



RED ELÉCTRICA
DE ESPAÑA



2006

CORPORATE
RESPONSIBILITY
REPORT



2006

CORPORATE
RESPONSIBILITY
REPORT



RED ELÉCTRICA DE ESPAÑA

table of contents

00

Letter from the President **4**
Our Company **8**

01

Corporate Governance **16**

02

Corporate Responsibility **28**

03

Technical and Economic Responsibility **42**

04

Our commitment towards our Employees **52**

05

Our commitment towards Society **76**

06

Environmental Responsibility **100**

07

Annexes **131**
Report parameters **132**
Table of GRI contents **134**
UN Global Compact **140**
Contact **141**
Verification Report **142**

Letter from the president





Dear Readers,

I am pleased to submit this report, which we have been publishing now since 2002, with the aim of offering you a transparent and accurate overview of the activities carried out within the scope of corporate responsibility. The report has been prepared and verified based on the new G3 version of the Global Reporting Initiative guide (2006) and for the third year running, has been verified in accordance with the principles of the AA 1000 Norm.

This year has witnessed the closing of our first triennial corporate responsibility plan, thanks to which we have achieved several important objectives, such as the definition and application of our corporate responsibility policy, which includes the principles of the UN Global Compact signed in 2002, the ethics code and the implementation of a management and information system. With the efforts of all those of us who form a part of Red Eléctrica, we have succeeded in development a large number of projects in all areas during this period, and this has made it possible for the company to be included in the Dow Jones Sustainability Index and to be the best rated company in the Ibex 35 Index based on the studies conducted by the Social Corporate Responsibility Observatory and the Social Company Responsibility Observatory.

Within the scope of corporate governance, we are making every effort to adopt the best principles and practices of good governance. This year we have introduced improvements related to information rights and the mechanisms for enabling shareholders to participate in the General Assembly. Furthermore, our foresight has led us to submit several modifications in the company regulations to the decision of the forthcoming Assembly, in order to include certain recommendations of the Unified Best Governance Code, prior to applying them. In addition, and as part of these recommendations, a process of self-evaluation has been established for the Board of Directors, with the assistance of an external specialist.

The financial results for the year have shown the sustained growth of our business activity, as can be seen in the net profits figure, which shows an increase of 23% with respect to the previous year. We have also implemented an important investments programme of more than 500 million euros, for the purpose of improving and extended the transmission grid in order to guarantee quality and safety in the electricity supply and to integrate a maximum amount of renewable energy into the system, at all times under conditions of maximum safety. This investment effort has also allowed us to increase the international interconnections capacity, an essential factor in enabling commercial energy exchanges. Thus, in the month of June, the second underwater cable circuit connecting Spain and Morocco was put into operation.

Our commitment towards our employees is quite evident, firstly through the creation of stable, quality employment, based on the principle of equal opportunities. During the past three years we have incorporated 253 new employees into our head office staff, with a constant increase in female employees. At the present time, 22.4% of all our employees are women, a figure that is considerably higher than the average for the companies in the sector. We should also add to this the fact that 99% of our employees have permanent contracts, since undesired external staff turnover figures account for only 1.5%, thereby confirming the stability of our company in terms of employment.

We have also made great progress in training and coaching our employees and in adopting measures to conciliate professional and family life. We also have extremely strict occupational health and safety systems, and a very low accident rate. However, regrettably, this year four of our employees have died in an air accident in Catalonia, during the course of inspecting some electrical cables. This tragic accident has made us even more vigilant in taking greater precautions and providing specialised training.

Insofar as relations with our different stakeholders are concerned, a great deal of activity has been carried out this year. We have established important improvements in respect of shareholders,

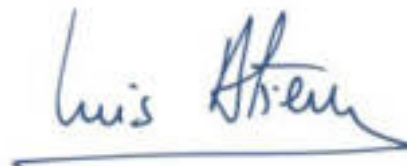
customers, suppliers, the news media and social agents as a whole, based on the satisfaction surveys we carried out last year, which are described in detail in this report.

Our interest in integrating the environmental and social aspects of our business activity has led us to undertake the testing of a sustainability project in Sierra de Gata, an area of great ecological value that houses one of the oldest facilities in Red Eléctrica. In collaboration with the Association for the Integral Development of Sierra de Gata (ADISGATA) an environmental education programme was set up with schools from the area, which concluded with the publication of a book written by the students themselves, describing the activities carried out as part of the project.

With respect to environmental protection activities, our business has been affected by the change in the dimension of Red Eléctrica, which has gone from owning 61% of the electricity transmission grid in 2002 to owning 99% in 2006. This has led to the setting up of an ambitious project to evaluate the environmental conditions of the new assets and if necessary, apply preventive or corrective measures to reduce risks and impacts.

For the future, our most important challenge is to make an effective contribution to ensuring compliance with the energy policy objectives, aimed at guaranteeing a safe, high-quality, environmentally sustainable electrical supply. Facing this challenge means developing an ambitious investments plan, increasing our efforts in the field of technological development and innovation, and, obviously, maintaining a satisfied human team that is highly qualified and united.

We shall focus our daily efforts on ensuring that all these attributes achieve a level of excellence, without forgetting that we must work together with our stakeholders to identify a course of action that will be beneficial to all. As I have already mentioned on previous occasions, maintaining constant, smooth communications with our environment is a guarantee of success for the company that will bring us considerable advantages.

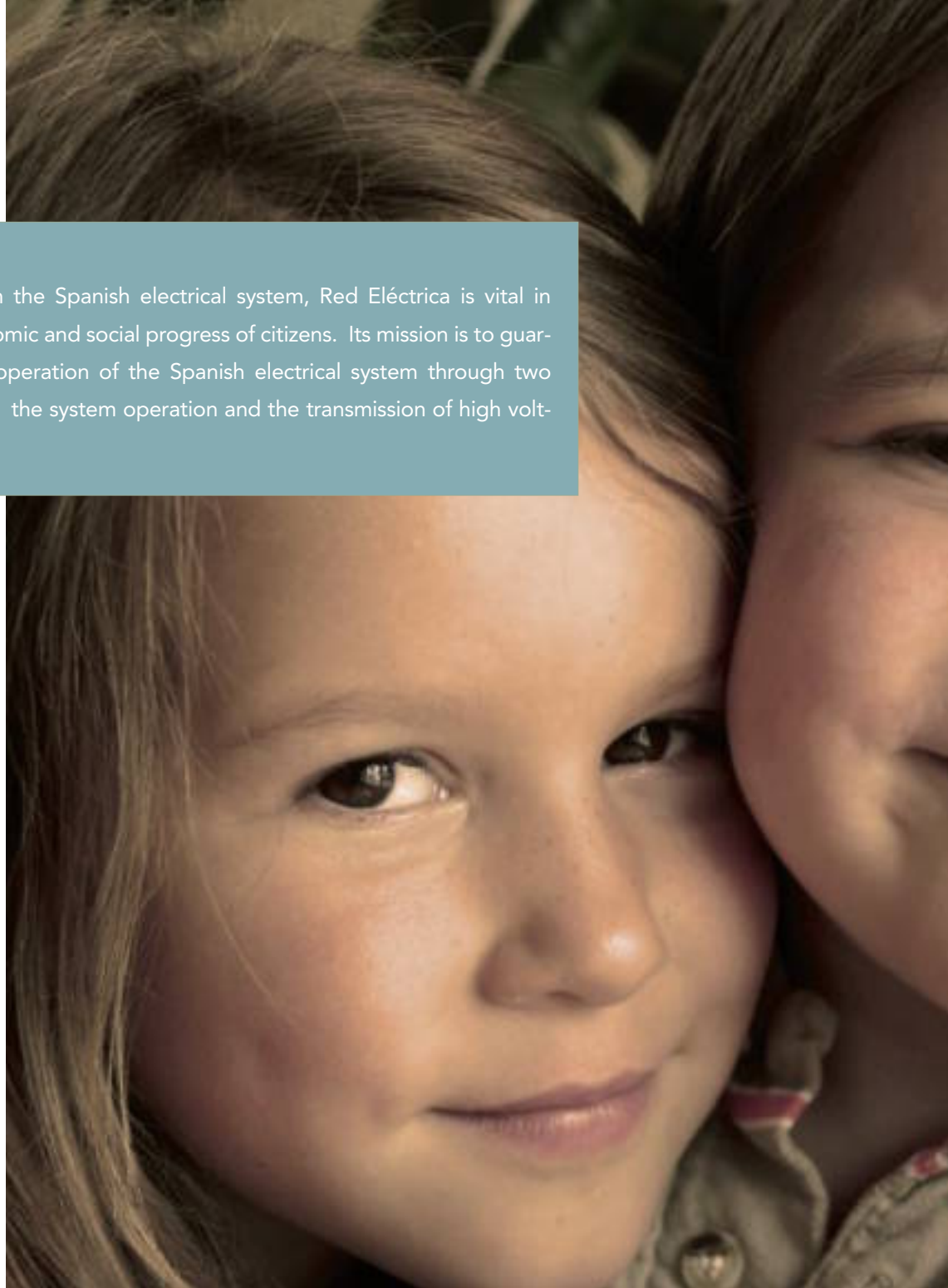


Luis Atienza Serna
President
Red Eléctrica de España

00 Our company

At the service of society

As a key player in the Spanish electrical system, Red Eléctrica is vital in ensuring the economic and social progress of citizens. Its mission is to guarantee the global operation of the Spanish electrical system through two essential activities: the system operation and the transmission of high voltage electricity.



Red Eléctrica guarantees future and wellbeing

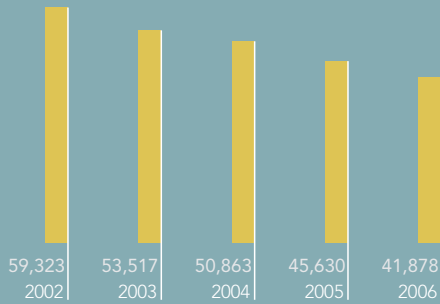


- Independence from the rest of the electrical system operators
- Transparency as a system manager
- Impartiality in taking decisions
- Committed to sustainable development
- Management excellence
- People-based organisation

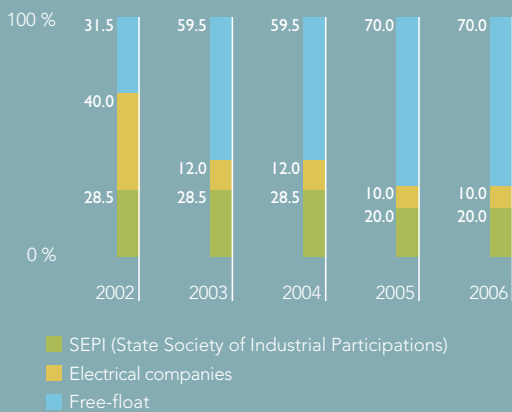
Red Eléctrica de España, S.A. was set up on January 29, 1985 under the provisions of Act 49/1984 (December 26, 1984). This Act created the unified operation of the Spanish electrical system through high voltage grids as a public service provided by the state and managed by a public company. -2.1, 2.6-

Electrical Sector Act 54/1997, incorporating the juridical ordinance of European Directive 96/92/EC, constituted an important step forwards in liberalising the electrical sector, by introducing free competition. This Act confirms the role of Red Eléctrica as a fundamental part of the Spanish electrical sector operation, since it has the functions of system operator, transmission grid manager and principal carrier in the electrical system.

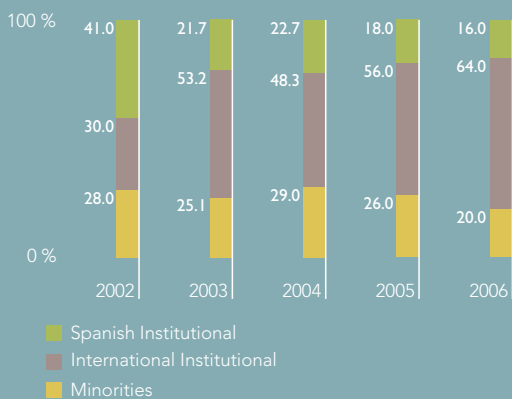
Number of shareholders



Shareholder structure



Free-float structure



In 1999 an important transformation took place in the company in terms of both shareholders and the company itself, when it was converted into a private company. Currently, Red Eléctrica is listed on all four Spanish Stock Exchanges and maintains a free-float of 70%.

An international model of reference

Red Eléctrica is the first company worldwide to engage exclusively in the operation of electrical systems and electricity transmission. Its management model, based on excellence, is aimed at achieving the satisfaction of the needs and expectations of its different stakeholders, by increasing the quality of the services it provides and adding value to the social environment. As a result, Red Eléctrica is today known throughout the world as an efficient, responsible company that provides service to the electrical sector and society in a safe, reliable and effective manner.

A robust, safe, reliable grid

With a mesh grid of more than 33,500 kilometres of circuits, distributed all over Spain and its interconnections with France, Portugal, Morocco and Andorra, Red Eléctrica guarantees the adequate transmission of electricity between generation stations and distribution areas.

These facilities, together with their management systems, involvement and high qualifications of their staff, as well as the investments in research, development and innovation, mean that Red Eléctrica has a robust, reliable and safe transmission grid. These attributes also allow it to operate the electrical system based on strict standards of responsibility, efficiency and transparency, in response to the growing demands made by the Spanish electrical system as a consequence of the increase in electricity demands of recent years.

Group figures -2.8-

Millions of euros	International Financial Reporting Standards ⁽¹⁾				
Main consolidated figures	2002	2003	2004	2005	2006
Turnover	459.9	686.7	738.8	860.2	949.3
Gross Operating Profit (EBITDA)	276.4	439.8	496.4	591.1	651.7
Net Profit	99.9	115.8	135.8	162.4	200.2
Cash-flow after Tax	224.7	320.9	350.7	429.6	465.6
Net Financial Debt	1,507.7	1,914.3	1,845.8	2,791.1	2,612.2
Own Equity	809.3	849.1	876.2	962.9	1,022.0
Total Assets	2,950.2	3,399.9	3,477.1	4,657.3	4,818.4
Total Investments	1,158.7	780.3	274.6	755.5	529.6
Number of Employees	1,168	1,280	1,286	1,401	1,442
Long Term Financial Ratings					
Moody's	A2	A2	A2	A2	A2
Standard & Poor's	AA-	AA-	AA-	AA-	AA-
Sustainability Indexes (global rating)					
Dow Jones Sustainability Index	-	-	57	72	72
Certifications					
ISO 9001 Quality	First companies group in the energy sector to hold the joint certification for all the Group activities, since 2004				
ISO 14001 Environmental					
OHSAS 18001 Occupational Safety & Health					

Information on the electrical sector in Spain

Red Eléctrica de España ⁽²⁾	2002	2003	2004	2005	2006
Adjusted turnover (millions of euros)	458.5	670.3	741.7	743.4	928.7
Investments (millions of euros)	1,158.7	776.4	267.3	748.3	518.3
Electrical lines (km of circuit)	27,006	27,559	27,855	33,096	33,503
Substations (positions)	27,516	32,166	36,153	55,222	55,409
Transformation capacity (MVA)	27,516	32,166	36,153	55,222	55,409
Optic fibre grid (km of cable)	10,000	13,000	13,400	13,400	15,260
Number of employees	936	1,031	1,145	1,255	1,284

RC Certifications

SA 8000 Certificate	First energy company to obtain this certificate in 2005
---------------------	---

Information on Subsidiaries

Red Eléctrica Internacional	2002	2003	2004	2005	2006
Number of employees	10	12	20	20	30 ⁽³⁾
TDE (Bolivia)					
Turnover (millions of euros)	22.3	19.0	18.1	19.6	20.0
Investments (millions of euros)	-	2.0	7.3	7.2	13.5
Electrical lines (km of circuit)	1,946	1,946	1,946	1,962	1,965
Substations (positions)	19	19	19	20	22
Number of employees	106	113	113	126	128 ⁽⁴⁾

RC Certifications in TDE (Bolivia)

SA 8000 Certificate	In progress during 2007
---------------------	-------------------------

(1) In 2006 and 2005 as a consequence of the implantation of the International Financial Reporting Standards, neither the staff nor the investments of Red Eléctrica Telecomunicaciones (Albura) are included, as this is considered available for sale. This company was sold in 2005.

(2) The data for Inalta are included in 2005. In 2006 a merger occurred as a result of Inalta being absorbed by Red Eléctrica de España.

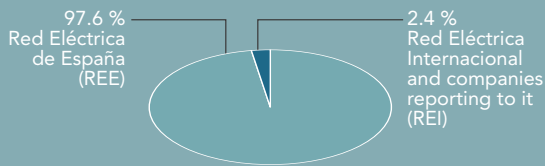
(3) Includes Red Eléctrica Andina (REA).

(4) Includes CYBERCIA.

Main Activities -2.2, 2.5, 2.7-



Distribution of the Group's Turnover



Products and Services provided by Red Eléctrica de España

- Planning and development of the transmission grid
- Transmission grid access management
- Management of discharging and works in facilities
- Information for the electrical market
- Technical feasibility of the resulting market programmes
- Guaranteeing the safety of the system in emergency, alert or replacement situations
- Real-time operation of the electrical system
- Electrical markets
- Technical operating information
- Economic operating information
- Local operation and maintenance of the transmission grid facilities
- Inspection and verification of electrical measurements
- Green certificate management
- Management of the settlements assigned to the system operator

Spanish electrical system operator

Red Eléctrica guarantees the continuity and safety of the electrical supply and the constant and immediate balance between energy production and demand. For this purpose, it plans the energy consumption and operates and supervises the generation and electrical transmission systems constantly, in real time, thereby ensuring that the production programmed in the electrical power stations coincides at all times with the real consumer electricity demand.

Transmission and management of the system

Red Eléctrica owns 99% of the Spanish electrical transmission system facilities, and is responsible for developing and extending the high voltage grid, ensuring the maintenance thereof and improving the traffic of electricity between external systems and the Spanish electrical system, based on homogenous, coherent criteria. In addition, it is responsible for

guaranteeing access by third parties to the grid so that all the agents in the sector can use it under the same conditions.

Other activities

In 1999, the company's international experience led it to develop other business activities, with the aim of benefiting from its experience and technological and financial capacity. Consequently, in 2001 the subsidiary **Red Eléctrica Internacional** was created to channel international investments in electrical transmission infrastructures and manage consultancy projects in the management and operation of electrical grids and systems. These activities make up 2.4% of the Group's turnover.

In 2002, Red Eléctrica acquired 99.94% of the Bolivian firm Transportadora de Electricidad, S.A. (TDE) (www.tde.com.bo). The remaining 0.06% is in the hands of the company's employees. TDE, which has

128 employees, is the owner and operator of the Bolivian National Interconnected System (SIN) which has an 85% share of the national market. Its business activity is to transmit the energy generated by the producers and deliver it to the distributors. It has a indefinite operating licence and almost 2,000 km of high voltage lines, 22 substations and an electrical control centre.

