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Growth: Investment *Value*

Transelec plays an important role in Chile's energy development. We own and operate most of the electricity transmission facilities that comprise the National Electric System and are part of the National, Regional, and Dedicated (unregulated) systems. As of December 31, 2022, the Company had US\$4.068 billion in transmission assets in the country.

Today Chile is facing the major challenge of shifting to clean energy generation and decarbonization. Our Company's mission is to create value in society by allowing the new energies that are generated to be transmitted.

Our growth comes from the development or acquisition of regulated or dedicated (for specific customers) projects and assets. Due to the nature of the electricity transmission industry in Chile, most new project development is determined by the regulator. As such, the regulatory context is key.

Regulatory Context

(CMF 6.1 iii, iv)

The regulatory context that determines the operation of Chile's transmission segment is based on Decree with Force of Law No. 4 of the Ministry of the Economy, Development and Reconstruction of 2006. This law establishes the consolidated, coordinated, and systematized text of Decree with Force of Law No. 1 on Mining of 1982 and the General Electric Services Law, henceforth indistinctly the "LGSE." The LGSE and its complementary regulations set the rules for the correct operation of the electricity sector. They govern the technical, safety, coordination, quality, information, and financial aspects of the operation. Said rules must be followed by all of Chile's electric facilities, whether they generate, transport, or distribute electricity.

Law 19.940, the "Short Law," which modifies the LGSE, was passed in 2004. Among other things, this law guarantees transmission companies' income once it goes into effect.

The most recent important reform of the LGSE is the recently passed Law No. 20.936/2016 (Transmission Law), which establishes important changes including:

- A single National Electric System Coordinator that is independent of market stakeholders. It replaces the Economic Load Dispatch Centers.
- The redefinition of the transmission systems. They are now classified as the National Transmission System (formerly the trunk system), Regional Transmission Systems (formerly sub-transmission) and the Dedicated Systems (formerly additional). In addition, two new segments were added: Developing Poles Transmission Systems and International Interconnection Systems.

Transmission Systems Business Model

(CMF 6.2 ii)

National System

Interconnected substations and lines from Arica to Chiloé. They are economically efficient and necessary to meet demand under various generation availability scenarios.

Regional Systems

These are facilities interconnected to the electric system for the exclusive provision of energy to groups of free or regulated final consumers. They are generally located in and around cities where distribution companies operate.

Dedicated Systems

Transmission lines and equipment mainly used to provide energy to non-regulated customers or to remove the production of a plant or limited group of generator plants. Transportation using these systems is governed by private agreements between the parties.

Transmission Systems

Electricity lines and substations used to transport the energy generated in a single developing pole to the transmission system, making efficient use of the national territory.

For more information, see the Regulatory Context section of [Chapter 9 Annexes](#).

Rate Studies

New 2020-2023 rate process -National and Regional Transmission Systems

The 2020-2023 rate process for the National and Regional Transmission Systems began in 2019 and continued with the first Transmission Facilities Qualification Process by Law No. 20.936/2016. The consultants responsible for the National Transmission System Assessment Study were Consorcio Synex Ingenieros Consultores Ltda., Estudios Energéticos Consultores S.A., and Equipos Servicios de Ingeniería S.A. The company SIGLA S.A. handled the Regional Transmission Systems. Both studies were launched in 2019.

The stages were completed, and the CNE published the Final Technical Report of the National and Regional Transmission Systems Assessment Studies on March 2, 2022. They were amended by the Authority on March 25, 2022. On April 25, 2022, the Energy Ministry sent Decree No. 7T-2022 to the Office of the Comptroller General of the Republic. The decree sets the National and Regional Transmission Systems' Valuation for 2020-2023. This is still pending, and we hope that it will be published during the first half of 2023. Once the decree is published, the rates will be applied retroactively to January 1, 2020.

Considering the delay in the publication of the 2020-2023 rates and the retroactive effect to 2020, the Company decided to register a provision for lower income that allows it to try to better reflect the income that it should have received during that period.

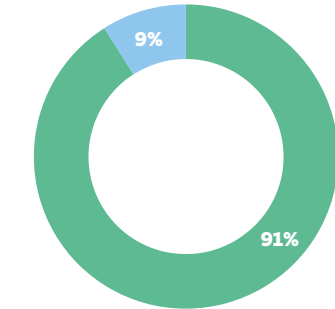
On December 31, 2021, the CNE began the National and Regional Transmission Systems Valuation Studies process for 2024-2027.

