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transelec

The Business



Transelec is the main transmission company in the country, participating in both the national and zonal (regulated) systems and in the dedicated system (bilateral contracts with large customers) that comprise Chile's power transmission business. In Chile, the Company owns transmission assets valued at US\$4.170 million as of December 31st, 2021.

Regulatory scenario

The legal framework that regulates how the power transmission industry operates in Chile is based on the Ministry of Economy's Development and Reconstruction Statutory Decree N°4 from 2006. This decree determines the consolidated, coordinated and systematized text of the General Electricity Services Law, hereinafter and indistinctively the "General Electricity Services Law" or "LGSE". The LGSE and its complementary regulations determine standards applicable to any power generation, transmission or distribution facility with regard to technical, safety, coordination, quality, information and economic aspects of appropriate power sector operation.

The latest important reform made to the LGSE is Law N° 20,936/2016 (Power Transmission Law), which incorporated the following important amendments:

- An exclusive National Electricity System Coordinator that is independent from market stakeholders and that replaces the Economic Load Dispatch Centers.
- Redefinition of power transmission systems, classifying these as the National Power Transmission System (formerly the trunk system), the Zonal Transmission Systems (formerly subtransmission systems), the Dedicated Systems (formerly additional systems), and the incorporation of two new segments: Power Transmission Systems for Development Poles and International Interconnection Systems.
- Incorporation of long-term energy and power transmission planning, considering system float in pursuit of a safer and more robust system.
- Preliminary definition of routes for new power transmission works of public interest, by means of an Easement Strip Study procedure executed by the ministry¹.
- Open Access to universal Power Transmission Systems.
- This regulates tariff setting for National Power Transmission Systems, Zonal Transmission Systems, Development Poles and payment for the use of Dedicated Power Transmission System facilities by users subject to price regulation, among other issues.
- Payment for National, Zonal and Dedicated Power Transmission Systems by users subject to price regulation shall be the responsibility of free and regulated end users, in contrast with the former law in which payment was the responsibility of power generation companies.

¹ Easement Strip Study: "This is a specific, participatory and transparent instrument for deciding where to locate new transmission lines, established in Article 92 and the following articles of the LGSE (introduced by Law 20,936), which is designed to subject certain New Works projects (determined by the Ministry of Energy) to an evaluation process designed to obtain higher degrees of certainty for project execution, assigning the State a leading role in route definition, reducing risks while socially and environmentally legitimating the project before it is tendered and the contract is awarded."



Transelec's business mainly focuses on economic compensation for the power transmission service provided by its facilities in accordance with safety and service quality standards established in the current legislation. The current legal framework that regulates the power transmission business in Chile divides its facilities into four categories²:

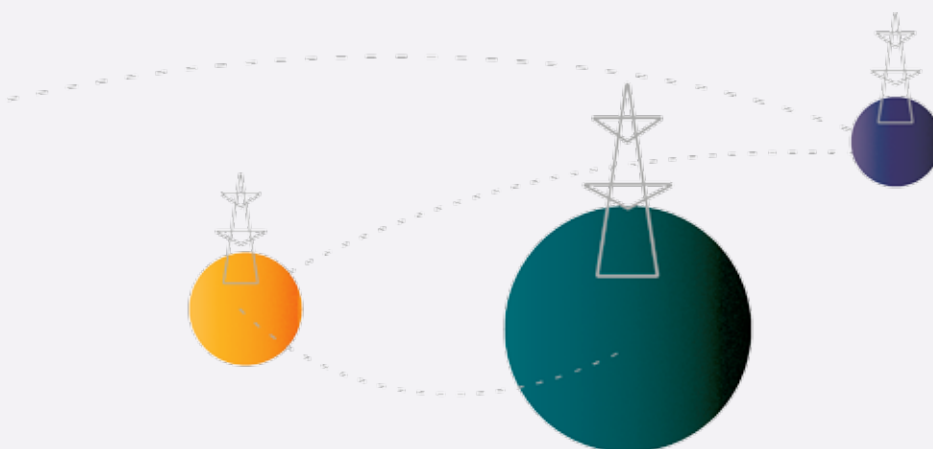
- **The National Transmission System:** comprised of power transmission lines and electrical substations that interconnect power transmission segments and enable power supply under different power system demand in different power generation facility availability scenarios, including contingency and fault situations.
- **Zonal Transmission Systems:** comprised of power transmission lines and electrical substations that supply current or future regulated customers identified on a territorial basis, without compromising use by free customers or power generation companies connected.
- **Transmission Systems for Development Poles:** comprised of power transmission lines and electrical substations used to transmit electrical energy generated by a single development pole into a power transmission system, thus making efficient use of national territory.
- **Dedicated Transmission Systems:** comprised of power transmission lines and electrical substations that are interconnected to the electricity system to supply electrical energy to users that are not subject to price regulation or to inject power produced by power plants into the power grid.

The first three systems are public services for which tariffs are set by the Ministry of Energy. These systems are subject to universal open access under non-discriminatory conditions. Access shall be provided to Dedicated System power transmission facilities as long as technical transmission capacity is available. Such availability is determined by the National Electricity Coordinator -hereinafter, the "Coordinator"-, regardless of the hired capacity.

Several regulations related to Law N° 20,936/2016 have been published to date, determining necessary provisions related to the National Electricity Coordinator, the Panel of Experts, energy planning, preliminary easement strips, international interconnections and compensation for power supply outages, as well as the passing of Technical Standards and Complementary Services. In addition, the National Power Grid Operation and Coordination Regulations were published in late 2019, followed by the Power Transmission Facility Remuneration, Tariff Setting and Qualification Regulations, Small-scale Means of Power Generation Regulations and Decree N°42, which amends Regulations for Power Transfer between Power Companies.

In addition to the above, Power Transmission Systems and Power Transmission Planning Regulations were published in 2021. These regulations indicate provisions applicable in accordance with the new Law 20,936 regarding the open access system, transmission planning and the upgrade works bidding process. In addition, an amendment to Supreme Decree N°327 was published. This amendment determines Power Services General Law Regulations designed to digitize concession and rights of way processes. In addition, Regulations determining criteria for companies that must report energy information on an annual basis in keeping with the new Energy Efficiency Law. For those issues that have not yet been regulated, the National Energy Commission, hereinafter and indistinctly "Commission" or "CNE", has published several resolutions with transitory provisions regarding terms, requirements and conditions determined by the new law.