In 1999, the Peruvian company Red Eléctrica del Sur, S.A. (REDESUR) was set up, in which Red Eléctrica has a share of 33.75%. At present, this company has a total of 530 km of 220 kV circuits and four substations, representing a market share of 16%.

The consultancy services are aimed at providing technical and highly specialised business advice on areas where the Red Eléctrica Group has competitive companies and advantages. This activity is being developed for the most part in North Africa, Eastern Europe and South America.

MANAGEMENT STRUCTURE OF THE RED ELECTRICA GROUP (31-12-2006) -2.3-

President

Luis **Atienza Serna**

Staff Management

Assistant Director

Javier **de Quinto Romero**

Director of Legal Counsel

Rafael **García de Diego Barber**

Director of Communication and Institutional Relations

Antonio **Calvo Roy**

Director of Human Resources

José **García Moreno**

Technical Secretary's Office

Agustín **Maure Muñoz**

Business Management

Red Eléctrica de España

General Director of Administration and Finance

Esther **Rituerto Martínez**

General Director of Operations

Alberto **Carbajo Josa**

General Director of Transmission

Carlos **Collantes Pérez-Ardá**

Red Eléctrica Internacional

Managing Director

Luis **Ballester Surroca**

General business model



A strategic element in the development and consolidation of Red Eléctrica's business project is management excellence in its processes, activities, resources and facilities, based on its commitment to sustainable development.

Our commitment to sustainable development

Contributing to sustainable development is one of the principles on which the everyday activities of Red Eléctrica are based. Since it was first created, the company has been clearly committed to society, in a quest for excellence in executing its activities and the creation of wealth based on sustainable practices, showing respect for the environment and providing a safe, healthy working environment and professional training to all its employees.

This commitment has enabled the company to consolidate its position in the most important sustainability indexes, the *Dow Jones Sustainability Indexes* (DJSI), through its inclusion for the first time in September 2006 in the *Dow Jones World Sustainability Index* (DJSI World) and maintaining its position for the second year running in the *Dow Jones STOXX Sustainability Index* (DJSI STOXX).

(1) Certification based on the ILO Conventions and Universal Declaration of Human Rights which takes into account the following criteria: child labour, forced labour, occupational safety and health, freedom of association and collective bargaining rights, discrimination, disciplinary practices, working hours, remuneration and management systems.

In addition, Red Eléctrica holds the SA8000⁽¹⁾ certification for all the company's activities, granted by SGS in accordance with the norm issued by *Social Responsibility International* which guarantees the implementation of a socially accountable management system, commitment to respect human rights and the ethical treatment of people. During this year, our subsidiary in Bolivia (TDE) initiated the certification process based on the principles and requirements of this standard. At the end of the year, it obtained a favourable report during the initial audit, indicating that in 2007, the certification audit can be carried out.

-4.12-

The quest for excellence

The objective of Red Eléctrica is to facilitate and encourage each person in the Group to direct his/her efforts at creating value and achieving the satisfaction of all the company's stakeholders (shareholders, customers, employees, institutions, suppliers, official bodies, society). Adopting the EFQM Excellence Model as a strategic reference makes it possible to think ahead, innovate and continuously improve, and obtain the necessary knowledge to drive and develop the company.

In 2003 Red Eléctrica de España became the first Spanish electrical company to obtain the **European Seal of Excellence + 500 points** awarded by the Management Excellence Club, based on the directives of the **the European EFQM Model**. In 2005 the company renewed this award, following the audit made every two years, with a result of almost 600 points.

Based on the directive of its corporate quality policy, Red Eléctrica holds the **triple quality**, environment and occupational safety and health **certification for all the Group's activities and subsidiaries** (in Spain, Bolivia

and Peru), based on the ISO 9000, ISO 14001 and OHSAS 18001 Standards.

In the environmental field, in addition to the ISO 14001 certification, Red Eléctrica (the parent company) is certified in accordance with the **European Eco-Management and Audit Scheme (EMAS)**, a voluntary system that allows organisations to evaluate and improve on their environmental commitments and disseminate the appropriate information to the general public and other groups of interest.

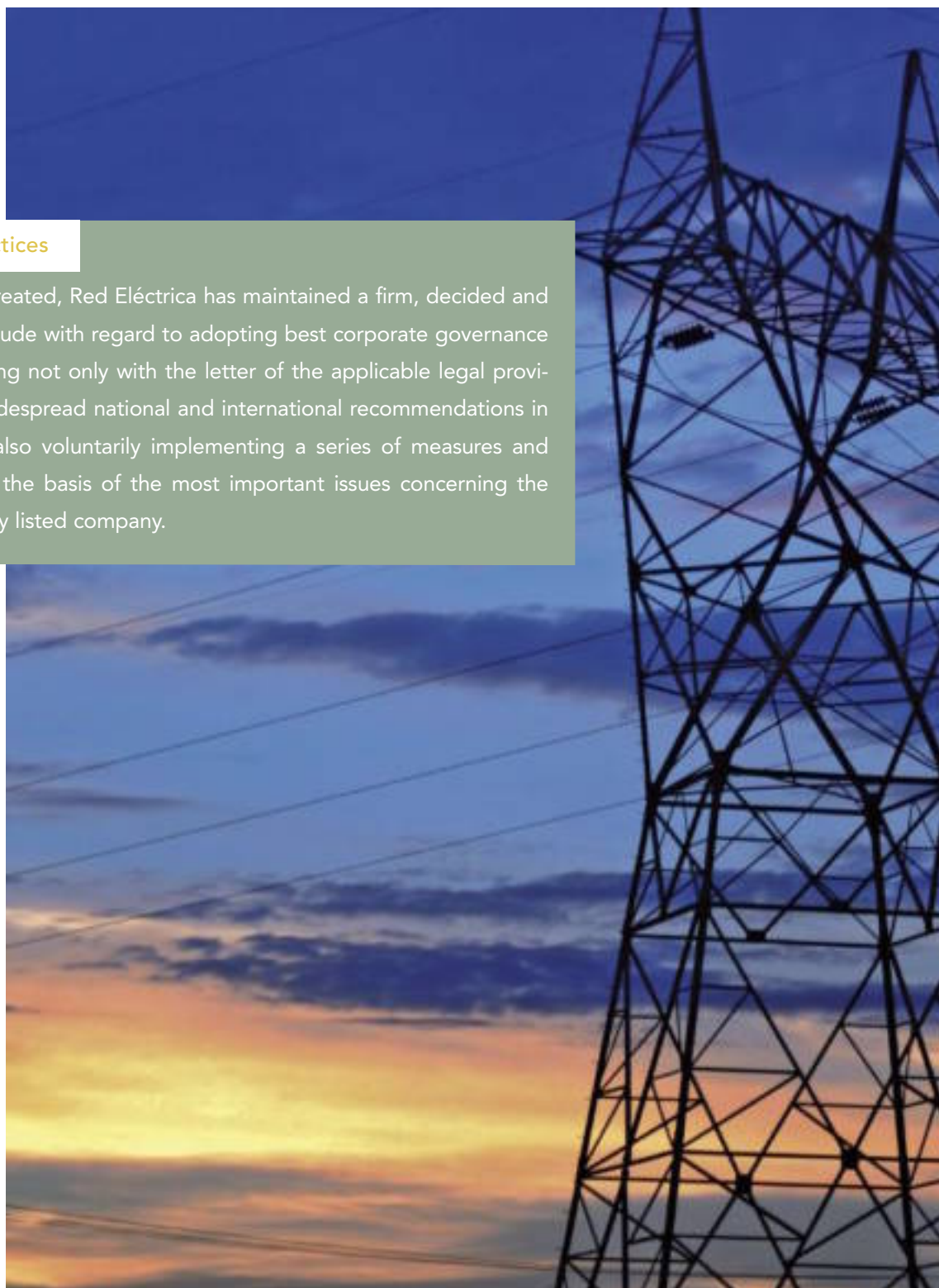
In recognition for the efforts it has made in this field, in 2005 Red Eléctrica was awarded the **Prince Philips Award for Business Excellence** for Industrial Quality.



01 Corporate governance

Best governance practices

Since it was first created, Red Eléctrica has maintained a firm, decided and priority-based attitude with regard to adopting best corporate governance practices, complying not only with the letter of the applicable legal provisions and most widespread national and international recommendations in this respect, but also voluntarily implementing a series of measures and practices that are the basis of the most important issues concerning the shareholders of any listed company.



Organisation governance structure



The Board of Directors of Red Eléctrica voluntarily perceives and assumes that best corporate governance principles and practices constitute a fundamental strategic element which should form a part of the Company's philosophy in its everyday efforts to attain maximum excellence and organisational diligence. Consequently, since 2000 the Company, being fully aware of the competitive edge added by implementing such principles and practices, has undertaken the preparation of an annual corporate governance report to demonstrate to its markets its deep and constant concern for incorporating elements of good corporate governance into its everyday organisational procedures, at all times.

In this respect, Red Eléctrica makes a continuous effort to attain maximum business diligence through consciously and intentionally adopting best corporate governance principles and practices over and beyond the legally-established requirements, both with regard to the structure and operation of the Company's bodies of management and with regard to the perfect concordance thereof with its business vision and with the commitments and responsibilities undertaken with respect to its shareholders, consumers and society.

Note: This chapter contains only a synthesis of the corporate governance report prepared annually by the Company which gives a complete and detailed picture of the Company's equity and governance structure, the obligations of the board of directors and in general, all matters considered relevant by shareholders, investors and markets for obtaining greater knowledge about the Company. All the information related to this is available in the Company website (www.ree.es).

Governance provisions applied by the Company -4.6-4.7-4.8-

Articles of Incorporation

These are constantly adapted in keeping with best practices, and to this effect, they have been modified on successive occasions by the Ordinary and Extraordinary General Assemblies of the Company held in 2003, 2004 and 2005.

Regulation governing the Board of Directors (BDR)

This was approved by the Company Board of Directors on November 18 2003, modifying the previous Regulation dated June 8, 1999, with the following main purposes and characteristics:

- To establish the basic rules for the organisation and function thereof and implement rules of behaviour for all the Board Members.
- To determine the supervision and control systems adopted by the Board with a view to achieving the highest professional standard and efficacy in all activities.
- To encourage the active participation of all its members, placing the interests of the company and its shareholders before their own individual interest, based on respect for the Law, the Company Articles and best corporate governance principles.

The Regulation has been registered with the NMSC and entered in the Mercantile Register.

Regulation governing the General Shareholders Assembly (RGSA)

Based on the resolution passed by the Board of Directors on June 23 2003, the Regulation was approved by the Ordinary and Extraordinary General Assembly of Shareholders of the Company on July 17 2003. The RGSA stresses the following aspects:

- The incorporation of the basic principles of the shareholders' articles, in line with best governance practices.
- The adopting of all new forms of protection and participation for shareholders.
- Maximum recognition of shareholders' rights.

The Regulation has been registered with the NMSC and entered in the Mercantile Register.

Internal Regulation governing Securities Market behaviour (IRSMB)

The applicable IRSMB was approved by the Board of Directors of Red Eléctrica on July 20, 2003. This document, which replaces the previous texts on the subject, approved in 1994 and 2003, goes beyond strict legal requirements, and is part of the reiterated objective of the Company with respect to implementing best corporate governance practices. The most relevant aspects of the IRSMB are:

- Its adaptation to the recent legislation on market abuses, treatment of privileged and relevant information and the obligation to notify the NSMC of shares held by Executive Officers and Directors.
- Approval of the procedures related to transactions involving the Company's own shares (own equity transactions).

The IRSMB has been registered with the NSCM.

Independent Director's Statute

Approved by the Board of Directors on May 27, 2004. It was drafted voluntarily by the Company following a lengthy process of analysis by the Board of Directors and establishes the following, among others:

- The fundamental principles of the legal system governing that type of Director in keeping with the action criteria laid down by the Company Articles, offering continuity to the approach of ongoing adaptation to best governance practices.
- The criteria for ensuring better definition and transparency in the procedure of electing Board Members.
- A detailed regulation of the requirements and incompatibilities for Board Members with a view to strengthening their role and protecting minority shareholders.

The Statute has been registered with the NSCM.

Procedure for delegation, voting and provision of long-distance information

By virtue of the applicable legislation and internal regulations, the Company Board of Directors for the first time adopted a procedure for the use of electronic voting at the Ordinary General Shareholders Assembly held on May 26, 2005.

On March 23, 2006 the Board of Directors established a procedure which, in addition to the electronic vote, can be considered an innovation in that it enables the use of long-distance procedures of delegation, the option of voting by post and issuing duplicates of the attendance, delegation and voting card, and the possibility of requesting information using electronic means, all of which is in accordance with the provisions of the Company Articles and the General Assembly Regulation.

These provisions are permanently available for consultation at the website (www.ree.es)

The Company's corporate governance provisions are constantly modified in order to improve with respect to the information rights of its shareholders and greater informative transparency. In 2006 the modifications introduced had the following major aims:

- The extension of shareholders' rights with regard to information and attendance at General Assemblies (the right to attend, calling, inclusion of business for discussion, consultations and requests for information, delegations and voting).
- Requests for and obtaining of information using telematic means and by post.
- Encouraging the participation of the shareholders in the Assemblies, and improving the options of using electronic means.

In addition, during the Ordinary General Assembly of Shareholders to be held in May 2007, certain modifications to the Company Articles and the RGSA are to be submitted to the decision of the Assembly, in order to incorporate, prior to its entering into effect, specific recommendations contained in the Unified Best Governance Code for Listed Companies (UBGC) approved on May 19 2006 by the Special Work Group providing advice to the National Securities Market Commission regarding harmony and updating of the recommendations made by the Olivencia and Aldama Reports on best governance of Listed Companies.

Although the Company complies with practically all the recommendations set forth in the UCBG and the Special Group specifies therein that the recommendations are not required to be complied with by the NSCM until the presentation in 2008 of the respective annual reports on corporate governance for 2007, Red Eléctrica considers it appropriate to gradually and voluntarily assume the recommendations of the UCBG.

General Shareholders Assembly

-4.4, 4.10-

The General Assembly, duly convened and legally constituted, represents all the shareholders and exercises the powers and functions that correspond to it within the Company. Its resolutions, passed in accordance with the Assembly Regulation and Company Articles, are binding on all the shareholders without detriment to the legal right of separation. The General Assembly is competent to adopt all the resolutions pertaining to its status of sovereign body of governance of the Company. Its rules of organisation and operation are set forth in the Company Articles (articles 11-18 both inclusive) and in the RGSA which in 2006 were adapted to the recent legislation which establishes new terms for calling the Assemblies and the validity of such Assemblies, even though these are called or held outside the legal term.

The shareholders' rights of information, participation and attendance have been implemented beyond the legal requirements, in the Company Articles and the General Shareholders Assembly Regulation. In particular, shareholders' rights have been extended with respect to information and attendance at general assemblies, by facilitating the requesting and obtaining of information, without the obligation to hold a minimum number of shares to attend the Assemblies.

Likewise, we should mention the consolidation of the contents of the Company website as an instrument of communication with its shareholders and investors and its adaptation to the requirements of Order ECO/3772/2003, of December 26, 2003 and circular letter 1/2004 dated March 17, 2004 of the National Securities Market Commission (NSCM).

With respect to transparency in the mechanisms for delegating votes at general assemblies, we should

mention that article 2 of the General Shareholders Assembly Regulation sets forth that among other aspects, the Company's website will post information on the communication channels between shareholders and the Company and the opportune explanations on exercising their right to obtain information, indicating the postal and electronic addresses that shareholders can use and the means and procedures for conferring representation at the General Assembly and for long-distance voting, with the approved forms for carrying out all the above.

For the first time, in 2005 Red Eléctrica decided to implement the electronic voting system, and is one of the first companies to use this system, which enables shareholders to exercise their right to vote using electronic means, via the corporate website, www.ree.es.

In 2006, continuing with the Company's policy in adopting best corporate governance practices, yet another step was taken and new improvements were incorporated to facilitate the participation of all shareholders in the General Assembly, by telematic means. These measures are as follows:

- The option of exercising long-distance delegating and voting rights;
- The possibility of obtaining duplicates of the attendance cards by e-mail; and
- The option of requesting information on the business included in the agenda at the Assembly by e-mail.

In accordance with the most recent corporate governance practices, the proposals were presented to the General Assembly as separate items, so that after each one had been voted separately, each shareholder had total freedom and independence with respect to its decision in relation with each item put to the vote. In this respect, we should mention the individual vote for

the appointment of each Board Member, implemented for the first time.

Board of Directors -4.1-

In 2006 Red Eléctrica has continued to maintain an important majority number of independent Members on its Board of Directors. At the end of the year, the Board was formed by eleven members -seven external independent members (63%), three external proprietary members and one executive member -4.3-. This composition responds adequately to the current structure of the company shareholders and to corporate governance recommendations.

Its composition, organisation and functions are implemented by the Company Articles (articles 19-26) and the Board of Directors Regulation dated November 18, 2003. Both documents are posted in the Company website (www.ree.es).

During 2006 the Company Board of Directors commenced a self-evaluation process, carried out via its Appointments and Salaries Commission, on its internal functions and both its Commissions (the Audit and Appointments and Salaries Commissions).

In 2006 that self-evaluation process was carried out in the light of the recommendations contained in the Unified Best Governance Code for Listed Companies ("Conthe Code"). The process was executed with the support of an external expert through personal consultation with each Board Member and the members of the two commissions.-4.10-

At its meeting on March 22, 2007, after observing the practical unanimity in the responses of its members, giving a positive global rating with respect to observ-

Board of Directors -4.2, 4.3-

Name of Director	Position Commission	Type of Director	Audits & Control Committee	Appointments & Salaries Commission	Salary in 2006 ('000 Eur)
Luis Atienza Serna	President	Executive	-	Member	755
Juan Gurbindo Gutiérrez (SEPI)	Member	Proprietary (SEPI)	-	Member	172 ⁽¹⁾
Manuel Alves Torres (SEPI)	Member	Proprietary (SEPI)	Member	-	172 ⁽¹⁾
Rafael Suñol Trepal (SEPI)	Member	Proprietary (SEPI)	-	-	146
Pedro Rivero Torre	Member	Independent	Member	Member	199
Antonio Garamendi Lecanda	Member	Independent	-	President	174
José Riva Francos	Member	Independent	-	-	146
José Manuel Serra Peris	Member	Independent	-	-	146
María de los Ángeles Amador Millán	Member	Independent	-	-	146
Martín Gallego Málaga	Member	Independent	-	-	146
Francisco Javier Salas Collantes	Member	Independent	President	-	172

(1) Amounts paid by the SEPI (State Society of Industrial Participations).

ing the recommendations of the Conthe Code, and the virtual absence of all those who have not complied with it to date, the Board of Directors decided to set up a process for giving thought to and adapting the internal regulatory framework in order to continue maintaining high levels of transparency and good governance.

In accordance with the best corporate governance recommendations, the mandate of independent directors, and the rest of the directors, is set at a term of four years, and these directors may stand for re-election indefinitely. Likewise the Board Regulation establishes that the resignation of external proprietary directors or independent directors should not be proposed prior to the expiry of the statutory term for which they were appointed, except in the case of there existing sufficient cause and based on a report issued by the Appointments and Salaries Commission. The age of 70 (seventy) is established as the maximum limit for occupying the position of board member.