Market Share

Given the transmission market remuneration system, the Company receives income as profit on the assets that represent its installed transmission capacity. As such, market share is not a key factor. However, Transelec has the following share of transmission lines based on tension level. This reflects its important presence in operational high-tension lines, particularly 154 and 220 kV lines.

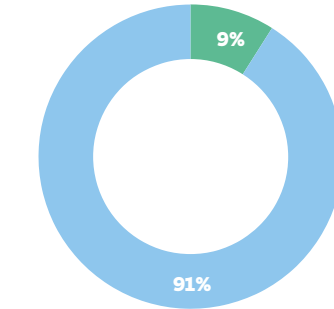
Market Share through December 31, 2022

66+110 kV



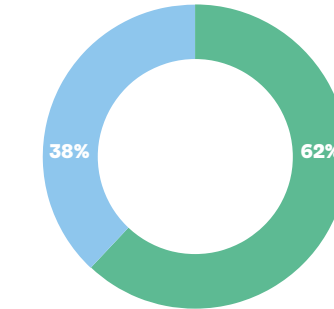
Transelec Others

154 kV



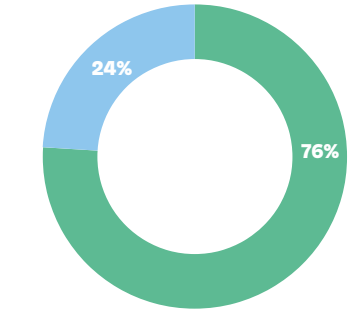
Transelec Others

220 kV



Transelec Others

500 kV



Transelec Others

¹ Internal data were used to calculate the number of kilometers of Transelec lines. The authors used data from the National Electric Technical Coordinator for other companies.

Investment Plan

(CMF 4.3)

The Transec investment plan is subject to regulators' approval of certain initiatives. The National Energy Coordinator must conduct a transmission planning process each year. It must include at least a 20-year horizon. This planning covers the expansion projects required for National, Regional, Developing Poles, and Dedicated Transmission Systems used by public service distribution concessionaires for user supply subject to price regulation. As a result of this process, the CNE developed a technical report. Based on that report, the Energy Ministry will establish the transmission system expansion plan for the next 12 months. The National Electric Coordinator, henceforth "the Coordinator," is the entity responsible for holding annual international tenders to award said transmission projects based on the level of robustness and growth and it considers to be adequate and necessary for the system.

While it is true that the Chilean government makes decisions regarding the Regulated Transmission System, Transec plays an active role in the promotion and acquisition of regulated expansion projects. It has become a leading stakeholder in the sector, promoting and identifying high value projects for the Company and promoting improvements to regulations in order to make room for a new business that is of interest to it, such as the bilateral agreements that are part of the Dedicated System.

Investment Value

The current regulatory framework establishes mechanisms for calculating and publishing the transmission companies' assessment of investments at market prices. This information is used to set rates for the service. The valuation of Transec transmission facilities was US\$ 4.068 billion as of December 31, 2022.

Investment value (in billions of US\$) (T2-3)	US\$
2018	3.981
2019	3.942
2020	3.972
2021	4.170
2022	4.068

Projects and New Business

(T8-1, 6.2 ii)

Projects Under Study

Transec S.A. evaluated new projects under tender through the National Electric Coordinator based on the list from Decree No. 257/2022 (issued in 2023).

In the case of expansion projects, it participates in associated projects.

Projects Under Development

Transec S.A. has a portfolio of 43 projects and total related investments of US\$ 832 million. More than half of the projects that we are developing involve the expansion of the National and Regional Systems.

In 2022, the following projects were energized as a contribution to efforts to increase the robustness of the electric system. This involved an investment of US\$ 307 million.

- New Lastarria 220/66 kV substation: We energized the New Lastarria Substation, making the electric transmission system in the Loncoche area more flexible and robust.
- Capacity increase of the 2x220 kV Tineo - Puerto Montt Line and Tineo substation expansion
- New Río Aconcagua 220/110 kV substation: We energized the Río Aconcagua substation project in the municipality of Llay Llay.