In addition, we wish to highlight that Energy Management Regulations for Consumers and Public Organizations with Energy Management Capacity and Regulations for Supplying Electricity to Electricity Dependent Persons are currently under revision by the General Comptrollership of the Republic. Moreover, new Regulations for Transferring Power Between Power Generation Companies were subjected to public consultation in September 2021 in order to determine a new power sufficiency calculation that will be agnostic to technology type. We wish to highlight that all regulations have been formulated by the Ministry based on a participatory process involving all electricity market stakeholders.



² LGSE Article 73° International interconnection systems also constitute part of the power transmission system and these will be subject to special standards passed for this purpose".

System growth

The CNE must conduct a power transmission planning process each year. This process must consider a timeline of at least twenty years. This planning encompasses upgrade projects required for the National Transmission System, the Zonal Transmission System, Development Poles and Dedicated Transmission Systems used by public distribution service concessionaires to supply users subject to price regulation. These upgrade plans feature investments that must be classified as new projects or upgrades for existing facilities. As the result of this process, the CNE formulates a technical report and the Ministry of Energy will use this report to determine the power transmission Upgrade Plan for the following 12 months. The Coordinator is responsible for hosting annual international tenders to award said power transmission projects according to the level of robustness and growth it considers appropriate and necessary for the system.

Remuneration for the national and zone transmission systems, development poles and dedicated facilities for users subject to price regulation

Revenue generated by existing facilities in the National and Zonal Transmission Systems and for Development Poles is constituted by the Annual Transmission Value by Segment (VATT), which is calculated based on Annual Investment Value (AVI) and Operating, Maintenance and Administration Costs (COMA), adjusted by income tax effects, for each of the segments comprising these systems. In addition, revenue generated from dedicated transmission facilities used by clients that are subject to price regulation is constituted by the proportion of their VATT assignable to said users.

System valuation studies

Segments comprised within these systems and their corresponding VATT are determined by the National Energy Commission (CNE) once every four years based on a Transmission System Valuation Study or Studies conducted by a consultant chosen by means of an international public tender. As part of this process, the CNE will formulate a technical report which will be used by the Ministry of Energy to set National and Zone Transmission and Development Pole tariffs for the next four-year period as well as payment for the use of dedicated transmission facilities by users subject to price regulation. During the four-year period between two consecutive tariff-setting processes, both AVI and COMA for each segment will be indexed using formulas designed to maintain the real value of AVI and COMA during said period. Indexing formulas and their application frequency are determined in the corresponding tariff setting process.

Power transmission system payment

Payment for the use of National, Zonal and Dedicated Transmission Systems by users subject to price regulation, shall be made by free and regulated end users. Transmission System payment for Development Poles determines a single rate which will compensate for the proportion of facilities to be used as development poles that are not used for existing power generation. Power generation companies injecting their production into the corresponding pole will pay VATT that is not covered by this rate. In the case of the National Transmission System, Law N°20,936 established a transition period, between 2019 and 2034, to replace the former payment and remuneration regime gradually with the aforementioned new regime. In the case of Zone Transmission Systems, the new payment and remuneration regime came into force January 1st 2018.

The Coordinator is responsible for international public tenders for upgrade projects, regardless of whether these are new works or upgrades. Tenders for the construction and execution of upgrades for existing facilities will be awarded depending on the VI proposal. The company awarded the contract will be paid by the owner of these facilities. On the other hand, new projects are awarded to the bidder offering the lowest VATT. The upgrade project owner will receive VATT comprised of the corresponding AVI and COMA, in which AVI will be determined considering the awarded VI, which will remain in force for five tariff setting periods of four years each. In the case of new projects, VATT resulting from the tender will constitute compensation and will be applied for the five tariff setting periods. Following the aforementioned five tariff setting periods, upgrades and new works will start to be considered as existing facilities for the purpose of valuation and remuneration, with a tariff revision conducted once every four years.



Because of the October 2019 social uprising in Chile, the Ministry of Energy announced that it would stabilize power tariffs for end customers. The authority has consequently taken the following measures:

- i) Law N° 21,185 creating a temporary electrical energy price stabilization mechanism for customers subject to tariff regulation related to power company supply contracts and their customers was published in the Official Gazette on November 2, 2019.
- ii) Law N° 21,194 was published in the Official Gazette on December 21, 2019. This Law temporarily stabilizes price levels associated to added value stemming from distribution costs applied or tariffs under the maximum tariffs being invoiced at the moment among other issues.
- iii) The National and Zonal Transmission facilities valuation process currently underway is expected to be completed during the first quarter of 2022. This will come into effect retroactively as of January 1, 2020. In addition, charges are expected to be reduced due to, among other reasons, the reduction of the discount rate indicated in Law N° 20,936/2016. By means of the Exempt Resolution N° 815 from December 26, 2019, the National Energy Commission established exclusive charges referred to in articles 115 and 116 of the General Electricity Services Law, including exclusive charges related to power transmission. The National Energy Commission decided to maintain charges transferrable to end customers in force as of December 2019, making only some minor adjustments to these charges to avoid creating negative impacts for end customers.

Dedicated system remuneration

Revenue from Dedicated Transmission Systems is determined in the contracts signed between the users and owners of these facilities. Prices are normally set by calculating AVI + COMA that is determined by mutual agreement between the parties.

Even if these dedicated facilities are essentially being used to inject power produced by power plants into the system or to supply electrical energy to free customers, the authority could potentially consider these facilities to be National, Zonal or Development Poles if its operating conditions change and these facilities meet the corresponding requirements. Facilities qualification process is made once every four years by the National Energy Commission as part of the transmission system study, or if an upgrade project is assigned to dedicated facilities.