Audits Committee -4.1-

The Audits Committee is formed by three members. In 2006 it was formed only by external directors; one proprietary director and two independent directors, one of whom occupies the position of President. The Committee meets at least every quarter and every time a meeting is called by the President or requested by two of its members, provided that the Board or its President requests the issuing of a report. The Audits Committee has met on nine occasions during 2006.

Appointments and Salaries Committee -4.5-

The Appointments and Salaries Committee is formed by four members, three of these external and one executive. Of the external members, the majority (two) are independent, and one of these occupies the position of President. The Committee meets with the appropriate frequency for the proper development of its functions and in all cases, every quarter, whenever a meeting is called by its President or requested by two of its members, and every time the Board of Directors or its President requests the issuing of a report or adopting

of a proposal. This Committee has met on nine occasions during the course of 2006.

Remuneration paid to Directors -4.5-

The Board Regulation establishes that a mention must be made in the annual report drawn up by the Appointments and Salaries Committee of any handing over or assignation of shares, share options or systems referenced to the share value, in the case of remuneration paid to directors, and a breakdown of salaries paid in cash and in kind, bonuses, pension schemes and other compensation that might be paid. A breakdown of the individual retribution paid to each board member in 2006 is included in the corporate governance report.

External audits

Based on the applicable best practices, the Board Regulation foresees that relations with external auditors must be channelled through the Audits Committee. The Board of Directors must refrain from contracting any auditor firms in which the fees to be

paid for all concepts are in excess of ten percent of its total revenues during the past year.

In accordance with the recommendations on best corporate governance, the General Shareholders Assembly approved the substitution of the Company and Companies Group auditor in item nine on the agenda.

Fees paid by the Company and Companies Group to external auditors during 2006 do not represent a significant percentage of the total revenues of the auditing firm. Likewise, fees for professional services other than auditing services paid to companies directly or indirectly related to the auditing firm are not relevant and do not affect either the Company's strategy or planning in general.

Risk management -1.1, 1.2, 4.9, 4.11-

Management approach

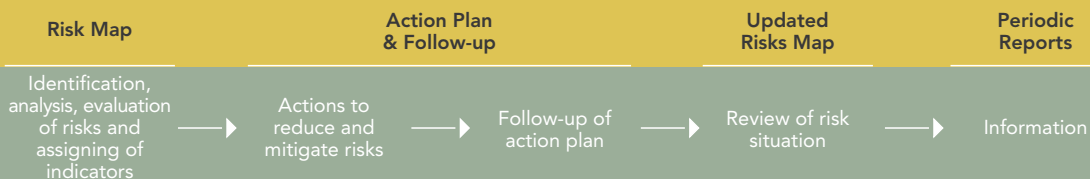
The Group risks policy, approved in 2004, aims to establish the principles and directives for ensuring that relevant risks which could affect Red Eléctrica's objectives and business activities are identified, analysed, assessed, managed and controlled, and that these processes are carried out systematically and based on uniform criteria. Relevant risks for the Red Eléctrica

Group are considered to be those that could significantly affect its business objectives, the purpose of which is to generate sustained added-value over time, or the fundamental functions it has been entrusted with in Spain and other countries, so that the Company can avail itself of an essential supply, that of electricity.

The most important risks to which the Group is subject, and which are included in the risk control system, are: a) Regulatory, since the main Group activities are subject to regulation, b) Operational, stemming fundamentally from the activities it has been assigned in the electrical system and the demand for care and protection for the environment, c) Market-based risks, due to the fact that most of its revenues, and determined expenses could be affected by the evolution of variables such as inflation or interest rates, d) Business and Credit-related risks (counterpart risks) although to a lesser extent due to the reduced importance of its subsidiaries in the Group as a whole and the regulation on billing and collection of transmission and operating activities.

The comprehensive risks management system covers both risks derived from internal processes and risks stemming from the environment in which it operates, encompassing all the Group's activities, and is in keeping with its risk profile.

Comprehensive Risk Management System Diagram





Participants in comprehensive risk management:

- Board of Directors
- Audits Committee
- Management Committee
- Secretary-General President's Office
(responsible for management)
- All the organisational units

Each organisational unit identifies the risks of the processes / projects for which they are responsible, taking into account at least the following aspects:

- the general explicit or implicit objectives of the process or activity
- the key factors for their successful development
- any external and internal factors threatening their development.

The Office Technical Secretary of the President's Office collaborates with the organisational units to ensure the unification of criteria and application of the established method. Each time a new risk is identified, it is included in the "Consolidated list of identified risks".

In analysing risks, the likelihood of their occurring is considered (based on the critical factors that

determine whether or not the risk will occur, the weighting thereof, the Company's situation with respect to each critical factor and the assigning of a global evaluation for all the factors), and the impact in the event of it materialising (based on the effect on the profit and loss account, or its social or image effect). Once the final evaluation has been made, it is compared with the admissible risk level. If the risks do not surpass this level, the persons responsible for the processes or projects in question decide whether or not to implement actions. If the risks exceed that level, an action plan is designed to minimise or reduce the effects, and incorporated into the Company's Plan.

The Technical Secretary of the President's Office and units responsible for managing the processes regularly follow up the evolution of the action plans and compare the effectiveness of those plans and their effect on the risk evaluation. The frequency of this follow-up is quarterly for high-level risks, six-monthly for medium-level risks and annual for low-level risks.

Actions carried out in 2006

The main aspect to be mentioned for 2006 was the continuation of improvements in operational risks, mostly due to the actions carried out for adapting the acquired facilities to the traditional REE standards.

Of all the risks monitored by the Comprehensive Risk Management System, during this year, 74% correspond to operational risks, 16% to regulatory risks and 10% to business, market or credit risks. Among the operations risks linked to the directives included in the corporate responsibility policy and the company's commitment to sustainable development, are the following:

Risk	Aspect	2006 Action Plan
Related to Electricity Supply	Failure in facility equipment	Facilities renovation and improvement plan
	Saturation of existing facilities in dealing with growing demands	Re-powering of lines and increasing of transformation capacity
	Need for constructing facilities to cover the System's needs (wind farms, meshed grid, high speed train, etc.)	Increase in the construction of facilities for covering the electrical infrastructure plan approved by the State
Related to Personnel	Motivation of staff to reach the company's objectives	Review of the personnel appraisal system Development plans for technicians and directors Conciliation measures
	Aging of the personnel	Voluntary early retirement plan Hiring of young employees with great potential Implantation of a succession policy
	Adapting of occupational risk prevention measures	Maintain and improve on structured prevention in accordance with the OHSAS 18001 standard
Related to climate change -EC2-	Incorporation of renewable energies into the electrical system: solving of technical problems in incorporating wind energy	Review, design and development of system operating procedures
		Execution of topological actions to reduce excess voltage
		Setting up of a Special Regime Control Centre (CECRE). R+D+I Wind on the Grid project
Others related to environmental and social aspects	Contamination of the soil in the facilities	Review of the situation of the acquired facilities
		Continue with the plan for constructing containers for preventing spillages of oil in the transformers
	Delays in the construction of authorised facilities due to social rejection	Social acceptance programmes for projects: successfully applied in specific projects
		Review and re-designing of the formalisation process Strengthening of agreements with borough councils

The Comprehensive Risk Management System has introduced several improvements in 2006, including the incorporation of historic data series into the risk indicators and the automation of part of the process through developing a computer tool to support it.

Red Eléctrica has participated with other European companies and a reputed consultant in preparing five documents on enterprise risk management (ERM). The aim of these documents, drafted in the Union of the Electricity Industry (EURELECTRIC) risk management group was to define best ERM practices as a reference for the electrical sector.

Risk of corruption and fraud -SO2-SO4-

The processes of Red Eléctrica are included in structured systems that comply with international reference standards (ISO 9001, ISO 14001 and OHSAS 18001), and their design includes controls to mitigate or reduce the main risks associated thereto, including the risk of corruption and fraud. These processes are submitted to systematic internal and external audits.

The processes considered as being exposed to the risk of corruption and fraud are audited by the internal auditing service every year and specific tests of this risk are incorporated. All the company units intervene in some of these processes. The tests and analyses

Processes in which the risk of corruption and fraud is audited:

- Services and equipment purchase management
- Financial and payments management
- Salaries
- Construction/works

carried out in 2006 amounted to 15 of the 18 company management departments. In 2006 one case of fraud was detected, and the pertinent disciplinary measures have been taken.

Ethical code and corporate values -4.8-

Performance indicators

	2004	2005	Objective 2006	2006	Objective 2007
Management indicators					
Degree of risk management coverage (%) ⁽¹⁾	38.89	57.14	≥75	62.70	≥75
Improvement in avg. weighted value of risks compared to previous year ⁽²⁾	n.a.	0.8343	≤1	0.8449	≤1
External Evaluations DJSI ⁽³⁾ (0-100)	88	100	-	70	-

(1) (Risks processed/risks detected)*100. With respect to 2006, 37.3% pending processing correspond to risks with low level evaluations and actions have been taken for all the high and medium level indicators.

(2) Avg. weighted value year n/avg. weighted value year n-1.

(3) The fall recorded in 2006 is due to a modification in the evaluation criteria of the DJSI and therefore it is not comparable with previous years.

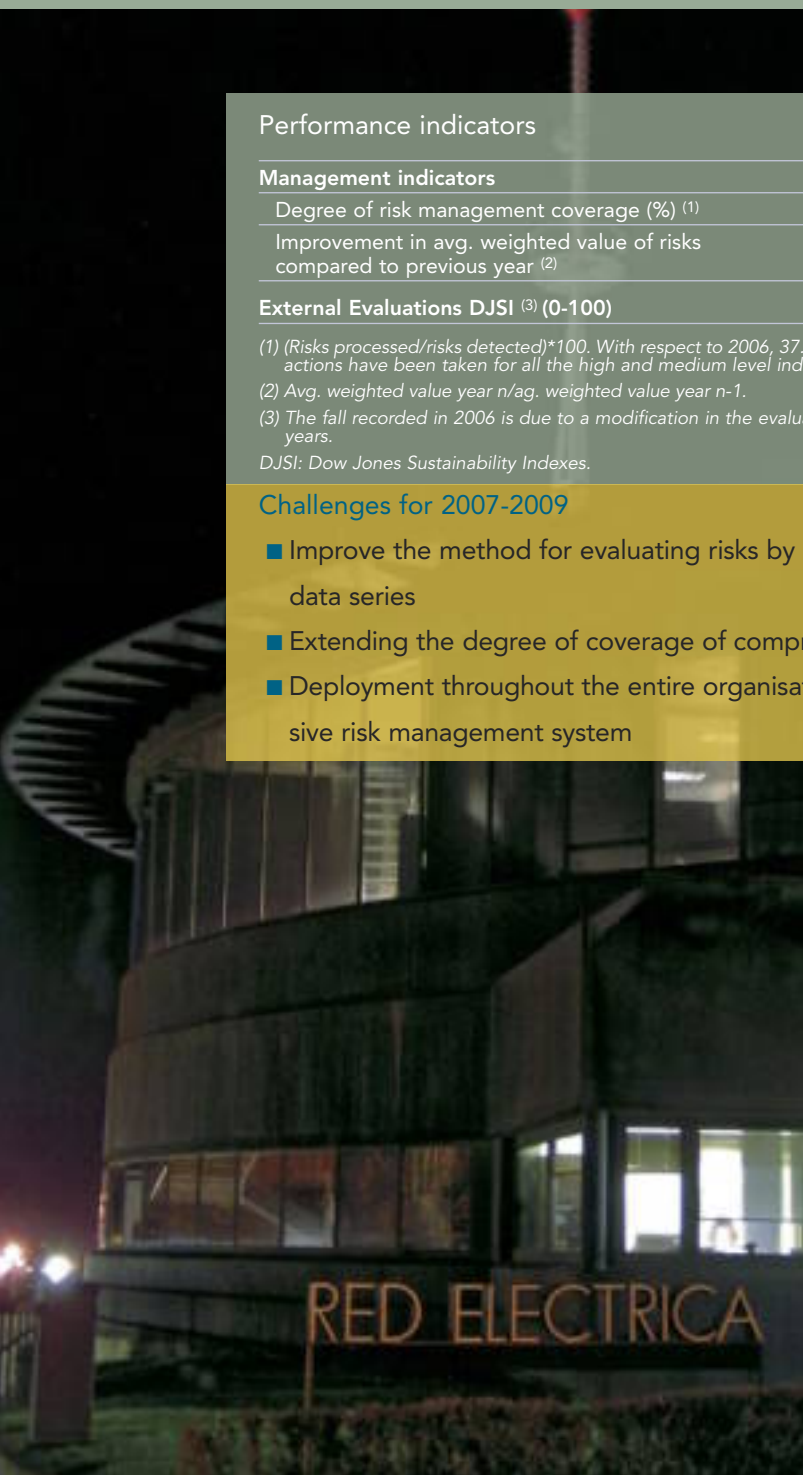
DJSI: Dow Jones Sustainability Indexes.

Challenges for 2007-2009

- Improve the method for evaluating risks by incorporating the statistical processing of historic data series
- Extending the degree of coverage of comprehensive risk management to 100% of the same
- Deployment throughout the entire organisation of a computer tool to support the comprehensive risk management system

Since it was first set up, Red Eléctrica has regarded compliance with the strictest ethical management principles as an essential premise. In this direction, in 1988 it published a preliminary document entitled Basic Principles of Action. These principles have served as a platform upon which has been founded the excellent company known today as Red Eléctrica.

The current trends and new commitments assumed by Red Eléctrica in acting as a responsible company towards its stakeholders have made it necessary for it to review and adjust its principles of action and corporate values, as well as those of its employees. Today, the Company is moving ahead in its responsible and ethical commitment by defining new corporate values and



an ethics code that are better integrated into the principles of sustainable development and the satisfaction of all its stakeholders.

The designing of its ethical code has been carried out based on a state-of-the-art analysis from the internal and external standpoint. The internal analysis was based on studying the existing corporate values, the existing documents on internal conduct and interaction of the company with its different stakeholders.

The external analysis was aimed at showing the degree of acceptance of ethical codes as management tools, the necessary organisation structure for implementing them and identifying best practices. For this purpose the management codes and systems of 22 organisations belonging to the electrical sector and also leading companies in this field were analysed, as well as the recommendations and principles set forth in different standards and declarations (Sarbanes Oxley, SA 8000, ISO 26000, OECD, ILO, Universal Declaration of Human Rights, requirements of the DJSI and FTSE4 Good sustainability indexes, Global Compact, SGE21, responsible companies best governance codes, etc.)

The corporate website will shortly be posting the new ethical code and its management system, for the purpose of identifying any non-compliances in order to resolve or eliminate them.

External evaluations (DJSI)

	2004	2005	2006
Ethical Codes, corruption and bribery (0-100)	38	53	70

DJSI: Dow Jones Sustainability Index

New Ethical Code -HR3-SO3-

Objectives

- To institutionalise the values, standards and criteria of decision that define the company's business project and which must govern all the activities of the organisation.
- To create a company philosophy and ethical climate that will strengthen the identification of the company personnel with a common project.
- To be a strategic instrument in creating, maintaining and developing trust.
- To define the responsibility, rights and obligations of the company and its commitment to satisfying the demands of its stakeholders.
- To communicate the nature of the company to its stakeholders, thereby creating a public image.
- To generate credibility in society, through defining its social and environmental commitment and the measures to be implemented for achieving this.

Characteristics

- A shared code: Prepared by the Corporate Responsibility Management Commission with the support of the RC Operations Team, all the employees were given an explanation of the code and invited to forward their comments and suggestions, with a result of 102 comments from 79 employees.
- Global in scope: Endorsing of the commitments established in the code by 100% of the Red Eléctric Group employees, by means of their signatures.
- It is based on new corporate values: the Ethical Code is a reflection of the corporate values, philosophy and principles by which the company and all those who work in it must be governed.
- Follow-up and evaluation of compliance with this code is guaranteed through a management system that will identify, evaluate and correct any possible non-compliances reported by any interest group (both internal and external), maintaining all due confidentiality and without taking reprisals.

02 Corporate responsibility



Responsible commitment

The Red Eléctrica Group carries out all its business activities based on responsible commitment, and is fully aware of the importance of its activities in the economic development and wellbeing of society in general. We are convinced of the need to combine the creation of added-value with social improvements, environment conservation and the professional and personal betterment of our employees, in a context of equality, and at all times based on an ethical, transparent attitude.

Corporate responsibility policy principles - 4.8-

To promote best corporate governance practices in management, ensuring compliance with the legislation, transparency, business ethics and correct risk management.

To orientate the activities of the Red Eléctrica Group towards defending its feasibility and value in the short, medium and long term for all its stakeholders, by offering services that guarantee its image and reputation.

To create an open communications channel with its stakeholders, in order to ascertain their requirements and expectations and improve their satisfaction, provide truthful information and guarantee maximum transparency and the open exchange of information at all times.

To foster support for the betterment of society, by participating in projects of general and social interest, educational, cultural and scientific programmes, paying special attention to the communities in which the Group performs its functions.

To regard the betterment and satisfaction of people as an essential element in achieving the Red Eléctrica Group objectives, paying special attention to attitudes and conducts, non-discrimination, the search for equality, in terms of salary, working hours, development and evaluation), professional development, occupational safety and health, the working environment, the integration of people, and the conciliation of personal and professional life. All disciplinary measures will be taken in accordance with the applicable legislation.

To ensure compliance with fundamental human rights, freedom of association, the right to undertake collective bargaining, the abolition of child labour, the abolition of forced or coerced labour and any other practice that can be taken as an infringement of individual or collective dignity.

To maintain a firm, preventive commitment in respect of environmental conservation and the rational use of resources.

To scrupulously respect the applicable legislation in the sectors of activity and countries where the Red Eléctrica Group operates, and avoid becoming involved in corruption of any kind, including extortion and bribery.

Management approach -1.2-

The corporate responsibility model of the Red Eléctrica Group is the main framework based on which significant impacts of the company related to sustainability are controlled. Challenges, critical factors, opportunities for action and priority actions can all be identified, based on reflection and dialogue with its different stakeholders. Similarly, a system of indicators has been established, whose evolution over time will enable us to judge whether we are making progress, moving



Detailed information about the corporate responsibility management system used by the Red Eléctrica Group is available at http://ree.es/index_rc.html

Organisational structure

CA Management Commission

Technical Secretary's Office Director (President)
 Head of the Corporate Responsibility and Quality Department (Secretary)
 Director of Communication and Institutional Relations
 Director of Human Resources
 Director of Legal Counsel
 Director Engineering and the Environment
 Financial Director

CA Operations Team

Head of the Corporate Responsibility Department and Quality Department (President)
 Head of the Corporate Responsibility Department and Quality Department (Secretary)
 Head of the Communication and Corporate Image Department
 Head of the Accounting and Administration Department
 Head of the Organisation and Labour Relations Department
 Purchases Department Manager
 Legal Counsel Department Manager
 Trade Union representatives (SIE; CC.OO, and UGT)

ahead or backwards in the complex area of competition and opportunities in this enormously challenge posed by sustainable development.