Number of projects and related investments (in millions of US\$)		National system		Regional system	
		No.	Investment	No.	Investment
New projects	Awarding of tender	0	0	0	0
	Project development (*)	3	228	2	39
	Start-up of operations	0	0	2	43
Total new projects		3	228	4	82
Expansion projects	Awarding of tender	13	96	3	8
	Project development (**)	4	67	9	67
	Start-up of operations	2	12	0	0
Total expansion projects		19	175	12	75
Total projects		22	402	16	157

Number of projects and related investment (in millions of US\$)		Dedicated system	
		No.	Investment
Awarding of tender		2	16
Project development			
Start-up of operations		2	252
Total projects		4	269

(*): Includes Parinas-Likanantai project while Transmisora Parinas receives the approval of the project ownership.

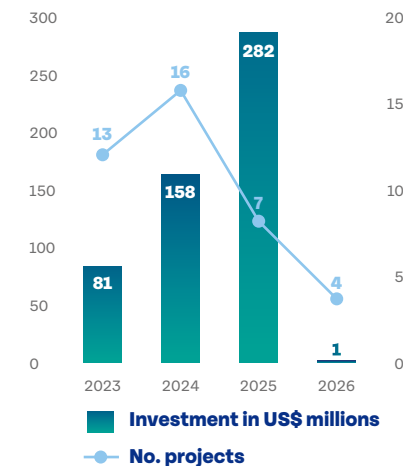
(**): It includes 4 expansion works that should have been assigned to Transelec Concesiones and Transmisora Pacifico. The respective modification has already been requested to the authorities.

Transelec Renewable Energy Projects

(T9-1)

Conditioning of Valle del Sol Lines (Miraje Substation): Transelec will build, operate, and maintain the electricity transmission system for the Valle del Sol photovoltaic park in the municipality of María Elena. This park will have an installed capacity of 162 MWDC.

Upcoming Energizing and Related Investment Projects for Transelec S.A. 2023-2026 (*), (**)





Quebrada Blanca Transmission System:

We strive to provide the best possible transmission solutions to the mining industry. We built a transmission project for Minera Quebrada Blanca that will allow it to energize its new Quebrada Blanca 2 mine.

The transmission solution consisted of:

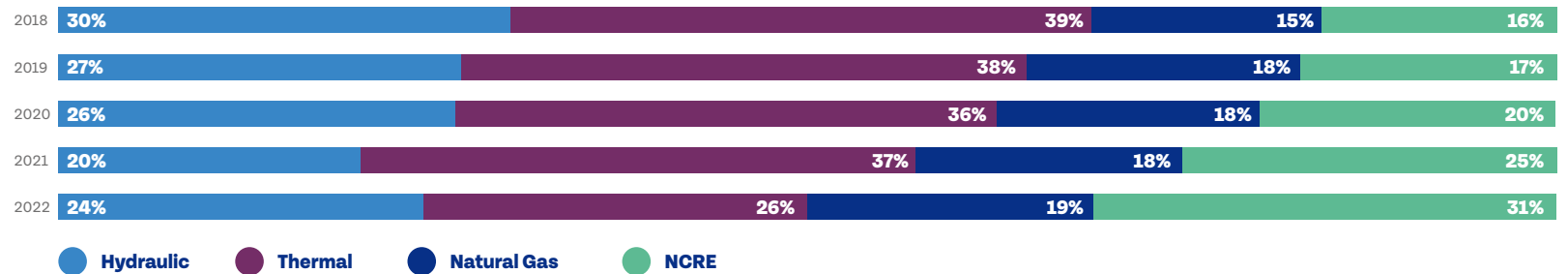
- Building the new 200 kV Puerto Patache, Tarapacá-Cóndores substation
- Building the new 220 kV Geoglifos Tarapacá-Lagunas substation
- Expansion of the 220 kV Tarapacá substation.
- Expansion of the 220 kV Lagunas substation.
- Building a new 2x220 kV line stretching 122 kilometers, including one kilometer of underground line.

This project will be operated using the BOOT modality. The Company will build and operate the facilities during a specific period as the owner and will later transfer them to the client.

For more information on the project, [click here](#)

Transelec is committed to decarbonizing Chile’s energy matrix. We offer transmission solutions for renewable energy projects and efforts to increase the system’s capacity to transport energy. We have steadily increased the percentage of renewable energies that we transport since 2018. This year, NCREs represented 31% of our revenues.