Equivalent power transmission rate

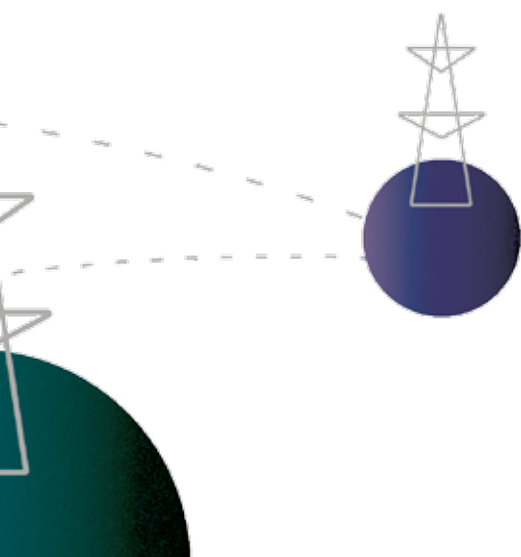
Law N° 20,936, which “Establishes a New Power Transmission System and creates a Coordination Body independent of the National Electricity System” was published in the Official Gazette July 20th 2016. According to said legal body, end users will pay a single rate for the use of power transmission networks to their suppliers, who shall then compensate the power transmission companies. This compensation complements the tariff revenue from the injection and withdrawal of energy in the short-term market in order to complete the VATT transmission companies are entitled to.

However, Law N° 20,936 established two temporary application periods. The first spans from its publication date until December 31st, 2018, period in which power transmission companies shall receive remuneration in accordance with the standard prior to the legal change. Under the previous law transmission companies were compensated with (a) power transmission tolls from power generation companies and (b) the aforementioned tariff revenue. The second period spans from January 1, 2019 until 31 December 2034, in which the National Power Transmission System remuneration will be mixed, one portion according to the former standard and the other one according to the new standard. This transition period provides for a gradual migration from both collection methodologies for the aforementioned power transmission system.

During the transition period, Law N° 20,936 created a mechanism by which power generation companies could be exempted from the payment of injection tolls for the use of the National Power Transmission System by amending power supply contracts signed prior to the publication date of said Law. According to this Law, power generation companies had up until July 2018 to reach agreements with their customers on a permanent price deduction for power supply, which would be equivalent to the price for injection toll. This amount is called Equivalent Power Transmission Rate, hereinafter “CET”, and is to be determined by the National Energy Commission for each individual power supply contract for each power generation company. In accordance with the foregoing, the setting of single power transmission rates for the first semester of 2019 shall include exemptions for the payment of injection tolls for power generation companies that have agreed with their customers on a price discount for their power supply contracts.

The process of setting CET rates was completed in late 2019, over one year behind schedule. This meant that power generation companies continued to pay injection tolls to power transmission companies in 2019. The National Electricity Coordinator reassessed tolls for use of the National Power Transmission System during the first semester of 2020, considering agreements signed between power generation companies and their customers for application of the CET mechanism.

This reassessment meant that Transelec had to pay power generation companies an amount of CLP 68 billion in June 2020, which corresponds to an important percentage of remuneration for use of the National Power Transmission System in 2019. Starting in the second semester of 2020, the National Energy Commission incorporated an adjustment to the single power transmission rate in order to collect said remuneration from 2019. This amount should be fully recovered by the end of 2022.



Tariff studies

National power transmission/trunk transmission system

The Ministry of Energy published Supreme Decree N° 23 T in February 2016, bringing new tariffs for Trunk Transmission and National System facilities into force for the 2016-2019 period as required.

Application of the new Law N° 20,936/2016 enabled the identification of two temporary collection, payment and remuneration periods for the National Transmission System, which are regulated by the following laws:

- The 2016-2018 Period: the collection, payment and remuneration regime established by Law N° 19,940 (Short Law I) in March 2004 will be applied.
- The 2019-2034 Period: the collection, payment and remuneration regime established by Temporary Article 25 of the new Law N° 20,936/2016 will be applied. This temporary standard was designed to prevent double payment for transmission due to current power supply contracts between power generation companies and free, end or regulated customers that were signed before the aforementioned law came into force.

Zonal transmission system/subtransmission system

Temporary Article Eleven of Law N°20,936/2016 indicates that Supreme Decree 14/2013 will remain in force between January 1st, 2016, and December 31st 2017, including adjustments made by the Ministry of Energy by means of a decree issued under the "by order of the President of the Republic" formula³. These adjustments to Supreme Decree 14/2013 were determined by the Ministry of Energy by means of Decree 1T dated February 2017. These adjustments to Supreme Decree 14/2013 were determined by the Ministry of Energy by means of Decree 1T dated February 2017. In turn, Temporary Article Twelve of Law N° 20,936/2016 indicates that continuity and termination will be provided for the process of setting the annual value of subtransmission systems for application during the 2018-2019 period throughout the extended term of Decree 14/2013.

Therefore, during the extended term of Supreme Decree N° 14/2013, the process for setting the annual value for subtransmission and additional transmission systems used by users subject to price regulation underway at the time the new Law N°20,936/2016 was published was completed. The CNE consequently published Exempt Resolution N°531 19 July 2018. This resolution replaced the technical report determining VATT for Zonal Transmission Systems and the proportion of dedicated transmission use by users subject to price regulation during the 2018-2019 period, approved by means of CNE Exempt Resolution N°414 dated 31 July 2017, in accordance with the provisions of the new Law N°20,936/2016. This technical report was used as the basis for formulating Decree 6T, published in the Official Gazette October 5th 2018, which sets the annual value by section of zonal and dedicated transmission facilities used by users subject to price regulation, as well as tariffs and indexing formulas for the 2018-2019 period.

³ Ministry of Energy Decree N° 14 dated 2012 determines Subtransmission and Additional Transmission system tariffs and indexing formulas for the 2011-2014 period. The term for this decree was extended once until December 31st, 2015 by means of Decree N°8T dated March 2015.

New 2020-2023 tariff setting process – National and zonal transmission system

The 2020-2023 tariff setting process for the National and Zonal Power Transmission Systems started in 2019 with the first power transmission facilities qualification process executed in conformity with Law N°20,936/2016. This qualification process was completed in April 2019 with the publication of CNE Exempt Resolution N°244 approving the Final Facility Qualification Technical Report considering a ruling by the Panel of Experts. In addition, CNE Exempt Resolution N°272 approving Technical and Administrative Bases for conducting Valuation Studies was published, thus enabling the call to an international public tender for execution of these studies and constitution of a Supervision Committee for these studies. Transelec was chosen to represent companies from the National Power Grid.