The basic lines of activities to be developed in the short term are implemented in the long term, through the appropriate annual programmes. For the purpose of monitoring these, Red Eléctrica has a system of indicators, the most strategic element of which is the RC Control Chart.

Organisational structure

Success in managing these programmes is largely due to the consolidation of the organisational structure designed in 2004. This structure is made up of a management commission, a technical operations team and a management department.

The Corporate Responsibility Management Commission is responsible for implementing the corporate responsibility policy and guaranteeing the correct operation of the management system. It also exercises the function of providing support and advice to the Management Committee and Board of Directors in this respect. In 2006, the Commission met on 20 occasions.

The second level of responsibility is occupied by the Operations Team, which identifies and evaluates the best practices and standards applicable, based on the commitments established in the CA policy and model. It also exercises the function of coordinating all projects developed in this area.

Transversally, the Corporate Responsibility and Quality Department is responsible for the management system, guarantees correct coordination between all the units involved and supervises internal and external performance evaluations that have to do with CA.

Stakeholders: participants in business management -4.16-

Among the success factors of the Red Eléctrica Group is the integration of the needs of its different stakeholders in taking decisions concerning the company and in the management of processes. The existence of effective, efficient, constructive relations with these groups guarantees the success of the projects set up and the optimum development of the company's processes and activities.

This active commitment is a constant in the directives of the Red Eléctrica Group and occupies an essential place in the Group's management model and in analysing its operating environment. One of the information sources analysed in designing and adjusting strategies and actions plans are the requirements, needs and expectations of its stakeholders, since they are essential in identifying possible risks and opportunities offered to the Red Eléctrica Group by its economic, social and natural environment.

The Red Eléctrica Group has identified eight stakeholders with different levels of priority, depending on their impact and frequency of interaction with the organisation. A full list, the first segmentation level and the priority for each interest group are given in the matrix table of stakeholders. -4.14.-

In 2006 the first diagnosis of the relations framework designed by the company with its stakeholders in 2004 was performed. This study is part of an annual organisational analysis on the development and implementation of excellence. On the other hand, the GRIN information system has been designed, which will gather all the information on the different stakeholders and the activities carried out with each one, for the purpose of obtaining statistical data that

will enable us to evaluate the quality of the relations framework and identify synergies, duplicities and areas for improvement. This system will be implemented in 2007.

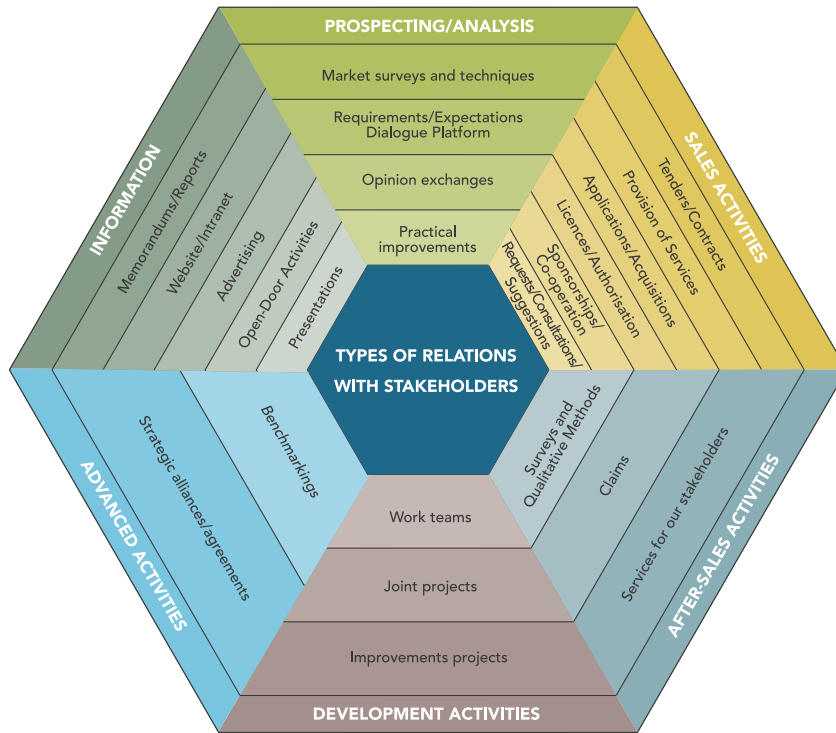
The current frameworks of action will be reviewed for each interest group, depending on their development over time, before during or after providing the service.

Stakeholders matrix chart -4.14- 4.16-

Category/Segmentation	Priority
Shareholders	
Institutional	High
Minority	High
Clients, market agents and regulatory bodies	
System operation (electric companies)	High
Transmission of energy (electric companies, maintenance and engineering clients)	High
Official bodies and administrations	High
Electrical market (agents)	High
Employees	High
Suppliers	
Of goods and services	High Medium Low
Of financial capital	Medium
Contracts	Medium Low
Of human capital (TEAs)	Medium Low
Partners	Medium Low
Social	
Ministries, regional communities, confederations, etc.	Medium
Borough Councils	High
Business institutions and associations	Medium
Educational and research centres	Medium
Trade Unions	High
Financial Analysts	High
Ecological Groups	High
NGOs and foundations	Low
Society in general	Medium
The press	High
Markets/sectors	Medium

High ■ Medium ■ Low ■

The prioritisation criteria are established depending on the volume, critical nature and specific importance of each of the stakeholders. In some cases, various levels of priority are included which show the casuistry of the different individual groups which are grouped together into one segment (for instance, Suppliers).



The relationship frameworks defined for each group enable us to identify their main concerns and aspects of interest, analyse their repercussions on the organisation and design and implement actions that will solve or have an impact on them.

In addition, since 199 the Red Eléctrica Group has been working with its stakeholders to identify their requirements and expectations and measure their degree of satisfaction with the actions taken by the company in each relationship it has with them.

Consequently, during the past two years a great effort has been made to integrate stakeholders that were hitherto not included into this dynamic. In addition to clients and employees, in 2005 our satisfaction surveys were extended to suppliers, trade union organisations, universities, the press, opinion institutions and entities, ecological groups, NGOs, borough councils and citizens in areas in which the company is present. During this year surveys have again been conducted on clients, employees, financial analysts and trade union organisations.



In 2006 the first management plan of improvement actions has been concluded with respect to Red Eléctrica stakeholders with a degree of compliance of 80%. The actions included in that plan are shown in the different chapters of this report.

The foreseen activities associated with stakeholders management for 2007 will be focused on:

- developing a second cycle of satisfaction surveys and designing a second comprehensive improvements plan;
- diagnosis of the current framework of relations of the Red Eléctrica Group with its stakeholders. Phase II;
- implementation of the GRIN information system;
- 360° evaluation of Red Eléctrica CA in terms of all stakeholders.

The communication channels for each interest group are permanent, with the exception of satisfaction surveys which have a variable frequency based on the group in question. -4.16-

Evaluation, learning and improvement Self-evaluation

At internal level, the indicators permitting the evaluation of the degree of compliance with programmed commitments and projects have been established. Likewise, an internal observatory has been set up to measure the level of awareness among the employees with respect to corporate responsibility policy and activities. The first milestone was the incorporation into the study on the working climate, of specific issues on company management and performance as regards sustainability.

Global indicators in the stakeholders management process

	2004	2005	2006
Satisfaction surveys and questionnaires for stakeholders (0-10)			
Global satisfaction level	6.40	7.38	7.52
Satisfaction level as regards service quality	7.54	7.84	7.75
Position (0-10)			
Image and reputation	n.e.	7.00	7.14
Accountable, ethical member	n.e.	6.85	7.43
CA development	n.e.	6.79	6.93
Regular publication of information	n.e.	6.34	6.47
External management evaluations with stakeholders (0-100) (DJSI)			
Commitment with stakeholders			
Improved rating in the sector	58	95	95

DJSI: Dow Jones Sustainability Indexes.

Self-evaluation

	2004	2005	2006
Degree of compliance with the annual CA Programme (%)			
	88.6	88.0	86.2
Degree of compliance with the CA Policy (%)			
	n.e.	90.1	94.0
Internal clients evaluation – CA management process (0-10)(*)			
	n.e.	n.e.	7.2
Degree of Corporate Responsibility Awareness at internal level (qualitative) (**)			
General awareness	n.e.	n.e.	▼
Environmental responsibility	n.e.	n.e.	▲
Social external responsibility	n.e.	n.e.	▼
Corporate values vs. CA	n.e.	n.e.	◀▶
Ethical Code	n.e.	n.e.	◀▶

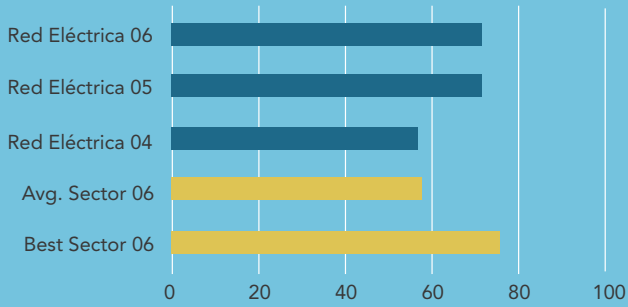
(*) The internal client satisfaction survey is conducted every three years. In 2006, the corporate responsibility management process was evaluated for the first time.

(**) In the working climate survey conducted in 2006, specific questions were included on the degree of compliance of employees with respect to the management model, scopes of action, initiatives and projects on the subject of Corporate Responsibility, environmental and external corporate responsibility, new corporate values and the ethical code.

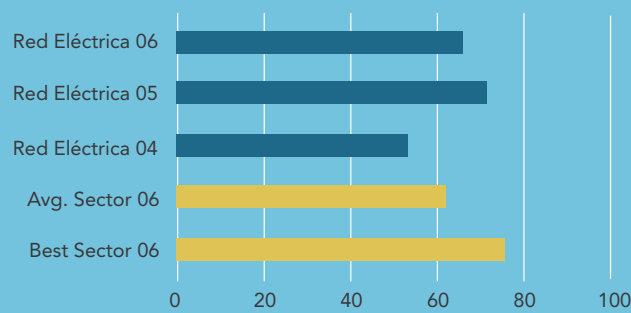
Dow Jones Sustainability Indexes



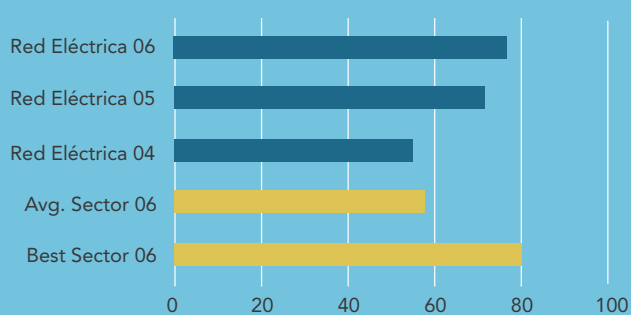
Global Rating



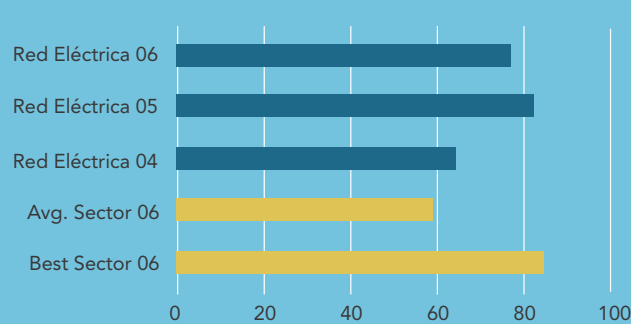
Economic Dimension



Environmental Dimension



Social Dimension



External rating -2.10-

In external terms, the performance corporate responsibility level of Red Eléctrica has been submitted to analysis and evaluation by different opinion institutions and entities and the results thereof are one of the main sources of information for improvement.

Red Eléctrica has consolidated its position in the main *sustainability indexes*, the *Dow Jones Sustainability Indexes (DJSI)* and for the first time, has been included in the *DJS World Indexes* and continues to be included for the second year running in the *DJS STOXX Indexes*, with a global rating of 72 points, much higher than the 60 point average for the sector. The rating obtained in the economic, social and environmental areas is shown in the graphs on this page and throughout the document.

With respect to the annual ranking “**corporate responsibility in company management reports for the Ibex 35**” conducted by the Social Corporate Responsibility Observatory (SCAO), the report of Red Eléctrica for 2005 obtained the best rating for all Spanish companies forming the Ibex. The graphs on the following page show an evolution of the results for the last 3 years for the three analysis axes used in the survey: contents, management systems and corporate governance.

Also, Red Eléctrica was the best rated company in the study “**Culture, IBEX 35 policies and responsibility practices**” sponsored by the Social Corporate Responsibility Observatory, in which it obtained a rating of 70 global points out of 100.

In the first place, this study analysed transparency and management approach with regard to sustainability for each Company. In this part of the study, Red Eléctrica occupies third place, thanks to its corporate responsibility report and the preparation thereof in accordance with Standard AA1000 AS. In addition, its corporate responsibility management system (CA Management Commission, CA Operating Team and the existence of a specific control area) have made a great contribution to assuring this position.

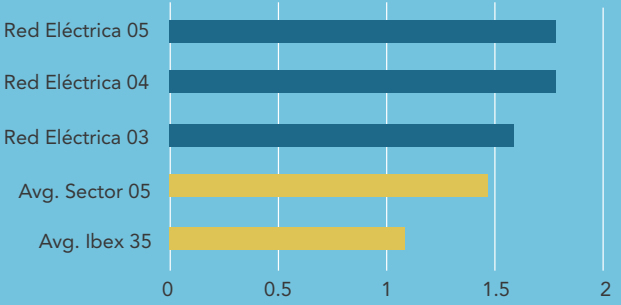
Secondly, the management policies, practices and results obtained by each of the Companies were evaluated. Based on the results, only 8 companies of the 35 rated were evaluated for this area, due to the fact that they were the only ones that offered sufficient data and results to be rated. In this respect Red Eléctrica was awarded 69 points, making it the leading company.

On the other hand, in the annual ranking “100 best reputed Spanish companies” supervised by the Spanish Corporate Reputation Monitor (MERCOR), Red Eléctrica was included for the second year running among the 100 best reputed Spanish companies and in 2006, occupied position 69, representing a climb of 12 positions compared to the results for 2005.

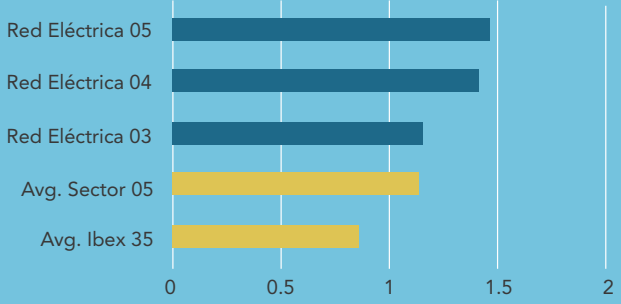
Finally, we should mention that for the second year running, the Red Eléctrica corporate responsibility report was a finalist in the Sustainability Reports Award organised by the Spanish Association of Business Accounting and Administration (SAAA) and the Spanish Institute of Chartered Accountants (SICA).

“Social Corporate Responsibility in the Management Reports of the Companies included in the IBX 35”
Social Corporate Responsibility Observatory

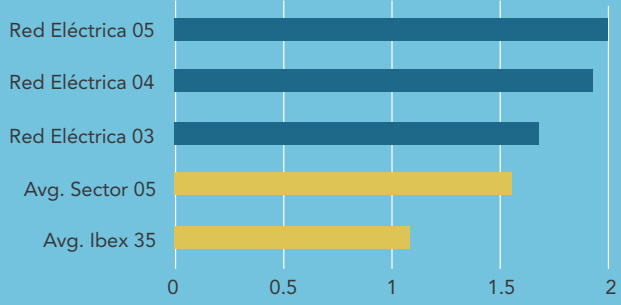
Global rating



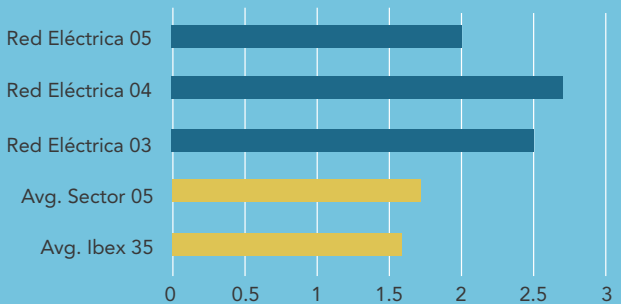
Report Contents



Management Systems



Corporate Governance*



(* The rating of the section on corporate governance included as a fundamental basis the recommendations of the new Unified Best Governance Code, designed in 2006, and not applicable until 2007.

Results of CA Comparisons, UCTE companies

50% of the companies rated have corporate vision, mission and policies in place in accordance with CA principles.

9 companies have a ethical code in place.

Only 42% of the companies draw up CA reports and only 34% environmental reports.

At certifications level, only 35% of participant companies hold the ISO 14001 certificate. In addition, the company is one of the only 3 TSO companies registered in the EMAS and holding the OSHAS 18001 certificate.

With respect to inclusion in sustainability indexes, only 3 companies are included, with Red Eléctrica.

31% of companies have obtained recognition for their performance in the field of CA.

Exchange of best practices and experiences:

Topic/aspect analysed	Company/Institution
Ethical code	Endesa, Telefónica, KPMG, Deloitte
Foundation	Iberdrola, Ferrovial, Unión Fenosa
CSA management system	Endesa, Adif, Bankinter, Caixa Galicia, ETS Ingenieros Agrónomos, Sociedad Estatal de Propiedad Industrial (SEPI), Confederación Española de Cajas de Ahorro (CECA), Taller de Red Eléctrica (Advanced CA Management Programme - Business Institute)
Stakeholders Management	Best Sustainability Excellence Club Practices Event (Case)

Work Groups

Topic/aspect analysed	Sponsor
AEN/CTN 165 "ETICA" Review and comments on the ISO 26000 and PNE 165010 EX standards	AENOR
Technical Communication: trends in corporate responsibility	
Technical Communication: corporate responsibility reports	CONAMA
Technical event: corporate responsibility event	
Work group providing support to the Experts Forum reporting to the House of Representatives SCA Sub-commission -SO5-	SUSTAINABILITY EXCELLENCE CLUB
Multi-sector study on the situation of corporate responsibility in large Spanish corporations	
SCA focus and positioning in the electrical sector	UNESA

Learning and exchanging of experiences

In 2006 activities have been identified with respect to learning and exchanging of experiences by both Red Eléctrica and institutions and companies with which the Company relates. Among these activities are comparative evaluations on corporate responsibility among European companies belonging to UCTE.