Revenues by type of energy



Digital Transformation and Innovation Management

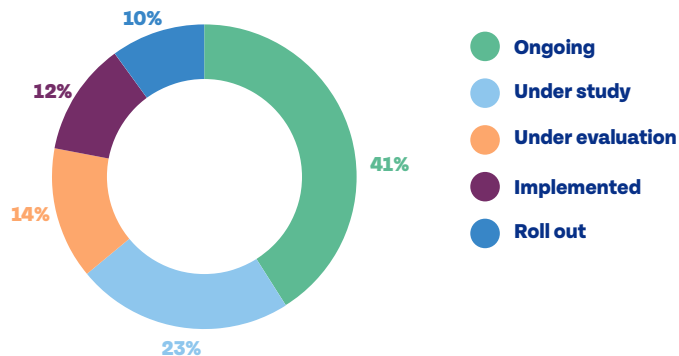
(T7-1, T7-2, CMF 3.1 v)

Digital transformation and innovation are among our strategic levers because their development is critical to ensuring operational continuity through the anticipation of risks and economic decision-making.

Transelec has a Technology and Innovation Department that manages a broad portfolio for the entire Company. Various business units participate in initiatives that offer high-value opportunities. This department has methodological, financial, technical, and technological capacities for promoting and supporting the development of the portfolio in coordination with the product owners that lead each initiative. Innovation and digital transformation are constantly monitored through monthly governance on different levels, from initiative leaders to the Executive Committee, which is comprised of our Vice Presidents and CEO.

Our portfolio has nine development focus areas. In 2022, we included rate automation and processing due to their importance for the Company. This brings the total number of projects to 49.

Status of Innovation Projects 2022



ventures:

This year, we used the Venture Client model to attract start-ups interested in developing innovative solutions to key challenges that our operations consistently face. These include cleaning isolators, achieving zero noise transmission, and developing more efficient data collection and processing systems. This year's call included three challenges:

- **Sustainable transmission** The challenges we face include keeping isolators clean, reducing, or eliminating the use of water, reducing impurities, and keeping birds away from structures, among other factors.
- **Data intelligence** This challenge involves improving decision-making processes through the capture and analysis of operational data obtained from facilities, equipment, and systems.
- **Zero noise** The Company is also looking to decrease the noise level and/or keep it from spreading beyond our facilities.

Click [here](#) for more details on Ventures

Digital Culture:

We applied Deloitte's Digital DNA tool for the third consecutive year. It monitors the progress made and maturity of the digital transformation of the business. Sixty-five percent of active Transec employees participated in this measurement, allowing us to assess our organization's technological maturity so that we can develop plans of action based on the gaps and opportunities identified.

A) Modernization of business resource planning

We endeavor to move forward with our digital transformation, implementing the most modern business resource planning (BRP) software in the market, SAP S/4HANA. BRP systems are key to automating and streamlining internal processes. This project consists of three lines of development:

- Technical migration from the current SAP to S4 Hana: This year, we implemented the To Be¹ definitions after gathering As Is² processes in 2021. We also gathered personalized developments, which will be redesigned so that they can be implemented using standards native to the new BRP. The migration process will be completed in 2023.
- Finance Modules (CFO): The environments were prepared during 2022, and we defined the processes, implementation of best practices, configurations, data preparation, training for various users, and production outcome.
- People Modules (Success Factor): In 2022, we completed the To Be gathering, prepared environments, and completed configurations, training activities, and production outcomes.

This project involved a major deployment of resources within the Company. A total of 216 processes were identified during the To Be processes through 100 meetings involving over 160 participants from various areas.

The implementation of the project was designed using a Brownfield approach, which consists of conversion and migration from the existing systems, with their functionalities and data, to the new S/4HANA. We plan to complete the final migration and introduction of new processes, modules, and functionalities that did not exist in our old SAP version in 2023.

B) Cybersecurity:

Due to the importance of security and agility in the management of our data, we consistently face the challenge of implementing solutions to respond to business needs and digital transformation. One key decision that we made in this regard was to establish a strategy to migrate a large part of our servers and systems to the Amazon Web Service cloud, a process that involves a series of benefits.

¹ To Be processes refer to the identification of solutions to problems identified during the As Is process.

² As Is processes involve describing the processes as they are actually developed.

