiling.
- Thermal solar energy for sanitary hot water.
- Installation of 5 recharging points for electric vehicles.

Other environmental actions

Waste management

The waste our activities generate is separated, stored and managed according to the legal requirements and to the criteria of contamination prevention. The main activities for their optimal management are focused on:

- Seek the best management options with our suppliers.
- Foster best practices by means of training and awareness programmes.

Management of equipment with PCBs

During 2010, the plan for the decontamination / elimination of transformers contaminated with PCBs has successfully been completed.

Preventive measures for leaks and spills

Thanks to the application of preventive and corrective measures, these accidents occur on very few occasions and their consequences are generally not significant. During 2010, the spillage containment measures at 16 substations were improved for power transformers as well as for auxiliary transformers.



Control of electric and magnetic fields

The electric and magnetic field values of our facilities are below those recommended by the European Union due to the preventive measures we apply in the design of lines and substations. Nonetheless, we keep up to date with scientific advances and we develop research projects in this field.



Protection of the socioeconomic environment and the landscape

During the construction phase of our facilities we carry out archaeological and paleontological supervision in all the projects which re-

quire it and the necessary preventive measures are established for the protection of cultural patrimony.

In addition, conscious of the relevance of the impact of our facilities on the landscape, we carry out projects for the integration from a landscaping standpoint of the buildings in the substations.

Relation with stakeholders

Environmental training of employees is fundamental when forming a team which is increasingly aware of the relevance of the need to work in accordance with certain environmental criteria. In this regard, during 2010 the employees directly related to the environmental activity received 7,182 hours of specialised training, more than double that of 2009.

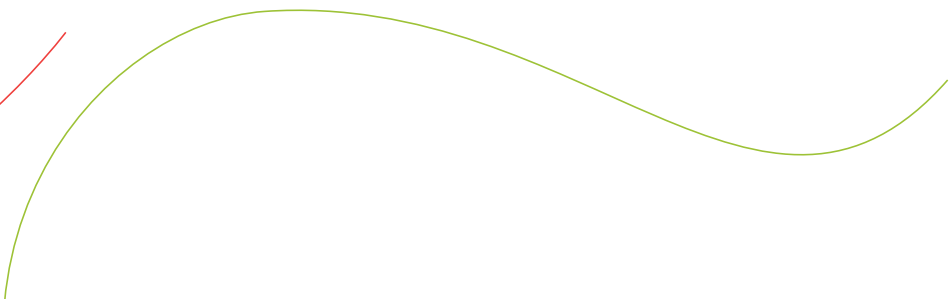
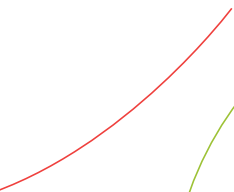
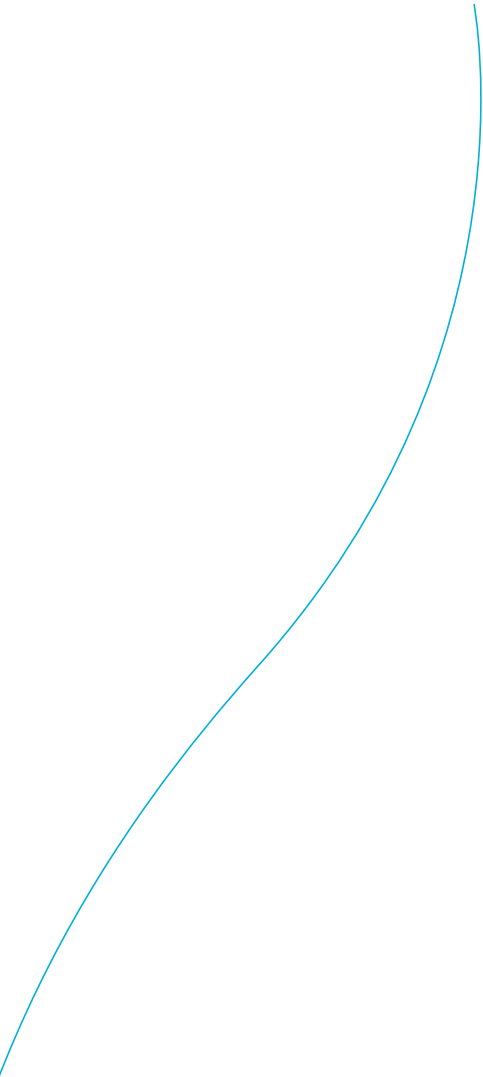
In regard to external relations, we extend our environmental demands to those suppliers whose services may have potential impacts on the natural environment and we establish an ongoing dialogue with the authorities, local communities, specialised entities, research organisations and environmental groups.



Key environmental indicators

	2008	2009	2010
Km of line in SAC / total km of line (%)	13.5	13.7	13.4
Km of line in SPAs / total km of line (%)	10.8	10.9	11.4
Total km of line with installed bird flight diverters	923	1,175	1,403
Km of lines marked in SPA's/km in SPA's (%)	8,8	12.7	14.0
Direct SF ₆ emissions (t of CO ₂ equivalent)	48,455	65,764	61,500
Direct emissions associated to fleet vehicles (t of CO ₂ equivalent)	1,995	2,437	1,715
Direct emissions associated to electricity consumption (t of CO ₂ equivalent)	4,403	3,881	2,957
Paper consumption (printers) per employee (kg)	38	46	36
Non-hazardous waste generated (kg)	3,286,559	952,685	514,475
Hazardous waste generated (kg)	605,181	1,149,305	2,744,814*
Environmental investment / total investment (%)	0,82	0.60	0.27
Environmental costs / total operating costs (%)	2.77	2.13	2.60
Nº of autonomous communities with projects or actions regarding biodiversity	n.a.	n.a.	10
Nº of supplier with environmental qualification	188	115	151
Hours of environmental training	2,277	3,109	7,182

* The increase is due primarily to the intense renovation campaign regarding metering transformers in substations



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