This study, supervised by Terna (a company homologated with Red Eléctrica in Italy) evaluated the degree of implantation of corporate responsibility among TSO (Transmission System Operator) companies. The participants were 26 companies from 23 European countries. In the light of the results obtained, Red Eléctrica was among the TSO companies making the greatest progress in corporate responsibility policies and activities.

On the other hand, Red Eléctrica has taken an active part in many mutual learning events organised by company and in different work groups focused on debating affairs related to corporate responsibility practices.

Dissemination and fostering awareness among all stakeholders

In 2006 actions aimed at dissemination and fostering of awareness with respect to best practices and policies in corporate responsibility were intensified, both internally and externally.

As part of the activities carried out internally, specific areas have been incorporated into the new employees' portal on the corporate responsibility management system, corporate volunteer programmes and news items of interest collected with respect to social affairs. On the other hand, and linked to the CA 2006 programme, specific training and awareness activities

have been implemented on corporate responsibility in Red Eléctrica, through an informal breakfast during which different affairs were discussed, and in relation to new corporate values and the ethical code, in which all the departmental heads explained to their subordinates the main concepts, tools and principles to be taken into consideration.

Externally, Red Eléctrica has taken an active part in collaborating in different seminars, forums and events with the aim of not only disseminating its CA management system, but also fostering awareness among other companies and groups on the benefits, advantages and mechanisms for applying corporate responsibility. Of these activities, the following are some of the most important:

II International Conference on Sustainable Development Social Corporate Responsibility. Business Strategy in reaching sustainable development

II Conference entitled The Energy Sector and Social Responsibility

1st European-Latin American conference on corporate responsibility

Master's degree course in social corporate responsibility, accounting and social auditing

Congress on Sustainable Development

Advanced CA Management Programme

Corporate Responsibility in Latin America

Conference on "Progress in quality management"

In addition, since 2005 Red Eléctrica has collaborated with the Sustainability Excellence Club in campaigns for disseminating and fostering awareness about Corporate Responsibility held in different regions and the development of training courses for small and medium businesses with their business associations. Red Eléctrica has taken part in acts organised in the regional communities of Andalusia, Madrid, the Balearic Isles and Catalonia.

Red Eléctrica hosts the 1st Conference on Best Corporate Responsibility Practices promoted by the Sustainability Excellence Club

In October, Red Eléctrica hosted the 1st Conference on Best Corporate Responsibility Practices promoted by the Sustainability Excellence Club. This conference is included as part of the cycle of meetings held by the companies belonging to the Club, with the objective of exchanging best practices with respect to corporate responsibility.

Red Eléctrica was responsible for inaugurating this cycle, by presenting its stakeholders management process. That process was recognised as a leading practice during the last evaluation of the *Dow Jones Sustainability Indexes*, in the *utilities* sector, to which the company belongs.

The meeting was attended by 25 CA directors from different companies, which were for the most part members of the club. These included ADIF, BASF, Endesa, Iberdrola, Orange, Telefónica Móviles, Vodafone and Bankinter, FCC and Iberia, as guest participants.

During the conference, an analysis was made of the Red Eléctrica stakeholders management process. The presentation allowed participants to learn first-hand about all the elements involved in implanting the Red Eléctrica stakeholders management process, the challenges and difficulties encountered and the most important results and objectives achieved. The final part of the conference offered a description of practical case studies targeted at different stakeholders, presented by those responsible for each (relations with operating markets, suppliers, social and environmental acceptance programmes and the new employees' portal "miRed").

Luis Atienza, president of Red Eléctrica, closed the event with a speech summarising the major conclusions and inviting participants to continue improving in this field.



Performance during the period 2004-2006

The basic lines for the period 2004-2006 have been almost entirely implemented with success, through the different annual CA programmes. Since 2003, 110 projects have been set up, as shown in the following table:

Relevant data on annual Corporate
Responsibility programmes

	2003	2004	2005	2006
N° of Projects	16	36	22	36
Compliance (%)	80.00	88.60	88.00	86.25

2006 Annual corporate responsibility programme

Structural approach

- Review, dissemination and approval of the new edition of the CA policy
- Transfer of CA principles to subsidiaries through training, fostering awareness and exchanging experiences
- Review of the ethical code by all the company employees and designing of the ethic code management system
- Review, adaptation and improvement of the corporate responsibility plan in accordance with the new GRI guide
- Review of the CA management system based on best practices of leading companies
- Study on the technical, legal and administrative requirements linked to a foundation, analysis of the model adopted by foundations and example and proposal of activities to be carried out by the foundation
- Study and analysis of different aspects of best practices: ethical codes, foundation, management systems, CA reports
- Design of the basic reputation management plan. Not completed during the year and therefore carried over to 2007
- Fostering awareness and training on CA. Diagnosis of the extent to which employees are aware of CA practices

Technical-economic aspects

Transfer of CA to supplier

Corporate Governance aspects

Identification and design of an action plan for adapting the new recommendations of the Unified Best Governance Code

Review and evaluation of new social risks

Strengthening of participation by shareholders in the General Shareholders Assembly through the implementation of long-distance delegation, voting and information

Improvements in communications with analysts, institutional investors and other professionals from the securities market with the retransmission of the presentation of results at the General Assembly through the corporate website

Improvement in the corporate governance report

Modification of the Articles of Incorporation and General Shareholders Regulation in accordance with legal recommendations and best practices in respect of best governance

Extending of coverage with respect to information rights of shareholders through the incorporation of an electronic newsletter, a shareholders calendar and the retransmission of the General Assembly over the internet.

Internal social aspects

Action plan for integrating the disabled

Design and implementation of an action plan ensuring the conciliation of professional and personal life

Design and implementation of new internal communications channels; network support, interlocutors for clarifying doubts and a new employees' portal

Dissemination and internal awareness fostered by the social focus: breakfasts with the Management Committee, news items on issues of social interest.

Health and prevention campaigns: smoking, obesity and the detection of psychosocial risks

External social aspects

Analysis and evaluation of current social actions and the design of a new strategic social action plan

Social actions in Bolivia and Peru

Publication of a newsletter for all stakeholders

Design of new information and communication supports with stakeholders

Educational programme: Phase II

Sustainability project in Sierra de Gata (Cáceres) aimed at developing the natural environment of the zone, included in the Natura 2000 Grid

Website accessibility project: Phase I. Study, initial audit and design of the action plan

Good use of Spanish: Publication of a style book

Corporate volunteer projects: Books for Guinea, Charity Sports Week and Fair Trade Day

Environmental aspects

Described on page 128 of this report

Future challenges -1.2-

Relevant impacts and aspects.

Identification and assigning priorities

In order to identify and assign priorities to future lines of action, this year a full analysis has been carried out on all relevant aspects of the management system.

From the internal standpoint the business risks, opportunities and priorities defined in the strategies, management objects, policies and company processes were analysed.

From the external standpoint, the results and information associated to the relations and commitments assumed with the different stakeholders were analysed, together with their behaviour and concerns. On the other hand, the main aspects with respect to sustainability having the greatest repercussion on the Group were identified, through studying the information published by the most important news media.

In addition, a study was made of best practices, recommendations, standards and all relevant aspects submitted to debate in the political, institutional and social environment of the company with respect to CA.

Based on these impacts and the analysis made regarding CA, both in terms of strategy, policies and actions programmes and the evolution of the main corporate responsibility indicators, the CA Management Committee has defined the following basic lines of action for the period 2007-2009:

Basic lines of action 2007-2009

Deployment of CA principles throughout the whole organisation

- Strengthening of awareness among all the staff
- Involvement of management staff and the Board of Directors

Involvement of stakeholders in CA

- Transfer to the supply chain
- Social action planning and strategies
- Equal opportunities and conciliation
- Collaboration with the social environment in the design and implementation of CA in Spanish businesses

Energy efficiency and prevention of contamination

- Reduction in consumption
- Climate change. Control and reduction of emissions
- Control of waste and dangerous substances

Reputation management

- Design and management of intangibles
- Consolidation with respect to sustainability indexes

These specific lines will be included in the annual corporate responsibility programme which also includes other aspects that must be improved on or developed for each of the aspects of the model, although these are not as critical.



2007 Annual Corporate Responsibility Programme

Project

Structural aspects

Implementation and dissemination of the ethical code management system (phase II)

Reputation management. Initial analysis of our reputation and the variables that configure it among the different stakeholders

360° evaluation of corporate responsibility by the stakeholders

Programme for fostering awareness and internal dissemination of corporate responsibility

Technical and economic aspects

Transfer of CA to suppliers

Dissemination of engineering activities, environmental activities, construction and maintenance activities based on corporate responsibility criteria

Method for controlling environmental and social expenditure associated with implanting facilities

Corporate Governance aspects

Modification of the internal regulations of Company Corporate Governance (adaptation to the Conthe Code)

Improvement in General Assemblies with respect to long-distance voting and delegation systems

Identification and implantation of best corporate governance practices (adaptation to the Conthe Code)

Improvement in the Annual Corporate Governance Report for the year 2006

Internal social aspects

Measures for promoting equal opportunities

Measures for the conciliation of professional and personal life

Progress in the corporate volunteer programme

External social aspects

Campaign for arousing awareness on the rational use of electricity

Progress in adapting the corporate website to the accessibility guidelines

Renovation of the press section in the website (design, structure and contents)

Extending of contents in the website educational area

Continuing with the sustainability projects programme in territories with high ecological worth that contain Red Eléctrica facilities

Environmental aspects

Described in page 129 of this report

03 Technical and economic responsibility



Creating value

The Group's business model will be permanently aimed at increasing value in the short, medium and long term for its shareholders, clients and business agents, employees, suppliers and other stakeholders, by offering high-quality services in the different activities it executes and to society in general.





Red Eléctrica is well aware of its responsibility towards society by managing an essential service as the Spanish *Transmission System Operator* (TSO), by making an active contribution to fulfilling the energy policy objectives that are aimed at guaranteeing a safe, high-quality and environmentally-sustainable electricity supply. Red Eléctrica's priorities **include that of contributing effectively towards guaranteeing present and future energy needs and to future challenges and requirements** by developing a solid investments plan for extending and improving the transmission network, focused at providing society with a safe electricity supply.

During 2006, as well as achieving satisfactory territorial results, Red Eléctrica has targeted its actions at generating sustainable value for shareholders, clients, suppliers, employees and the community in general, as shown in the direct and indirect economic impact indicators, service quality indicators and the different actions taken for technological development during the year.

Economic results

Direct economic impacts

Shareholders (Red Eléctrica)	2002	2003	2004	2005	2006
Per share dividend (euros)	0.4800	0.5480	0.6138	0.7304	0.8984
Net profit dividend (disbursement or pay-out, %)	67.7	65.0	65.3	67.8	61.2
Clients (Group)					
Turnover (millions of euros)	459.9	686.7	738.8	860.2	949.3
Investments (millions of euros)	1,158.7	780.3	274.6	755.5	529.6
Suppliers (Red Eléctrica)					
Purchases (millions of euros)	267	409	416	462	526
Employees (Group)					
Total salary expenses ⁽¹⁾ (millions of euros)	61.6	66.8	68.2	78.1	84.9
REE España (parent company)	53.4	57.1	67.3	75.1	80.9
REI España	-	-	-	1.4	1.3
TDE Bolivia	-	-	-	2.4	2.4
Capital providers (Group)					
Financial expenses (millions of euros)	26.0	75.0	76.7	108.4	102.1
Reserves (millions of euros)	466.2	499.4	605.6	692.2	751.5
Company (Group)					
Profits Tax (millions of euros)	45.4	60.1	81.2	85.3	80.7
REE España (parent company)	60.4	71.9	80.3	84.8	83.1
REI España	-	-	-	-1.1	-4.5
TDE Bolivia	-	-	-	1.5	1.1
Grants ⁽²⁾ (millions of euros) -EC4-	-	-	-	9.0	10.5
REE España (parent company)	-	-	-	8.9	10.5
REI España	-	-	-	0.1	0.0
TDE Bolivia	-	-	-	0.0	0.0
Investments in the community ⁽³⁾ (millions of euros)	-	-	0.9	1.2	1.8

Indirect economic impacts

R+D+I Indicators (Red Eléctrica)	2002	2003	2004	2005	2006
Cost (millions of euros)	1.5	2.0	2.4	3.0	3.7
Number of projects	32	37	36	45	60
Percentage of regulated income (%)	0.4	0.3	0.3	0.4	0.4

(1) Includes wages, salaries, social security, pension scheme contributions and other concepts. The total data refer to the Consolidated Group and include International Financial Reporting Standards.

(2) Capital grants and other deferred income transferred to results.

(3) Bodies, institutions, educational, environmental and social projects.

Economic value generated and distributed -EC1-

	Mill. Euros
Economic value generated	961.0
Net turnover	949.3
Other net income and losses ⁽¹⁾	11.7
Economic value distributed to stakeholders	(600.8)
Stakeholders:	
Employees: Personnel expenses	(84.9)
Society: Profits tax	(80.7)
Investments in the community	(1.8)
Suppliers: Other op. expenses ⁽²⁾	(215.7)
Shareholders: Dividends ⁽³⁾	(121.0)
Other providers of capital: Net financial costs	(96.7)
Retained economic value	360.2
Reserves	79.2
Repayments and depreciation ⁽⁴⁾	281.0

Note: Data obtained from the Consolidated Annual Accounts

(1) Includes: Other operating income. Net results by placing in equivalence. Result from sale of non-current assets. Capital grants. Other deferred income transferred to the result for the year.

(2) Supplies and Other Operating expenses (excluding investments in the community)

(3) Includes interim dividend and complementary dividend.

(4) Includes: Repayments. Depreciation (includes mainly provisions for deterioration in assets value)

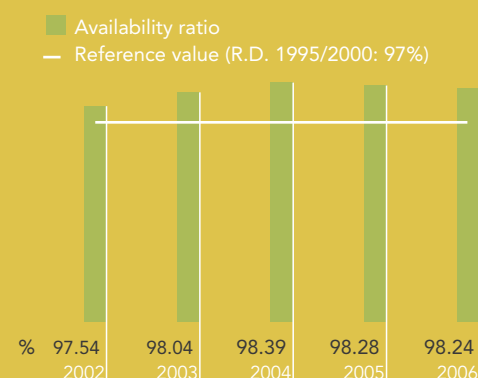
This indicator, based on the GRI method, indicates the generation of economic value of the Red Eléctrica Group and its distribution throughout the different stakeholders.

Service quality indicators

The Red Eléctrica Group has again shown its capacity and flexibility in 2006, with respect to dealing with constant increases in demand, with high operating efficiency and availability ratios.

The policies and maintenance techniques applied by Red Eléctrica on a continuous basis contribute to enabling its operating efficiency and service quality ratios, which show the availability ratios of its facilities, to be among the highest in international terms.

Grid behaviour



Quality indicators	2004	2005	2006
Availability ratio (%)	98.39	98.28	98.24
Avg. interruption time (AIT) In minutes	3.27	1.08	1.77
Non-supplied energy (NSE) MWh	1,448	506	851

Technological development

Red Eléctrica is working in several different directions to contribute to guaranteeing a safe, high-quality, environmentally sustainable electricity supply. -EC2, EC9-

Grid development

Among the most important measures for complying with the energy policy objectives is the development of transmission networks. As part of its strategy for providing active support to the sector, the Red Eléctrica Group has continued to carry out its important programme of transmission network investments, through Red Eléctrica, in order to guarantee the quality and safety of the electricity supply. In 2006 this programme was shown in the record figure of investments made in the national transmission network. Also, the merger of Redalta and Inalta (owner of the transmission facilities acquired in 2002 from Iberdrola) during the course of this year has consolidated the position of Red Eléctrica as the owner of practically the entire transmission network in mainland Spain.

During this year, 174 new positions in substations and 407 km of line circuits have been added to the national transmission network belonging to the company, in addition to having increased the transmission capacity of existing lines by 287 km.

During the next few years, the Red Eléctrica Group will maintain its strategy as a Spanish TSO focused on service quality through Red Eléctrica, with the aim of maintaining its leading position in terms of the reliability and safety of the Spanish electrical system.

The Red Eléctrica Group will guarantee the necessary investments for absorbing future electrical demands, developing an ambitious investments plan in the transmission network, focused mainly on facilitating the evacuation of renewable energies and combined cycles, supporting the high-speed rail expansion, increasing international interconnections, and strengthening the system reliability. To promote the development of these new infrastructures, the parent company Red Eléctrica, will continue to play its role in the Spanish electrical sector, favouring a transparent regulatory environment that is adequate for this growth.

Contribution to the Renewable Energies Plan

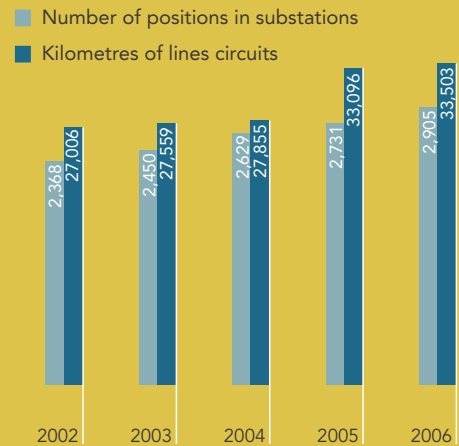
The growth of renewable energy sources, together with an improvement in energy efficiency, are elements of its economic, social and environmental strategy that give rise to important positive effects.

The Spanish 2005-2010 Renewable Energies Plan (REP) aims to reach electrical production with 29.4% renewable energies by 2010. To contribute to complying with this objective, Red Eléctrica has studied the different alternatives within its scope of authority with the objective of making progress in achieving greater penetration of wind energy in the electrical system and make it compatible with operational safety.

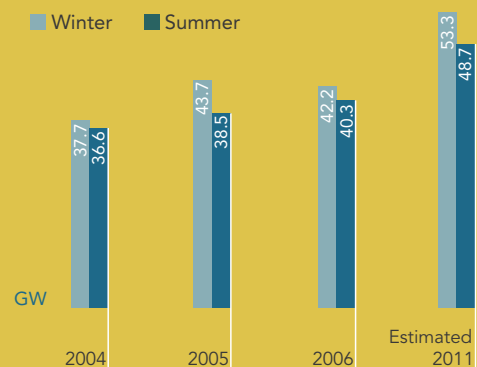
Operations centre for renewable energies and co-generation

One of the measures taken by Red Eléctrica in June 2006 is the creation of a special control centre for the supervision and control of the special regime facilities (renewable energies and co-generation): the Special Regime Control Centre (SRCC). This unit will

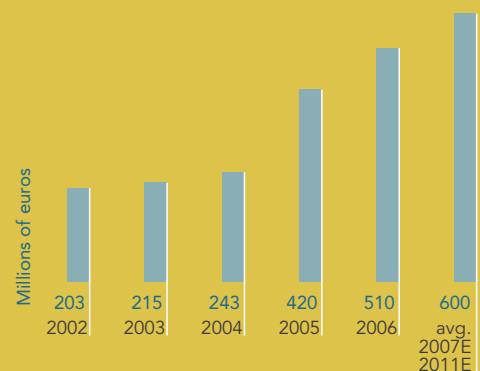
Physical network magnitudes



Peaks in demand



Investments in the transmission network*



* Excluding acquisitions

facilitate the integration of renewable energy into the electrical system.