The National Power Grid Valuation Study was awarded to Consorcio Synex Ingenieros Consultores Ltda., Estudios Energéticos Consultores S.A. and Elequipos Servicios de Ingeniería S.A. in July 2019 and study development began in August 2019. The National Power Transmission System Valuation Study was awarded to Consorcio Synex Ingenieros Consultores Ltda., Estudios Energéticos Consultores S.A. and Elequipos Servicios de Ingeniería S.A. in July 2019 and study development began in August 2019. The Zonal Transmission Systems Valuation Study tender was declared void because the bidders failed to comply with the bidding conditions. A second call to international public tender was made for this study and the contract was finally awarded to the Company SIGLA S.A. Study development started in October 2019.

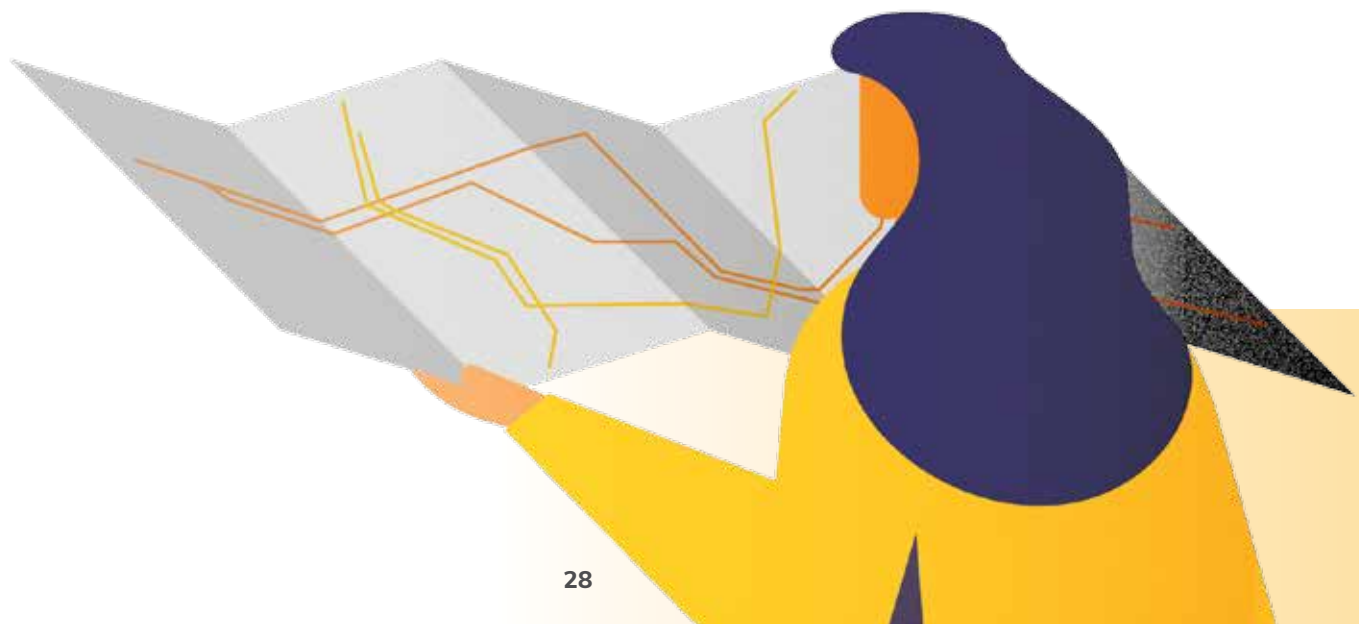
Consultants for the National Transmission System and Zonal Transmission System Valuation Study published their respective final reports in December 2020. Public hearings were held in November and December 2020, during which consultants from the National and Zonal Transmission Systems respectively presented the results of these valuation studies.

On April 6th, 2021, the CNE published the Preliminary Technical Report of the Valuation Studies of the National Transmission System and Zonal transmission system. The industry companies submitted their comments to this report. On August 3rd, 2021, the CNE published the Final Technical Report of the Valorization Studies of the National and Zonal System, together with the responses to the companies' observations. The panel of experts then received and reviewed comments from the companies to this last report and in January 2022, presented its opinion. Finally, in March 2022, CNE published the Final Technical Report.

The next stages of the national and zonal tariff setting process are the setting and publication of 2020-2023 tariffs by the Ministry. This tariff setting process should be completed by mid-2022.

Regulatory measures during the pandemic

Law N° 21,340 was published May 22nd, 2021, due to the Covid-19 health contingency. This law creates exceptional measures favoring health, electricity and natural gas network end users, such as prohibiting the suspension of power and natural gas supply due to payment default up until December 31st, 2021, and extends the benefits of said law. Subsequently, due to the extension of economic effects caused by the pandemic, in the month of October 2020 the Chilean Chamber of Deputies announced lobbying of a bill designed to extend the benefits provided by Law N° 21,249. Said project is still in the first phase of constitutional lobbying in Congress.