Strengthening of international interconnections

The need to dispose of sufficient interconnections to enable commercial exchanges of energy between countries in a smooth way is essential in assuring the safety of supply, fostering competition and market liberalisation. In this regard, the European Union has indicated that the strengthening of gas and electrical interconnections between Portugal, France, North Africa and Spain is a point of common interest. Based on those objectives, Red Eléctrica has executed the following:

Interconnection with Portugal

Red Eléctrica has concluded joint studies with Rede Eléctrica nacional (REN) defining new interconnections in order to increase the exchange capacity with that country.

Interconnection with France

Red Eléctrica and the French system operators Réseau de Transport d'Électricité (RTE) continue to make progress in defining the interconnection axis through the Pyrenees. In 2006 the mechanism coordinated by Spain and France for assigning the interconnection capacity between both countries has also been set up, based on explicit auctions and jointly controlled by Red Eléctrica and RTE.

Interconnection with Morocco

In 2006 the second circuit of the underwater interconnection cable with Morocco was put into service. The Spain-Morocco electrical interconnection is one of the best examples of the policy of co-operation between Europe and North Africa, supported by the European

Union. This is the only underwater interconnection between two continents and the only one between Spain and North Africa.

Forecasted demands

On the other hand, as the Spanish electrical system operator, Red Eléctrica annual draws up forecasts of both electrical demand and coverage, and is an important reference in the use of advanced technological systems. The forecast in demand for electricity in mainland Spain from 2005-2015 considers several possible hypotheses (with respect to growth in demand, evolution of the generating equipment, availability of the generator units and the foreseen penetration of renewable energies included in the 2005-2010 Renewable Energies Plan), with the objective of obtaining the foreseen necessary energy and power balances. Those balances serve as a basis for the demand coverage studies of the Iberian Electricity Market (EIM) and for reviewing the transmission network planning that must be implemented by the Government with the participation of the regional communities.

As the operators of insular and extra-peninsular systems, Red Eléctrica also prepares demand forecasts and power peak information as well as estimating generating equipment needs in these systems.

R+D+i

Research, technical development and innovation are a basic tool in the economic and social development of any country, and an essential source of indirect economic value for companies. During this year, the activity of Red Eléctrica in this field has continued with the development of the technological strategy laid down in the 2004-2008 R+D+I Plan with a total

of 60 projects being developed, representing 3.73 million euros.

From the technological standpoint the research conducted into the field of integrating **irenewable energies and demand management** are important. Other projects indicated include the pilot tests to install high temperature conductors and the project for installing acoustic screens in substations. In addition Red Eléctrica presented two proposals for the NSCTR (National Strategic Consortiums for Technical Research) project and actively collaborates with different technological platforms, as well as occupying the Vice-Presidency of the Spanish Electrical Grids Platforms, FUTURED.

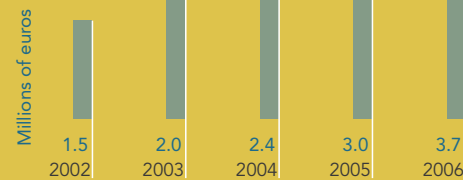
European projects

2006 witnessed the consolidation of Red Eléctrica in European research projects and in particular **Wind on the Grid**, (the aim of which is to prepare the European electrical network for permitting the large-scale inclusion of wind energy), the EWIS project (studies for promoting the integration of wind energy into the electrical system) and the IS-POWER project (study on insulated electrical systems in which Red Eléctrica participates as the coordinator).

In addition, work has been continued on other projects of common interest for other countries on reliability, safety of supply and future challenges (RELIANCE, FENIX, IRRIS).

Furthermore in 2006, the VITA projects were concluded (definition of scenarios presenting exceptions emergency situations due to terrorist attacks or natural disasters) and ENCOURAGED (optimisation of future energy corridors between the European Union and neighbouring countries).

R+D I Cost



Wind on the Grid Project

Wind on the Grid is financed by the European Commission and coordinated by Red Eléctrica, and is focused on preparing the European electrical network for the large-scale inclusion of wind energy through the design, development and validation of new tools and devices for the planning, control and operation thereof in a competitive market.

During recent years, wind energy has proved to be an efficient technology in achieving the European renewable energies challenge. However, progress has yet to be made in solving several technical and regulatory problems to guarantee success in terms of economic efficiency, safety and sufficiency of supply. The success of the project will contribute towards achieving these objectives.

Participants

The consortium executing the project is formed by: Red Eléctrica de España, Enercon, Iberdrola, Institut für Solare Energieverorgungstechnik, Deloitte, Rede Eléctrica Nacional, Gamesa Wind Engineering, Windenenergie, Korona, Elektro-Slovenija and Edison Energie Speciali. All these European leading institutions and companies encompass all the profiles in the sector: manufacturers, promoters, TSO, energy consultants and research centres.



Environmental research

Research activity in this field in 2006 was mainly focused on projects related to electromagnetic fields, acoustic screening, birdlife protection and the translocation of bird species.

Red Eléctrica is also working on interesting projects from the standpoint of environmental protection such as GEMAS (integration of wind energy into the electrical system), and EMERGIE (creation of new resources for operating the system, based on demand-management solutions: operation of electricity consumer processes with positive effects on energy efficiency and the environmental impact of the electrical supply).

Other important projects

This year, work on the first stage of the PELÍCANO project concluded; this is a non-manned helicopter that can inspect aerial lines semi-automatically. In addition to reducing costs and working times, the project will enable us to reduce occupational hazards involved in the inspections made using manned helicopters carried out at present.

In 2007 the second stage will be launched, thereby permitting improvements in the inspection quality and increasing the helicopter's radius of action.

Participation in key bodies and entities

Participation in bodies, entities and associations is an indirect source of value for the company and all its stakeholders. Red Eléctrica participates in 32 national organisations and 15 international organisations, and plays an active part collaborating with their governing

bodies, study committees, standardisation committees and work groups. Around 140 persons from all areas of the company take part, with a joint dedication of some 10,000 hours per annum. -4.13-

CIGRE (International Council of Key Electrical Companies)

An association of electrical companies, manufacturers of goods and services, engineering firms and research centres from all over the world, whose purpose is to exchange technical know-how. Red Eléctrica holds the position of President and Secretary of the Spanish Committee.

EI (Edison Electric Institute)

Association of electrical companies of the US, and affiliated international companies. Red Eléctrica participates in financial conferences with analysts and sector investors.

AEESO (Association of European Electrical Systems Operators)

An association in which operators from the European Union (with the exception of Bulgaria), Switzerland and Norway participate. Red Eléctrica is a founder member and maintains active participation in the association, forming part of its Management Committee.

EURELECTRIC (Electrical Industry Union)

A sector association that represents the common interests of the European electrical industry, formed as the result of the merger between UNIPED (founded in 1925) and EURELECTRIC (founded in 1990). Its mission is to contribute to the development and competitiveness of the electrical industry and promote the role of electricity in social progress. As a strategic centre of experience, it identifies and represents the interests of all its members and helps them in formulating and implementing common solutions of strategic policy.

SWEEI (South-West Europe Electrical Interconnection)

This organisation includes RTE (France), REN (Portugal), ONE (Morocco) and Red Eléctrica (Spain). Its aim is to analyse the behaviour of the electrical interconnection network in those countries and draw up initiatives for improving its operations. Red Eléctrica holds the position of President and Secretary.

MEO (Mediterranean Energy Observatory)

This was set up in 1991 by thirty energy companies (electrical, gas and oil companies). Its objectives are to foster co-operation between the main companies in the electrical sector operating in the Southern Mediterranean area and to promote dialogue between governments, the European Commission and other international bodies on energy issues in the Mediterranean.

UCTE (Union for the Coordination of the Transmission of Electricity)

This association coordinates the transmission system operators of 23 countries in continental Europe. The common objective is to guarantee the safety of the interconnected electrical system, a task that has been fulfilled for the past 50 years. The UCTE network supplies 450 million people (530 GW of power installed, 2,500 TWh of energy consumed and 22,000 km of transmission lines).

TSO-International Comparison

An international association of European Asian, South African and American electrical systems operators. Its mission is to exchange information on current and future systems operating practices in order to establish comparisons and references.

04 Our commitment towards our employees



Guaranteeing the future

Ever since it was set up, Red Eléctrica has established the priority of providing quality service to society in a responsible way. This approach is based on its attitude of internal commitment towards its staff, which is its most prized asset.



Main lines of operation

Quality employment and working climate

The PROA project. Its aim is to review organisational processes and structure to achieve guidance for the company and employees with respect to the objectives demanded by society.

Evaluation of psycho-social risks.

Study of the working climate.

Development of people

Individual talent-management programmes.

Training on electrical systems operations:

Operations School

Computer-assisted training commitment

Equality, diversity and conciliation

Agreements with the company's trade union representatives on improvements with respect to already-existing conciliation measures.

Creation of the post of ombudsman to facilitate dialogue and implement conciliation.

Implementation of the Family Plan programme for the integration of the disabled in society.

Participation in initiatives organised by borough councils and communities on equality.

The corporate responsibility policy of Red Eléctrica establishes among its principles that the development and satisfaction of people are essential elements in achieving the Group's objectives. These principles, together with those set forth in the human resources policy, are based on the Universal Declaration of Human Rights, the principles of the Global Compact, the principles of the International Labour Organisation and the recommendations of the OECD.

The policy adopted by the directors of Red Eléctrica and their commitment to the implementation thereof prompts this group to act as an example in terms of behaviour and ethics, both internally and externally. This model establishes 42 requisites (delegation, communication, recognition, the development of people, etc.) which directors must show in all their dealings and in managing their staff.

Red Eléctrica holds the **SA8000 certificate for all the activities of its parent company**, awarded by SGS in accordance with the Social Responsibility International (SAI) Standard, guaranteeing, through the implementation of a socially accountable management system, its commitment with respect to human rights and the ethical treatment of people. Also its subsidiary TDE in Bolivia has made great progress in certification based on the principles and requisites of the standard as shown in the positive initial audit report granted by BV of Argentina in September of this year, with the recommendation to carry out the SA8000 certification audit next year.

Quality employment and working climate



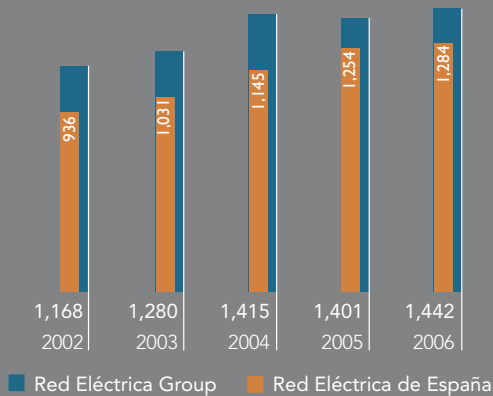
Creation of stable employment -LA1-

Red Eléctrica is a company of reference in terms of stable, quality employment. The Group staff increased by 3%, reaching a total of 1,442 employees at year end, 78.6% of whom are men and 21.4%, women. 99% of the group total is employed in the main business activity and the remaining 11% in the subsidiary Red Eléctrica Internacional.

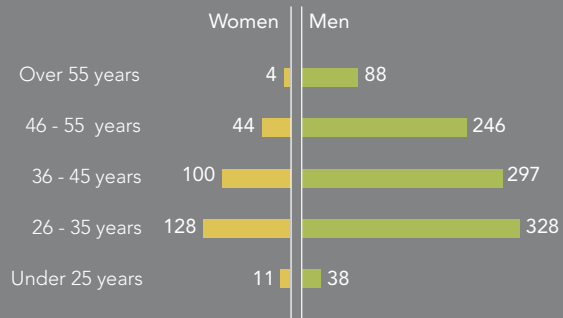
84 new employees joined Red Eléctrica de España and 54 employees abandoned the company, meaning a net employment creation of 30 jobs. This growth in staff has consolidated a trend that started in 2002 as the consequence of acquiring new transmission assets and to ensure the provision of new system operating services assigned to our company by the Spanish regulation.

At the end of the year, the staff of Red Eléctrica Internacional and the companies reporting to it totalled 158 employees, 81% (128) of whom belong to TDE in Bolivia, 14% of them female. Most employees have full-time agreements and the undesirable turnover rate has reached just 0.85% during this year.

Evolution of the Group Staff



Distribution by age groups
(Red Eléctrica de España S. A.)



Employees in the parent company -LA1, LA2, LA3, LA4, LA7, LA10, LA13-

Structural employment data	2002	2003	2004	2005	2006
N° of employees (total staff)	936	1,031	1,145	1,254	1,284
N° of employees (avg. staff)	931	968	1,082	1,205	1,267
Distribution by organisational units (%)					
Management areas	11	12	12	11	10
Transmission	22	48	50	51	52
System operation	57	33	28	31	31
Administration & finance	8	8	7	7	7
Distribution by professional categories (% of total staff)					
Management staff	9	9	8	8	7
Senior technicians	22	22	25	26	26
Intermediate technicians	26	26	36	35	35
Specialist technicians	27	27	19	20	21
Technical auxiliary staff	14	14	13	12	11
Distribution by age groups					
Under 25 years	23	60	99	73	49
26 - 35 years	189	230	278	387	456
36 - 45 years	421	428	422	409	397
46 - 55 years	271	269	274	288	290
Over 55 years	32	44	72	97	92
Key employment indicators					
Average age (years)	41.6	40.6	39.9	39.7	39.6
Average time in company (years)	12	12	12	10	11
Undesirable turnover (%)	0.22	0.32	1.36	1.14	1.52
Rotación total (%)	3.38	3.1	3.01	2.36	4.31
Net employment created (n° jobs)	18	95	114	109	30
Employees w/ full time agreements (%)	99.1	92.0	93.1	98.3	98.8
Employees w/ collect. barg. Agreements (%)	99.5	99.6	99.6	99.6	99.7
Early retirements (n°)	18	16	-	-	38
Indicators for relations between company and employees					
Employees with trade union representation (%)	100	100	100	100	100
Indicators for diversity and opportunity					
Women on the payroll (%)	20.8	21.5	21.3	21.5	22.4
Women in mgmt. posts (% of total directors)	9.2	9.3	10.9	11.6	12.6
Disabled employees (n°)	-	-	-	-	5
Indicators for training and education					
Hours of training	44,184	56,124	90,947	82,506	92,450
Hours per employee ⁽¹⁾	48	58	84	68	73
Total investment in training of total staff Expenses (%)	3.4	5.1	5.9	5.5	5.5
Investment per employee (euros)	-	3,014	3,651	3,470	3,452
Health and safety					
Absentee rate ⁽²⁾	4.46	3.27	3.67	3.15	3.09
Frequency of accidents ⁽³⁾⁽⁵⁾	6.95	3.64	5.25	4.01	7.19
Seriousness of accidents ⁽⁴⁾⁽⁵⁾	0.17	0.07	0.12	0.11	5.56

(1) Of average staff.

(2) Includes hours for common illnesses > 3 days and non-regulated leave. The data for 2005 has been recalculated taking into account this calculation criterion.

(3) N° of accidents causing sick leave for every million hours worked.

(4) N° of days lost by work accidents plus scale for fatal accidents and accidents causing disability for every million hours worked.

(5) The data for 2006 include one fatal air accident.

77% of the staff are highly qualified, 10% are specialist technicians and 13%, auxiliary staff.

The Red Eléctrica Group is committed to hiring highly-qualified, versatile professionals that will make Red Eléctrica a modern, dynamic, well-prepared company to respond to the future evolution of its business. It promotes the incorporation of people with high potential, who are offered professional prospects and salaries that are in keeping with their track records in the company. Almost all the employees of the Group, including the directors, are hired in their countries of origin. -EC7-

Our commitment to ensuring the stability of our employees is shown through the **high levels of full-time recruitment** that is constantly carried out by our parent company (accounting for 98.8% in 2006 and with an average time in the company of 11 years), but without forgetting the efforts in recruitment of the past few years which have led to an important rejuvenation of our staff.

In 2006 Red Eléctrica de España set up an employment regulation plan (ERP) which was authorised by the Ministry of Labour on July 13, 2005. The conditions were agreed on with the workers union representatives and company management during the ERP negotiations.

This regulation of employment plan affected employees reaching the age of 58 at the time of signing the agreement or during the term of the plan (2005-2007). Of the 103 employees affected, 74 decided to take early retirement on a voluntary basis.

External turnover generated by this employment regulation plan is the amount justifying that the total staff turnover rate for Red Eléctrica during 2006 remains at 4.31, therefore exceeding the rate for 2005 which was 2.36. Although it is higher than last year's figure, we consider this is not an area for improvement, since undesirable external turnover is maintained within the levels of the trend for previous years and continues to represent one of the lowest turnover rates for all the companies in our sector.

2006 Turnover -LA2-

Distribution by sexes and professional groups

Professional group	Men (%)	Women (%)
Directors	16.6	0.0
Senior technicians	16.7	3.7
Intermediate technicians	16.7	5.5
Specialists	25.9	0.0
Auxiliary staff	9.3	9.5
Turnover by sexes	85.2	14.8

2006 Turnover -LA2-

Distribution by age

Age	N° of staff leaving	%
<25 years	4	7.4
26-35 years	9	16.7
36-45 years	2	3.7
46-55 years	7	13.0
>55 years	32	59.2
Turnover by ages	54	100.0

Type of labour agreement -LA1-

	2002	2003	2004	2005	2006
Full-time employees (n°)	928	949	1,053	1,231	1,268
Temporary employees	8	82	92	23	16
Full-time recruitments (n°)	99	92	92	98	99
Employees from Temporary Employment Agencies (n°)	-	10	17	24	27
Employees holding scholarships (n°)	-	12	12	11	10

Salary model

The Red Electrica Group's salary policy acknowledges that employees will be treated fairly and justly. The salary model responds to criteria that are based on internal equality, transparency and reward, and salaries are fixed within wide salary bands with the payments of an extraordinary salary for outstanding performance.

All the employees joining the company in 2006 received a salary amounting to at least 2.3 times the minimum inter-professional salary, irrespective of the position occupied and without including social benefits or payments in kind. **-EC5-**

Improvement in organisational efficiency **-LA5-**

The Red Eléctrica organisational model is aimed at optimising the available resources to guarantee profitability and efficiency in all its business processes, without affecting quality. For this reason during recent years measures have been taken to reduce auxiliary staff and the proportion of management staff has been reduced.

In 2006, yet another step was taken, considering the evolution of Red Eléctrica as a result of the integration of assets and the incorporation of new activities into the system operation. Thus, a project was put into operation for reviewing processes and organisation (PROA), thereby enabling the company to respond to the existing and future challenges of the business based on criteria of efficiency and quality.

The following activities were carried out in order to set up this project:

- Interviews on strategic review and organisational improvement with 85% of the management team (April to June).

The 16th study promoted by the Know-How Foundation for Management Development during 2006 in which more than ten thousand university students and schools from all over Spain took part, named Red Eléctrica as one of the 50 companies in which they would like to work in order to develop their professional careers.



- Articulation of three management bodies at different levels of responsibility within the company, for validating the project.
- Creation of round tables on “Our Organisation” to identify strengths and opportunities for improvement, with defined actions plans in which many directors from all business areas in the company took part.
- Communication plan for different groups, the management team, social representatives and employees on the project, the progress made and the different milestones.

Satisfaction and commitment of our employees -4.17-

In 2006 a survey was carried out on the working climate as part of the regular policy for evaluating working climate indicators, and permitting the situation to be compared against studies performed during previous years. This survey contains a model that evaluates the employees' commitment in rational and emotional terms and considers the opinion of all the professional categories, in all work centres. The participation rate was 66%, the highest obtained in a climate survey in Red Eléctrica.

The general climate has constantly improved in the last three studies conducted in 2000, 2003 and 2006. Overall satisfaction with working in the company is high (8.1 out of 10) with a 50% increase over 2003. In addition, there continues to be a considerably feeling of pride at belonging to the company (8.1 out of 10) with a 15% increase with respect to the results of the previous survey.

This last survey also includes a subsequent qualitative analysis in which interviews are held with representatives from different groups to analyse in depth the conclusions drawn from the satisfaction survey.

The results for both surveys, which will be presented to all the employees once they have been concluded, will be used for the 2006-2011 Strategic Human Resources Plan and for designing the main lines of the 2007-2009 Internal Communications Plan.

Internal Communications -4.16-



The Internal Communications Plan has been implemented based on the programmes aimed at improving ascending and descending communication and horizontal communication. In this respect, work has been done on communication of the corporate strategy at all levels, thereby favouring the diffusion of the strategic plan and its objectives and cascade presentations and discussion on the strategic lines through senior management meetings with non-management staff.

One initiative in 2006 was the launch of the employees' portal “miRED” for the purpose of renovating the internal website. The new platform provides a modern information system, adapted to all user levels, integrating the most frequent working applications and fostering participation through collaborative tools in a virtual environment.

The 2007 Internal Communications Plan will be designed based on the results of the working climate survey in such a way that defined areas for improvements are worked on and new actions of interest to the employees of Red Eléctrica are strengthened.

Relations between the company and its employees

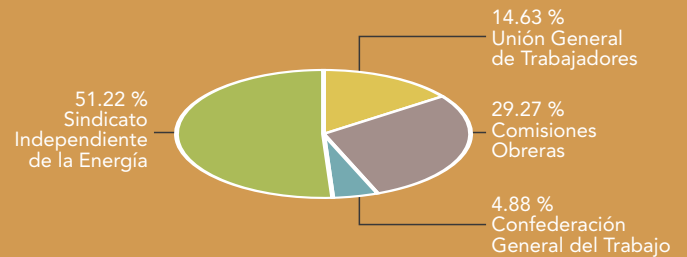
The 8th Collective Bargaining process, which was in force until 2006, represents the juridical framework based on which Red Eléctrica undertakes to apply values such as equal opportunities, multicultural values and non-discrimination in all activities related to people management. As at December 2006, **99.7% of all non-management staff of REE had subscribed to that agreement.** -LA4-

We should mention the positive implementation this year, of the ERP, signed by the trade union representatives and company management, which was implemented based on the same parameters and lines as those agreed on during the ERP negotiations.

Trade union activities in Red Eléctrica are carried out through **commissions and work groups** to permit all the trade union areas in the company to participate. Red Eléctrica has representatives in each work centre and an Intercentres Committee with the authority attributed to it by the Collective Bargaining agreement.

As well as these commissions, the Red Eléctrica Intercentres Committee agreed during Report 1/2005 that one of the measures for improving the applicable social legislation conditions on the subject of conciliating family and professional life, within the temporary scope of the 8th Collective Bargaining Process, is through the constitution of **a work committee for the conciliation of professional and family life** for the joint discussion and analysis regarding the implementation of the current measures and the study and designing of new measures of conciliation for all our employees.

Trade Union Representation as at 31.12.06



Composition of the Conciliation Committee



Commissions on which Trade Union members sit

- Jobs Evaluation Commission
- Training Commission
- Safety and Health Commission
- Social Affairs Commission
- Joint Vigilance and Interpretation Commission
- Conciliation Commission
- Psychosocial Risks Prevention Observatory



In addition, a work group has been set up within the health prevention scope, under the name **Permanent Psychosocial Risks Observatory** formed by workers' representatives, prevention officers, company representatives and representatives from the occupational risks prevention service, with the objective of monitoring the psychosocial risks evaluation process and jointly designing actions for improvement. -LA9-

We should also mention the integration of the trade union groups into the **Corporate Responsibility Operating Team**, which proposes action plans on this subject.

In 2006 not only have great efforts been put into creating common work groups between company and workers' representatives, but also the trade union representatives are able to address employees through our new “miREd” employees' portal in which specific areas have been created for all trade union sections that are represented in the company.

The Collective Bargaining process applicable to Red Eléctrica grants the workers' representatives the authority to issue reports prior to the execution of corporate changes adopted by the company, without the company specifying a minimum notice period for implementing such changes. -LA5-

Occupational safety and health

The Red Eléctrica Group has a management system based on the OHSAS 18001 standard that includes an occupational safety and health policy, its own prevention service and a safety and vigilance committee formed by workers' representatives from all work centres.

Prevention and vigilance in occupational safety

The occupational safety and health management system of the Red Eléctrica Group is **certified in all its companies** (Spain, Bolivia and Peru), based on the international standard OHSAS 18001. This system includes the Occupational Safety and Health Policy, its own prevention service that reports to the Human Resources department and a **safety and vigilance committee** formed by six workers' representatives from all the work centres, representing 100% of all employees. -LA6, LA9-

This policy, which is posted in the Employees' Portal, is assumed by senior management and by all the employees forming our group, since we consider it essential to arouse awareness among everyone, and obtain their co-operation. It also includes the ongoing refreshing of knowledge on occupational safety for groups with higher levels of risk.

The occupational risks prevention policy is also extended to TDE in Bolivia, as its everyday activities



continue to create a true philosophy occupational safety and health based on safe attitudes and behaviours. To maintain this, the arousal of awareness among the Joint Safety Committees, which perform a systematic follow-up of the safety and working conditions, has been strengthened to a maximum, enabling opportunities for improvement to be detected.

One of the tools considered of fundamental importance by the organisation in preventing risks is training and the refreshing of knowledge on aspects regarding the safety of persons at work. Consequently, a description is given of the risks of each work station for 100% of the employees. In 2006 **training on risk-prevention management** was given to all new specialist technicians with a **total of 2,448 hours of training** and 373 persons attending. -LA8-

The degree of compliance with the annual prevention programme was 83%.

The occupational risks evaluation system goes beyond the safety of employees and is extended to **the employees contracted by Group companies**. In 2006 risk-prevention homologation was promoted with respect to 119 persons responsible for contracted employees and 81 construction supervisors in contracts with Red Eléctrica.

This concern and effort on the part of our Prevention Service towards ensuring the safety of our contracted employees was shown in 2006 through a novel project based on systematising and **rating suppliers with respect to safety** with the aim of identifying their attitudes with regard to prevention and evaluate the actions of all our suppliers in this respect.

Health and safety -LA7-

Parent company	2002	2003	2004	2005	2006
Accidents with sick leave	11	6	10	8	16
Fatal accidents					2 ⁽¹⁾
Hours lost through accidents	172	120	253	290	12,369 ⁽²⁾
Accident frequency rate	6.95	3.64	5.25	4.01	7.19
Seriousness of accident rate	0.17	0.07	0.12	0.11	5.56
Absentee rate	4.46	3.27	3.67	3.15	3.09
<i>(1) Fatal air accident</i>					
<i>(2) Includes 12,000 hours for fatal accidents</i>					
Health and safety (TDE)					
Accidents with sick leave	2	3	5	0	2
Hours lost through accidents	20	61	63	0	0
Absentee rate (days)	204	274	329	71	252
Accident frequency rate	7.56	11.03	17.73	0	6.79
Accident seriousness rate	0,08	0,22	0,22	0	0
REE Contracted staff					
Accidents with sick leave	78	57	40	65	68
Fatal accidents			2	0	4 ⁽³⁾
Hours lost through accidents	3,110	1,350	13,848	1,849	25,302
Accident frequency rate	44.1	34.08	21.76	24.48	18.90
Accident seriousness rate	1.63	0.81	7.53	0.69	7.03

(3) Fatal air accident of 2 persons

Considering in addition the work performed in coordination with other companies, Red Eléctrica has procedures in place for preventing occupational risks applicable to all work performed on non-live equipment or live equipment or interventions on the facilities of the Red Eléctrica transmission network by other electrical companies or performed in high-voltage facilities of other electrical companies by Red Eléctrica. -PR1, PR3-

Health prevention and vigilance

The parent company of Red Eléctrica has a medical service which in addition to having its own staff and

resources, directs its activities at **health prevention and vigilance**. During 2006, as well as the daily operations of the medical service, different campaigns were organised to protect the health of the employees at all levels, with great acceptance and participation by all our employees. Also, **this concern is extended to all group companies** and in particular, TDE thanks to the health vigilance programme targeted at staff exposed to high risk, in which during 2006, it was possible to make an early diagnosis of two illnesses. -LA8-

Medical service indicators -LA8-

Red Eléctrica (parent company)	2004	2005	2006
Medical checkups	838	884	835
Medical consultations	1,300	1,039	1,361
Vaccines	281	268	259
Consultations due to temp. disability (labour-related illnesses)	129	137	174

TDE	2004	2005	2006
Reconocimientos médicos	40	115	42
Consultas médicas	397	419	442
Vacunas (fiebre amarilla, tétanos y rubéola)	195	70	120
Consultas por incapacidad temporal (labour-related illnesses)	22	8	10

Healthcare campaigns -LA8-



Campaign for the prevention of excess weight and obesity

Encouraging health eating habits and promoting physical exercise among all employees and in particular those who are overweight and obese, making it easier for them to improve on their habits.



No-smoking campaign

Encouraging health habits and achieving a smoke-free company.

Evaluation of psychosocial risks

Identifying situations in the working environment that might lead to psychosocial problems (stress, insomnia, exhaustion, headaches) and which affect relations with others.



Training and education -LA10, LA11-

The Red Eléctrica Group fosters the development and training of talent to ensure excellence in its business activities and as a component of satisfaction for its employees.

The Red Eléctrica Group is committed to the development and training of talent to assure excellence in its business activities and as a component of satisfaction for its employees. It is also decisive in facilitating the professional evolution and promotion of its employees.

Based on this, great progress has been made in launching **individual talent-managing programmes**. Thus, in 2006 talent-development programmes have been set up to identify and develop the persons with the greatest potential in the organisation. In addition, during the year, 2006, a **succession policy** was implemented, to facilitate coverage of the company's management

Training and education indicators -LA10-

Red Eléctrica	2002	2003	2004	2005	2006
Training hours	44,184	56,124	90,947	82,506	92,450
Hours per employee (*)	48	58	84	68	73
Employees trained (%)	71	94	96	93	95
Hours of training with own resources	-	19,264	31,086	25,175	25,537
N° of courses managed	225	438	685	715	712
Investment in training of total personnel Expenses	3.4	5.1	5.9	5.5	5.5
Investment by employee (euros)	-	3,014	3,651	3,470	3,452
Training during working hours (%)	72	77	81	81	75

*The data for 2004 include the effect of a new promotion of electrical system operators.
(*) of average staff*

TDE	2004	2005	2006
Training hours	6,241	9,674	7,408
Hours per employee	57	84	63
Employees trained (%)	96	93	95
Investment in training of total Personnel Expenses (%)	2.4	3.3	3.0

staff needs largely through internal promotion. This policy interacts with those of performance development and management and ensures adequate coverage of the Group's long, medium and short-term management staff needs.

During this year, a special effort has been made with respect to the development and **improvement of leadership skills and people management for management posts** to enable the objectives of ongoing improvement in internal efficiency to be consolidated, analyse in greater depth the company orientation towards the persons that form it and facilitate the assuming of medium-term challenges by the Red Eléctrica Group. This activity, together with other actions foreseen in the directors training plan, has enabled company directors to receive more than 140 hours of training per person.

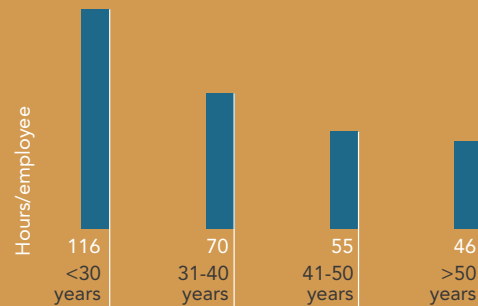
In 2006 716 courses were given and included in the Training Plan, for 95% of the staff, with a total of 92,450 hours of training for the different professional profiles of REE.

Evaluation of these courses through a satisfaction survey reached an average of 8.25 points out of 10.

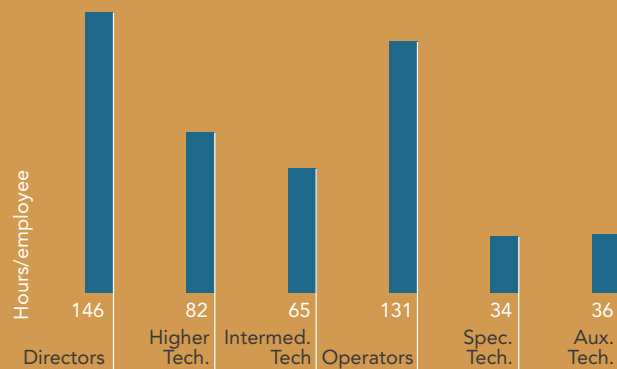
On the other hand, in 2006, as a result of applying the ERP, 38 persons took early retirement and were offered training courses to help them end their professional life in the company and assume their new personal circumstances. -LA11-

Among the group companies, and in particular in TDE, within the people-development skills scope, the 2006 Annual Management Plan closed with an execution rate of 90.2% similar to that of the previous management plan. 79 personnel training, coaching and

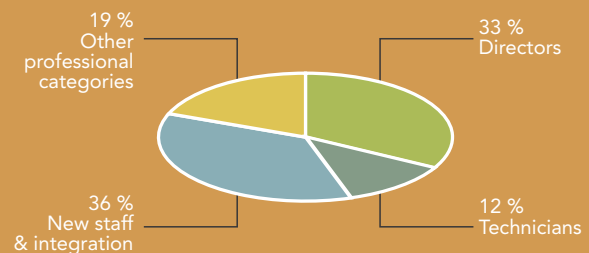
Hours of training and development by age groups -LA10-



Hours of training and development by professional categories -LA10-

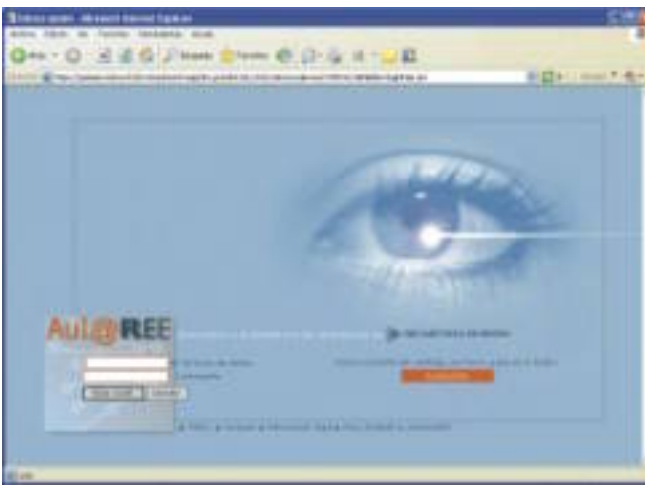


Distribution of training and development hours



educational activities were carried out, in which 92% of the staff took part. This means a total of 7,408 hours, i.e., around 63.4 hours of time dedicated to developing skills per person. The activities carried out allowed 79% of the skills associated with the company work posts to be developed.

Virtual training



Red Eléctrica favours the use of new technologies in order to promote the development of learning, open, distance coaching methods, to facilitate access to ongoing training. To achieve this, a virtual classroom has been designed, *Aul@Ree*, with different training contents based on new training technologies and highly-educational contents.



eDevelop is a computerised system for the self-development of skills. Its objective is to ensure that participants acquire the skills required for carrying out their professional responsibilities within a limited period of time, in a computerised learning environment.

The virtual training offered by *Aul@Ree* accounts for 4.5% of all the training hours, and offers a variety of contents. This percentage is 3.8% higher than last year's figure, and the forecast for 2007 is 6%.

In addition to technical training, the development of skills is considered, and as part of the plan for integrating new employees, training is completed with the Skills Development Programme through a combined method of virtual training and face-to-face sessions to favour professional development and improve personal relations. For this purpose, in 2006 a computerised platform was set up, called *eDevelop*.

Electrical system operations school

The Operations School is a clear example of the importance attached to **transfer of knowledge** by the company. The School has become a centre of reference in training for electrical system operations, and the ongoing updating of specialised knowledge in our business.

In 2006 the trend towards increasing training activities in the school was continued, (with a total of 1,235 persons attending the courses), by incorporating systems operators from non-mainland areas and Renewable Energies Control Centre operators. As a new feature, courses for the external public were added.

Last year two editions of the Operating Markets course and one edition of the Electrical System Operator Specialist Course were given, and a drill was organised simulating a European emergency as part of the VITA research project. The success of these courses, in which technicians from Spanish electrical companies and other countries took part, has led us to plan further editions for 2007.

This programme, which totals 200 study hours, is recognised through an academic certificate issued by the Pontifical University of Comillas and given jointly by the Technical School of Engineering of that university and the Red Eléctrica Operating School.

Performance management -LA12-

The Red Eléctrica evaluation system is considered to be not only a tool for the management of people but an element of communication and development for employees. The system evaluates **the development of and contribution made by employees** and every two years, it also takes into account the professional progress of employees, thereby permitting a programme to be designed based on the potential, talent and preparing of career and succession plans.

Evaluation is an ongoing process that ends in a personal interview, in which the manager shares the results of the evaluation with the employee. In 2006 a plan was implemented for directors, to train them and arouse their awareness about this process. Thus, a series of courses was given on “Performance interviews with employees”, for the whole management team.

As a complement to this activity, in 2006 an attempt was made to obtain greater knowledge about this management and development tool. Through internal company channels, access was provided to the results of previous evaluations for each employee, for consultation at any given time. The criteria and steps involved in this process were also described, for use in the forthcoming evaluation processes for 2007.

Operations School

The Operations School has a training simulator that enables complex drills to be performed. The simulator describes to operators situations and scenarios that may occur in the network, from management in risk situations to retrieving the system after a serious accident.

The method used in the courses is through face-to-face attendance, laboratory practice, visits to facilities, workshops, work sessions with the training simulator and virtual training. As a complement to the technical training, in 2006 operators also received additional training with respect to the management of stress and decision-taking, and language training to facilitate conversations with control centres from other countries.