Other regulatory issues

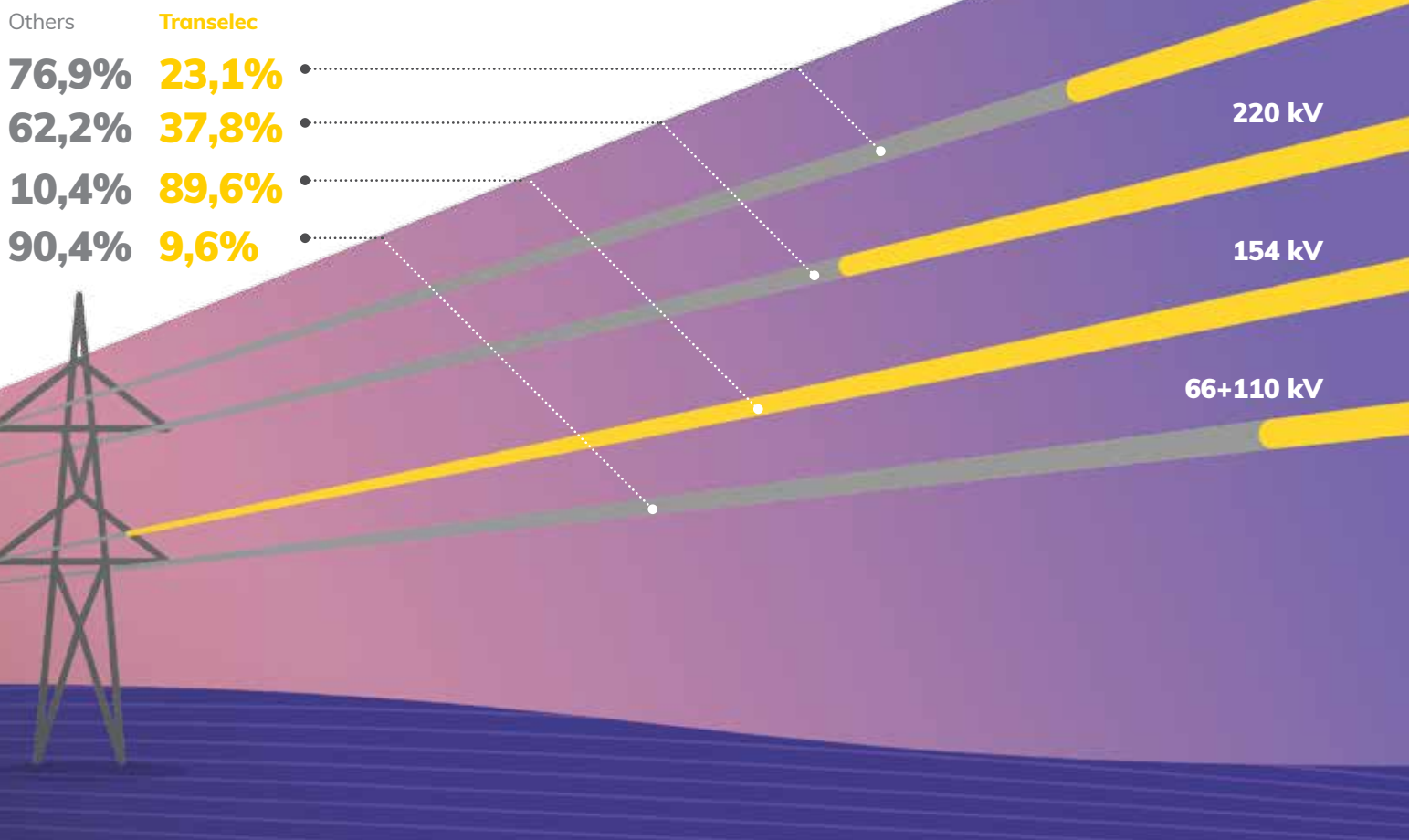
In keeping with the foregoing, we wish to highlight relevant activity involving the following bills during 2021:

- A new Bill modifying the General Electricity Services Law in terms of Panel of Experts and the Coordinator Steering Council Law member salaries was passed September 21st, 2021. This is currently being processed in the Senate.
- A new bill promoting the storage of electrical energy and electro mobility was submitted to the Chamber of Deputies 2 December 2021. This is a major milestone for the implementation of large-scale power storage systems in the power grid. This is currently being processed.
- New bills designed to promote the participation of renewable energies in the national power grid and to promote the production and use of green hydrogen in Chile were submitted to the Chamber of Deputies 15 November 2021. Said bills are currently being processed
- A bill prohibiting the operation of coal-fired thermoelectric power plants in Chile starting in 2021 is currently in the second stage of processing in the Senate. This poses a new challenge for Chilean power grid operation.
- The Ministry announced it would temporarily suspend Electricity Portability Bill processing in the Chamber of Deputies at the start of 2021. This bill is designed to grant Power Grid users the right to choose their own energy suppliers, make the supply tender mechanism more flexible and ensure the observance of tendered supply contracts by means of a gradual transition with technical and objective criteria.

We also wish to highlight that the Ministry started a public consultation process for a preliminary draft of the updated National Energy Policy in December 13th, 2021. Commitments are proposed for the energy sector over the coming decades and the process is based on sustainability, resilience, accessibility, inclusion and respect. We wish to highlight that this process is being executed by the Ministry based on a participatory process involving all stakeholders in the electricity market.

Market share as of december 31st, 2021

Transelec is an important stakeholder in Chile's power transmission system, as a pioneering company and leader that has substantial know-how and expertise. Transelec has the market share for transmission lines shown in the graph below, which indicates the scope of its ownership when it comes to operational power transmission lines, especially at 154 and 220 kV. In keeping with the remuneration system for the power transmission market, the Company receives revenue as profit over the assets that represent its installed transmission capacity and therefore market share is not a significant factor for cash generation in the Company.



Projects under development

The Company has continued to develop a significant number of projects during 2021. We are proud to be an important part of the country's decarbonization efforts by building facilities that allow the connection of several renewable energy generating companies to the electricity system.

However, we have not been unaffected by the Covid-19 pandemic, which has posed significant challenges in project development. The focus has been to establish strict sanitary protocols in order to provide optimal safety and occupational health conditions for all employees.

The depth of the crisis has led to the implementation of a series of measures designed to minimize the effects of the pandemic, such as disruptions in logistics chains, construction material shortages, workforce shortages, health restrictions limiting the entry of foreign personnel, loss of productivity, etc. The significant increase in execution time has consequently been mitigated.

National Power Grid Projects

NEW PROJECTS

1. Studies

Transelec S.A. is currently developing studies to participate in the new projects tendering process organized by the National Electricity Coordinator. The project portfolio has a reference investment value amounting to approximately US\$ 201.98 million and is outlined as follows:

Decree	Project	Ref. VI (MUS\$)	Commissioning
0229/2021	New Nueva Lagunas Sectioning Substation and new 2x500 kV Nueva Lagunas - Kimal transmission line.	194.46	3 rd Quarter 2026
0229/2021	New 220 kV La Invernadera Sectioning Substation	7.52	1 st Quarter 2025

2. Projects Awarded

During 2021, Transelec S.A. was not awarded any projects associated with the National Power Grid.

3. Project Development

Project development with a reference investment value of approximately US\$ 198.21 million continued in 2020. This is indicated as follows:

Decree	Project	Ref. VI (MUS\$)	Commissioning
0004/2019	New 220 kV Los Notros Sectioning Substation	19.11	3 rd Quarter 2023
0004/2019	New 500/220 kV Parinas Sectioning Substation	54.31	1 st Quarter 2024
0004/2019	New 2x500 kV Parinas - Likantantai transmission line energized at 220 kV	105.62	1 st Quarter 2025
0004/2019	New 2x220 kV Lagunas - Nueva Pozo Almonte transmission line, first circuit laid	19.17	1 st Quarter 2025

4. Commissioning

Projects with reference investment value amounting to US\$ 11.21 million were energized in 2021:

Decree	Project	Ref. VI (MUS\$)	Commissioning
0422/2017	220 kV Frutillar Norte Substation	11.21	2 nd Quarter 2021

UPGRADES

1. Studies

The National Electricity Coordinator started the tendering process for national upgrades with a reference investment value amounting to US\$41.05 million:

Decree	Project	Ref. VI (MUS\$)	Commissioning
0171/2020	Coupling bay circuit breaker replacement at 66 kV Temuco Substation	0.87	4 th Quarter 2023
0171/2020	Upgrade at Temuco Substation (BPS+BT)	0.26	3 rd Quarter 2024
0185/2021	Capacity upgrade for the 2x220 Nueva Zaldívar - Likanantai transmission line	1.89	3 rd Quarter 2024
0185/2021	Capacity upgrade for the 1x220 kV Charrúa – Hualpén, Tramo Concepción - Hualpén transmission line	4.21	1 st Quarter 2025
0185/2021	Upgrade at S/E Don Héctor 220 kV (IM) Substation and 2x220 kV Nueva Maitencillo – Punta Colorada transmission line sectioning	10.02	1 st Quarter 2025
0185/2021	Replacement of reactive compensation equipment at Lagunas Substation (RCER AT)	20.01	3 rd Quarter 2025
0185/2021	Capacity upgrade for the Tarapacá - Lagunas transmission line, Nueva Lagunas - Lagunas section.	3.79	3 rd Quarter 2026

2. Projects Awarded

Transelec S.A. was awarded contracts and started the development of projects whose reference investment value reaches US\$53.96 million in 2021:

Decree	Project	Ref. VI (MUS\$)	Commissioning
0171/2020	220 kV Rahue Substation upgrade (BPS+BT)	0.69	2 nd Quarter 2023
0171/2020	110 kV Maitencillo Substation upgrade (BPS+BT)	1.74	2 nd Quarter 2023
0171/2020	Coupling bay circuit breaker replacement at Alto Jahuel Substation	0.70	3 rd Quarter 2023
0171/2020	Switchgear replacement for the 2x220 Alto Jahuel - Chena transmission line at Alto Jahuel Substation	1.78	3 rd Quarter 2023
0171/2020	2x220 kV La Cebada - Punta Sierra transmission line capacity upgrade	3.58	2 nd Quarter 2024
0171/2020	Frontera Substation upgrade and 2x220 kV Lagunas-Encuentro transmission line sectioning	9.93	2 nd Quarter 2024
0171/2020	1x220 kV Charrúa - Temuco transmission line capacity upgrade	15.98	4 th Quarter 2024
0171/2020	2x220kV Frontera – María Elena and 2x220 kV María Elena – Kimal transmission line capacity upgrade	19.56	3 rd Quarter 2024

3. Project Development

Transelec S.A. continued to develop projects with reference investment value amounting to US\$ 60.15 million:

Decree	Project	Ref. VI (MUS\$)	Commissioning
0293/2018	Upgrade at Lagunas Substation	2.44	1 st Quarter 2022
0198/2019	Upgrade at Polpaico Substation	1.20	4 th Quarter 2022
0293/2018	Nueva Tineo - Puerto Montt high voltage transmission line capacity upgrade and upgrade at Tineo Substation	3.94	2 nd Quarter 2023
0293/2018	Nueva Ciruelos - Cautín transmission line capacity upgrade	10.35	4 th Quarter 2023
0198/2019	2x500 kV Alto Jahuel - Lo Aguirre transmission line capacity upgrade and upgrade at Lo Aguirre Substation	42.22	2 nd Quarter 2024

4. Commissioning

Projects with reference investment value amounting to US\$ 8.57 million were energized in 2021:

Decree	Project	Ref. VI (MUS\$)	Commissioning
Art. 102	Upgrade at 220 kV Miraje Substation	3.50	2 nd Quarter 2021
0373/2016	Upgrade at 220 kV Punta Colorada Substation	2.53	2 nd Quarter 2021
0158/2015	2x220 kV Nueva Crucero – Lagunas transmission line extensión	2.54	4 th Quarter 2021

INVESTMENT DURING 2021

National Power Grid
Values in CLP million

Project type	Actual investment
New Projects	14,904
Upgrades	14,981
Carry over (*)	3,371
Total National System projects	33,257

(*) Corresponding to payment made in 2021 for projects commissioned in 2020 or earlier.

Zonal System Projects

NEW PROJECTS

1. Studies

Transelec S.A. is currently developing studies in order to participate in the new projects tendering process organized by the National Electricity Coordinator. The project portfolio has a reference investment value amounting to approximately US\$ 109.48 million and is outlined as follows:

Decree	Project	Ref. VI (MUS\$)	Commissioning
0229/2021	New Buli Sectioning Substation	9.86	1 st Quarter 2025
0229/2021	New Buenavista Sectioning Substation	16.85	1 st Quarter 2025
0229/2021	New 1x66 kV Santa Elisa – Quilmo II transmission line	5.18	3 rd Quarter 2025
0229/2021	New Coiquén Substation and new 1x66 kV Coiquén – Hualte transmission line	8.61	3 rd Quarter 2025
0229/2021	New Totihue Sectioning Substation and new 2x66 kV Totihue – Rosario transmission line	20.51	3 rd Quarter 2025
0229/2021	New 2x220 kV Don Goyo – La Ruca transmission line	21.87	3 rd Quarter 2025
0229/2021	New Llepu Sectioning Substation and new 2x154 kV Llepu – Linares transmission line	26.60	3 rd Quarter 2025

2. Projects Awarded

Transelec S.A. was awarded contracts and started the development of projects whose reference investment value reaches US\$ 4.78 million in 2021.

Decree	Project	Ref. VI (MUS\$)	Commissioning
0185/2020	New 1x110 kV Maitencillo - Vallenar transmission line	4.78	3 rd Quarter 2024

3. Project Development

Transelec S.A. continued to develop projects with reference investment value amounting to US\$ 58.66 million:

Decree	Project	Ref. VI (MUS\$)	Commissioning
0418/2017	New 220/110 kV Río Aconcagua Substation	24.22	1 st Quarter 2022
0418/2017	New 220/66 kV Lastarria Substation	14.87	2 nd Quarter 2022
0004/2019	New 2x220 kV Candelaria – Nueva Tuniche transmission line and Nueva Tuniche 220 kV Substation	19.57	1 st Quarter 2025

4. Commissioning

No new projects were energized in the zonal system during the period.

UPGRADES

1. Studies

The National Electricity Coordinator started the tendering process for national upgrades with reference investment value amounting to US\$ 2.29 million:

Decree	Project	Ref. VI (MUS\$)	Commissioning
0171/2020	Upgrade at Temuco Substation (NTR ATMT)	2.29	3 rd Quarter 2024

2. Projects Awarded

The National Electricity Coordinator awarded contracts and started project development for a reference investment value of US\$ 5.78 million in 2021:

Decree	Project	Ref. VI (MUS\$)	Commissioning
0171/2020	Upgrade at Ovalle Substation	0.25	3 rd Quarter 2024
0171/2020	Upgrade at Laja Substation (RTR ATMT)	1.43	3 rd Quarter 2024
0171/2020	Upgrade at Vallenar Substation (NTR ATMT)	4.10	3 rd Quarter 2024

3. Project Development

Transelec S.A. continued zonal upgrade project development with investment value amounting to approximately US\$ 33.69 million:

Decree	Project	Ref. VI (MUS\$)	Commissioning
0418/2017	2x154 kV Alto Jahuel - Tinguiririca high voltage transmission line sectioning at Punta Cortés Substation	4.52	1 st Quarter 2022
0418/2017	1x154 kV Charrúa – Chillán TAP and 1x154 kV Charrúa – Monterrico circuit replacement	2.45	2 nd Quarter 2022
0293/2018	Upgrade at Laja Substation	0.58	3 rd Quarter 2022
0418/2017	GIS upgrade at 110 kV Cerro Navia Substation	2.73	4 th Quarter 2022
0293/2018	220/110 kV Transformer No. 1 double connection at Cardones Substation	6.80	4 th Quarter 2022
0418/2017	Upgrade at 220 kV Nueva Valdivia Substation.	7.16	4 th Quarter 2022
0198/2019	Expansion at Charrúa Substation	2.73	2 nd Quarter 2023
0293/2018	2x220 kV Punta de Cortés – Tuniche transmission line upgrade: line bay incorporation	6.72	1 st Quarter 2024

4. Commissioning

Projects with investment value amounting to approximately US\$ 1.62 million were energized in 2021:

Decree	Project	Ref. VI (MUS\$)	Commissioning
0418/2017	Capacity Upgrade 1x110 kV Maitencillo - Algarrobo high voltage transmission line	1.62	4 th Quarter 2021

INVESTMENT IN 2021

Zonal System

Values in CLP million

Project type	Actual investment
New Projects	19,112
Upgrades	11,213
Carry over (*)	145
Total Zonal System Projects	30,470

(*) Corresponding to payment made in 2021 for projects commissioned in 2020 or earlier.

Dedicated system projects

1. Studies

Transelec S.A. has continued its pursuit of new business opportunities in 2021, aiming to establish and strengthen relations with its customers while contributing its expertise to the provision of technical, innovative and competitive solutions.

2. Projects Awarded

During 2021, Transelec S.A. did not award any projects to the Dedicated System.

3. Project Development

During 2021, Transelec S.A. continued to develop the following projects:

Connection Type	Project	Commissioning
Solar	Valle del Sol transmission line conditioning	1 st Quarter 2022
Industrial	Quebrada Blanca (Phase II), Teck	1 st Quarter 2022

4. Commissioning

During 2021, the following projects were energized:

Connection Type	Project	Commissioning
Solar	Atacama Solar	1 st Quarter 2021
Solar	Río Escondido Power Transmission Project	1 st Quarter 2021
Wind Power	South Puelche Wind Farm	2 nd Quarter 2021

INVESTMENT IN 2021

Dedicated Transmission System

Values in CLP million

Project type	Actual investment
Dedicated Works	79,572
Carry over (*)	53
Total Dedicated System Projects	79,625

(*) Corresponding to payment made in 2021 for projects commissioned in 2020 or earlier.



Our clients

In Transelec, we transport and deliver the electrical energy necessary for the operation of the energy market. Our slogan, "uniting Chile with energy", sums up our main objective; we unite our customers, allowing them to inject or receive electric energy from the system. These customers are generators and end customers (through electricity distributors, industrial and mining customers). We are the link between generation and the demand that our people need every day, the main provider of energy transmission services in the electricity system, and we play an important role in the country's energy development.

We have the responsibility to ensure a continuous, uninterrupted, safe and reliable supply of electricity to residential and industrial users, contributing to the improvement of the quality of life and development of the country.

In 2021, Transelec, together with Enel, Engie, Colbún and Generadora Metropolitana signed a contract for the installation of two current transformers at the Polpaico substation, thus increasing the transmission capacity of the Lo Aguirre-Polpaico section. This development responds to our customers' need to reduce system congestion and to transmit renewable generation from the north of the country to the consumption

center in the Metropolitan Region. This project is a joint search and a customized solution to the needs of our customers, and it is the only relevant work that is being carried out to help solve the energy shortage problem we are facing.

During 2020 Transelec developed Pulse, a blockchain-based digital power certification and traceability platform. Several pilot programs have been executed with customers who have associated with Transelec and the Pulse platform to contribute to an environment with less emissions. This provided customized solutions for multiple and dissimilar requirements for each of our customers. Finally, the first contract for this initiative was signed with the recognized consulting firm "Estudios Eléctricos" in the fourth quarter of this year. Estudios Eléctricos has set out to certify the energy used at its main offices. Next year we hope to extend our reach to include more customers by giving them tools to differentiate their products and enhance their brand. Consequently, we are exploring the possibility of obtaining an internationally recognized certification.

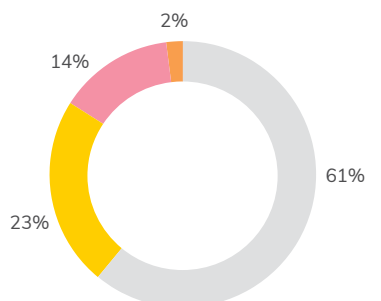
We understand that being a leader in the transmission market means more than just being a manager of large projects; it also means providing the best solutions for each

type of client. The company has evolved to adapt to the new needs of a market in constant transformation, and thus to be able to face the future with an innovative vision in which digital transformation is a relevant tool to fulfill our commitment to productivity, reliability and quality.

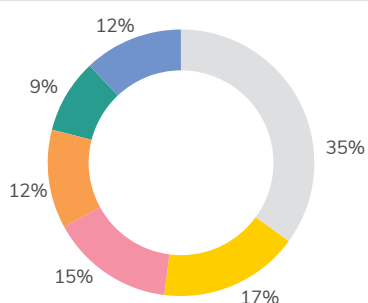
The electricity market has undergone important changes in recent years. Transelec's commitment to Chile's energy future remains intact because we believe energy is an engine of economic and social development with a high impact on the country.

The company's objective is to achieve renewed leadership, focusing on quality service management in a scenario where exemplary customer relations management, new technologies, sustainable development, conscious and informed citizenry, and a world that continuously transforming converge.

INCOME DISTRIBUTION BY SYSTEM*



■ National
■ Zonal
■ Dedicated
■ Services



■ Enel Group
■ AES Gener Group
■ CGE Group
■ Colbun Group
■ Engie Group
■ Others

Our Customer Service Policy

Our policy is to interpret and understand our customers' needs, identifying optimum technical and economic solutions for each project. Our objective is to execute projects in keeping with the highest quality, safety and environmental parameters.

Our commitment is to provide service and consultancy using our extensive and specialized knowledge of power transmission in order to provide tailor-made support for our customers' projects. The customer service we provide and our knowledge as system specialists are the foundation for ongoing close relationships with our customers over the long term.

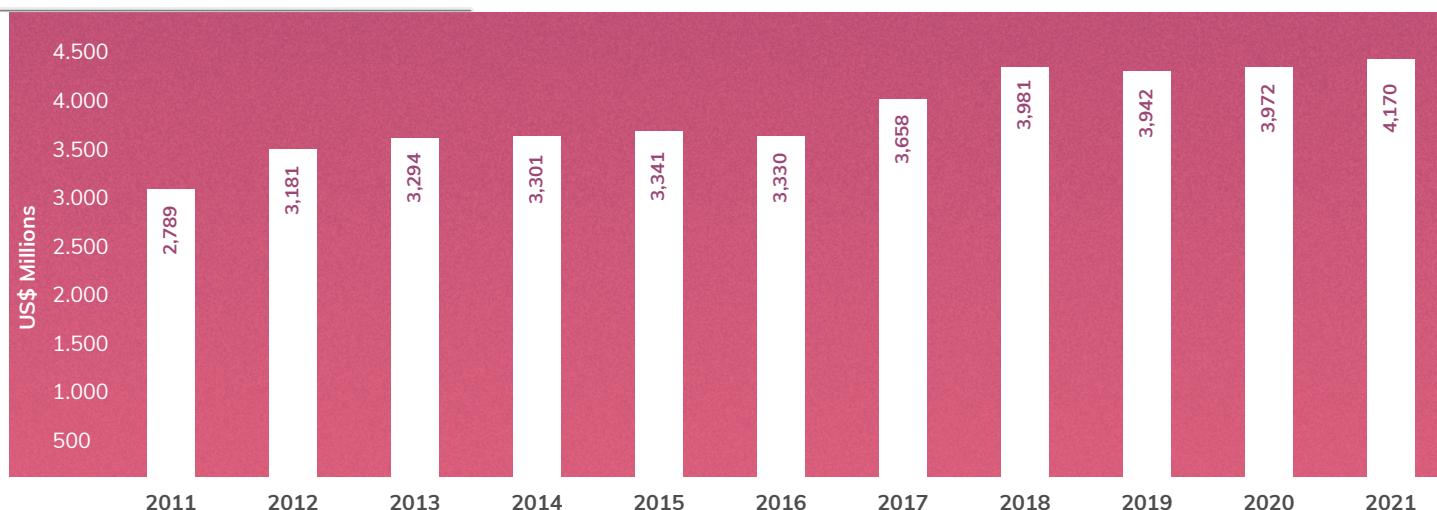
The pursuit and provision of a specialized power supply allows us to develop the best and most innovative power transmission solutions, especially for highly complex projects with tight deadlines, incorporating cutting-edge technological solutions. Our projects are executed in compliance with the highest standards in a framework of sustainability throughout their entire life cycle, using environment-friendly technology and designs compatible with our communities, employees and contractors.

We have placed special emphasis on close service and experience, listening to our customers' essential feedback and becoming their partners. We conducted a couple of surveys in 2021 as part of our Customer Satisfaction Program. The Connections survey has been going for the longest consecutive time, with the latest satisfaction level amounting to 73%. This has been a positive trend throughout recent years, following the first surveys with unsatisfactory results. The instrument was applied for the first year in the case of Business, with a satisfaction level of 76%. This considers 43% customers evaluated as very satisfied and 33% as satisfied, all measured on a scale of 1 to 5.

Investment Value (VI)

The current regulatory framework establishes mechanisms for calculating and publishing power transmission company investment valuation at market prices. This information is used to set service tariffs.

Transelec power transmission facilities were valued at US\$4,170 million as of December 31st, 2021.



(*) According to invoicing.