The robustness and reliability of the Spanish electrical system in which very few incidents occur, limits the possibilities of operators having to face especially complicated situations. The training received in the school is particularly important for operators, since it enables them to reproduce real-life situations and know exactly how the electrical system will react.



Equal opportunities, diversity and conciliation



Equal opportunities

Equality of opportunities is a key issue in the corporate responsibility strategy of Red Eléctrica, and forms a part of the company management's strategic objectives and has been included repeatedly in the collective bargaining processes regulating labour relations. The main activities carried out in 2006 were focused at the following basic strategies:

■ Equal opportunities in hiring and selecting staff.

The evaluation of candidates without discrimination, which has led to an increase of women on the payroll (22.4% compared to 21.5% for last year). The salaries and development of the new staff is based on their training and experience, and this criterion is applied to both sexes alike. After this stage, the skills evaluation and commitment system is applied, which is also based on equal opportunity criteria.

■ Equal opportunities in everyday work.

Progress has been made in opportunities for development and promotion, leading to an improvement in the percentage of women in management posts in the company, which has increased from 11.5% in 2005 to 12.6% in 2006, and equal opportunities in training programmes, promotions and in evaluating staff performance.

Distribution of the staff by sexes -LA13, LA14-

Professional category	2002		2003		2004		2005		2006	
	H	M	H	M	H	M	H	M	H	M
Directors	79	8	78	8	82	10	84	11	76	11
Senior Technicians	146	63	175	81	195	87	218	103	218	115
Interm. Technicians	217	33	292	41	353	55	379	61	390	65
Specialists	253	4	206	1	216	1	247	1	262	1
Aux. staff	46	87	58	91	55	91	56	94	51	95
Total	741	195	809	222	901	244	984	270	997	287

% of women staff by prof. categories

Professional category	2002	2003	2004	2005	2006
Directors	9.2	9.3	10.9	11.6	12.6
Senior Technicians	30	31.6	30.9	32.1	34.5
Interm. Technicians	13.2	12.3	13.5	13.9	14.3
Specialists	1.6	0.5	0.5	0.4	0.4
Aux. staff	65.4	61.1	62.3	62.7	65.1
Total	20.8	21.5	21.3	21.5	22.4

Ration between basic salaries for men and women in 2006 (*)

Professional category	ratio
Directors	0.94
Senior Technicians	1.04
Interm. Technicians	1.02
Specialists	1.20
Aux. staff	0.89
Total	1.02

Equal opportunities

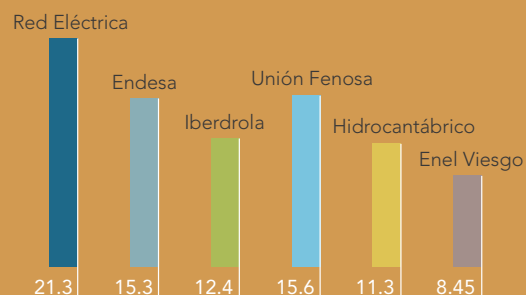
In hiring	1.2%	n° of women hired/ n° of suitable women interviewed /total men interviewed/total suitable men interviewed
Voluntary improvement	1.0%	n° of women with voluntary improvements/total n° of women/total employees with voluntary improvement /total staff
Promotions	1.0%	n° of women promoted/total women/total employees promoted /total staff

(*) The higher salaries paid to men is due to the fact that historically (but not at present), Red Eléctrica has hired more male than female employees based on their engineering profiles, since the opposite was not possible based on labour market conditions. As a result, the salaries paid to men have evolved in different ways, meaning that now the comparison is historically biased. This bias is in the process of being corrected.

Evolution of female employees in REE



Comparison with other companies in the sector



Source: Unesa 2004 Annual Report

In 2006 no incident took place that had to do with discrimination by reason of sex, in Red Eléctrica. -HR4-

Participation in the Grid of Companies Favouring Equality

In 2006 Red Eléctrica has signed a collaborative agreement with the Borough Council of Alcobendas in close collaboration with the authorities within its scope, through which it is now a member of the Grid of Companies Favouring Equality, whose objectives are to achieve an increase in the incorporation, promotion and diversification of women into the labour market, and encourage attitudes and values that will favour the optimum conciliation of family, personal and professional life. The commitments undertaken include:

- Strengthening the recruitment of women provided the candidates are in keeping with the professional profile required.
- Encouraging the implementation of training and qualification plans to promote the professional careers of women.

Against Gender-based Violence

Our agreement with social representatives continues in force, whereby in the event of any female employee being subject to domestic violence, she is provided with support in different forms:

- Psychological, medical and legal support, paid for by Red Eléctrica.
- Economic aid of 600 euros per month up to a maximum of 6 months for renting a home.
- Preferential treatment with respect to flexibility, leave, transfers and leave of absence.

No female employee has asked for aid in this respect in 2006.

- Taking care in the use of language in the working environment and in advertising.
- Designing a strategic positive action plan, with the support of the borough council.
- Participating in meetings to foster equality, taking part in the awarding of business Prizes for equality.

Participation in the community initiative EQUAL

Red Eléctrica has co-operated with this initiative through the projects Alborada and the Cronos Grid:

- **Alborada:** Red Eléctrica was selected by transnational partners of the EQUAL project as a model company for presenting the measures implemented in the company related to improvements in time management, flexibility measures and conciliation measures.

The Alborada project has been developed by the Equal Community Initiative and is a part of the Equal Opportunities Theme Line, belonging to the area for reducing imbalances between men and women and supporting the elimination of segregation at work.

- **Cronos Grid:** Participation in creating the Grid of Companies in Favour of Conciliation promoted by Madrid City Council.

Integration of disabled persons

In 2005, having recognised the exceptional efforts made by Red Eléctrica in incorporating disabled persons into its staff, Red Eléctrica signed an agreement with the Adecco Foundation to implement social integration programmes for disabled persons through different

initiatives. This agreement is included within the context of the law and will be targeted at different lines of action, including support to para-olympic sports, aid for disabled relatives and the integration of the disabled

into the company through agreements with technical schools. Within this scope, during this year the Family Plan has been set up, and an agreement signed for sponsoring the Para-Olympic Games in Pekin in 2008.



RED ELÉCTRICA family plan

The Family Plan is aimed at relatives of Red Eléctrica de España employees with certain grades of disability (direct relatives having a recognised disability of 33% or higher) for offering different activities to facilitate their integration into the labour and social world.

With respect to the elderly, the Family Plan promotes initiatives for developing social skills and attitudes to facilitate access to the labour market (information, guidance and advice in finding jobs). For the smallest family members, leisure activities are planned for developing social and relationship skills.

Throughout 2006 6 persons were incorporated, participating in different activities with the relatives of employees from all over Spain. One of these has recounted his experience in "miRED" to encourage all those who might be affected to sign up for the forthcoming activities included in this plan, among which is echinotherapy.

Echinotherapy is an activity that has been recommended for three of the persons (minors) who have signed up for the programme, and is applied together with traditional therapies.

The experience of an employee

Between the months of May and June I received an e-mail from the medical service, like other company employees. I was informed about the existence of an agreement between Red Eléctrica and the Adecco Foundation through which a collaborative plan was set up for integrating disabled persons into the labour market, without it mattering whether they were physically or mentally handicapped.

This was on a Monday, and by Thursday, we had arranged an interview to discuss the idea expressed in the message from the Medical Service in more depth.

My case in particular, was rather aimed at finding a series of activities for people who were not yet old enough to work. That is, my idea was targeted at minors.

They seemed to have everything planned. We left a working environment and entered a world that was based more on games.

They have group activities such as exploring the city, using public transport, going to the cinema and theatre, outdoor activities, sailing courses, echinotherapy, games, skiing... and all this was aimed at ensuring that handicapped persons did not feel any different to others.

The activities are supervised by monitors, and any relatives who wish to can also join in.

We chose a sailing course. We were taken by coach along with everyone who had signed up for the course. We were the only ones from Red Eléctrica and didn't know anyone else. After a while, it seemed like we had known the other people all our lives. From the very start, everyone was so friendly

and kind. The course was fantastic, but the wind didn't do a lot to help.

Under a blazing sun, we decided to return, as the weather was not ideal for staying for too long on the shores of the lake. So we got back into the coach. Some people needed help, but almost all of them could fend for themselves, to a very surprising extent.

I would like to take this opportunity to express my thanks for all the care and attention, and the professionalism of the people in charge of organising and monitoring the activities. They showed themselves to be true professionals who know their job well.

We'll meet again, I am sure.

P.S. Disabled persons are able to take care of themselves, and do not need help unless they ask for it.

"A Red Eléctrica employee"

Conciliation

For Red Eléctrica, encouraging a balance between personal and professional life is a strategic objective of human resources policy, as it is a key element in retaining and motivating our staff, increasing the commitment of everyone, in a business project that conceives people as a key elements with true value. The actions and measures we have implemented with respect to conciliation are based on four main lines:

- **Flexibility in terms of work:** Providing tools to offer greater flexibility at work since we consider this a key factor for conciliation.
- **Support during motherhood and fatherhood:** The average age of our staff is 40 years, but the ongoing incorporation of young professionals means considering these as key measures, since the birth rate among our staff is 1.84 (the birth rate in Spain is 1.3 children per female) and there is a trend towards an increase in the age at which women in Red Eléctrica have their first child (in 2006 the average age was 34 years). It is worth noting that more and more men

are applying for paternity leave, a cultural change that is evident in our organisation.

- **Social benefits:** In addition to the above-referred measures to facilitate the conciliation of personal and family life, the Collective Bargaining process which is in force until the end of 2006 provided for a series of social benefits for REE employees. Also, TDE in Bolivia has implanted its own social benefits, similar to those of the parent company.
- **Services for employees:** Red Eléctrica offers a series of services to all its employees to improve their personal and family wellbeing.

Following the agreement reached between company management and trade union representatives, the Conciliation Committee formed as a result of that agreement, whose objective is to improve the terms of social legislation applicable with respect to the conciliation of professional and personal life, has, during 2006, carried out important activities, and one of the initiatives of this work group is the creation of an



Measures taken to ensure flexibility at work

- Friday afternoons off
- Intensive working day for 3.5 months
- Flexible hours for 20% of the working day, on entering and leaving
- Labour calendars in keeping with work needs and geographic zones
- Possibility of taking vacation any time during the year, provided the business conditions permit
- Possibility of having any necessary free time for solving personal affairs with the permission of the employee's immediate supervisor
- Extension in days of leave for moving house from 1 to 2 days and for the illness of a relative from 2 to 3 days if there is no need for the employee to travel and from 3-5 days in the event of needing to travel

In 2006, 71 employees used the leave granted for moving house and 293, leave due to the illness of a relative

Measures of support for motherhood and fatherhood

Paternity leave for the birth, adoption or fostering of a child is 3 days, or in the case of having to travel, 5, whereas the applicable legislation establishes 2 days or 4 in the event of having to travel.

In 2006, 25 fathers took this leave.

Leave for caring for children is extended to children up to the age of eight, whereas the applicable legislation stipulates up to the age of six.

46 employees took this leave in 2006.

Payment of 100% of the social benefits payable by the company in all cases in which working hours are reduced, for taking care of children.

Reduction in working hours for taking care of children		Employees with reduced hours	
2005	13.91 %	Menos del 15 %	7
2006	16.00 %	Reducción del 15 %	19
		Reducción de más del 15 %	20

It is important to note that of the employees requesting a reduction in working hours, 3 were men.

Reductions in working hours for taking care of children are extended to 15% meaning an improvement with respect to the applicable norm.

All employees adopting this reduction in 2006 benefited from a reduction in time and salary of less than the 33% offered in the Workers' Statute meaning that they all benefited from an improvement in the measure.

Assigning of aid amounting to €1,500 for either adoption, birth or fostering for both mothers and fathers with lower salaries.

In 2006, 14 employees benefited from this measure.

Fathers working in REE will enjoy paid leave equivalent to the full maternity leave in the event of the death of the mother during or after birth, a measure that is not included in the current legislation.

Extension in maternity leave from week 38 of pregnancy until the day of the birth, thereby improving on the current legislation which establishes that this is from week 40 of the pregnancy.

In 2006, 12 women and no men enjoyed maternity leave.

Hours corresponding to leave for nursing, in full working days added to maternity or paternity leave, thereby improving on the applicable legislation which stipulates 1 hour per day which can be divided into two fractions.

In 2006, one employee took this leave.

ombudsman, a communications channel open to offer advice on conciliations, which is available for company employees, with two clearly defined objectives:

- Professional and labour environment: advice, support and channelling of conciliations in this scope.
- Personal and health scope: advice and support in dealing with personal problems that could concern employees.

Social benefits -EC3, LA3-

The Collective Bargaining process, valid until the end of 2006, acknowledges a series of social benefits for the employees of Red Eléctrica. Likewise, TDE in Bolivia has implanted its own social benefits which are similar to those of the parent company.

The Red Eléctrica Group has voluntary pension schemes and defined contributions. A defined scheme of contributions is a pensions scheme through which the Group makes set contributions to a separate entity and has no legal or implicit obligation to provide these contributions, if the fund does not have sufficient assets to pay all the employees the settlements related to the contributions made. The funding system is based on individual financial capitalisation of the contributions corresponding to each of the participants. The contributions made by the Company correspond to an equivalent share of up to 3% of the regulating salary for each participant/employee.

In addition the Group has separate post-retirement payments for active and retired employees of the parent company, separately from the pension schemes, such as electrical energy and medical assistance, and prizes for time served in the Bolivian company TDE. These commitments which are acknowledged during

Services for employees

Company canteen
Employees' bus
Parking facilities
Private vehicles cleaning service
Travel Agency
Bank branches and automatic cash points
Tax, legal and financial advice
Aid for practising sports in nearby centres
Medical service and prevention campaigns

Social benefits REE (Spain)

Pensions scheme
Private health insurance for employees and relatives under their charge
Collective life and accident insurance
Complement of up to 100% of the salary in the event of temporary disability
Special electricity rates in the employee's home
Personal loans for covering special personal expenditure
Luncheon vouchers
Personal loans for homes and vehicles
Nursery cheques
Computer equipment
Encouragement and economic support in practising sports

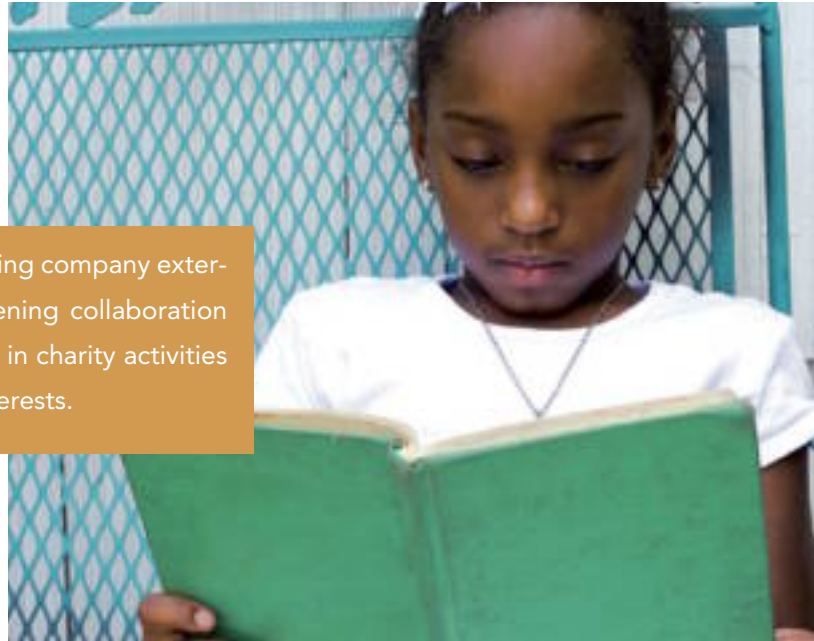
Social benefits TDE (Bolivia)

Accident insurance to cover the risk of accidental death, temporary disability and medical expenses
Comprehensive medical check-up for all staff
Advice on retirement formalities
Personal loans for dealing with social needs (health, home and university studies)
Extraordinary salary advances of up to one month's salary, which is deducted over a maximum term of 6 months
Encouragement and economic support in practising sports

the working life of the employees, are evaluated by qualified independent chartered actuaries and are shown in the group's balance sheet.

Corporate volunteer programme

EnREDando was set up with the aim of extending company external social action by promoting and strengthening collaboration by the highest possible number of employees in charity activities in response to social needs, problems and interests.



In 2006 one of the most positive projects included in the corporate responsibility system of Red Eléctrica was consolidated; the development of the activities of the “EnRedando” Volunteers Group.

The activities carried out during 2006 were aimed at affairs related to education, commercial ethics and support for the needy. All the projects were fostered by different directors of the company.

One of the most important activities this year was the organising of the 1st Charity Sports Week, in which many employees took part.

Further editions of the Charity Sports Week and Fair Trade Campaign will be organised in 2007, along with other activities to support less fortunate people (children in need, the elderly, emigrants) and provide protection for the natural environment.

1st Charity Sports Week



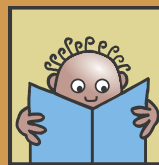
Organising of sports activities aimed at collecting funds for a development project in Peru. The enrolment fee paid by each employee participating in the activity is doubled by the company. The total funds collected were used for funding the Reading Plan, jointly with REDESUR. This project has the objective of encouraging children to read in the poorest areas of Peru.

Participants: 246 employees · Total funds collected: 15,600 euros

Promoter: Human Resources Director

Collaboration received from the Borough Council of Alcobendas and FUNDAL

Books for Guinea

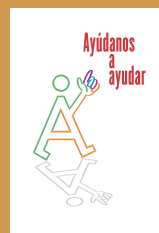


Collection of books for reading and consultation for schools in Guinea

1,200 books collected

Promoted by: The Communications and IR Director

1st Fair Trade Campaign



Organising of an informative event and setting up of the first fair trade street market in collaboration with SETEM

Participants: 60 employees

Funds collected by the market: 1,848 euros (equivalent to 308 hours of basic salary)

Promoted by: The General Transmission Director

05 Our commitment towards society

Our Commitment

"As market infrastructures are developed based on the requirements of the system, we are able to set up other socioeconomic and environmental projects that will contribute to fostering a more sustainable economic model in the areas in which those infrastructures are located". Luis Atienza (Conference on Compensatory Measures in Lineal Infrastructures)



Our commitment towards society is supported by three fundamental pillars: -SO1-

- **Transparent, open, smooth communications with our stakeholders** through a wide relations framework that enables us to work jointly towards achieving mutual understanding.
- **Integration into the communities** in which our infrastructures are located, by means of social and environmental integration programmes.
- **Support to social development** through participating in environmental, educational, cultural and scientific projects, paying special attention to the communities where the Group carries out its activities.

Relationship with our stakeholders

-4.14, 4.16, 4.17-

Red Eléctrica maintains an ongoing search for permanent, constructive dialogue with its stakeholders, to guarantee success for the company and ensure that all parties stand to benefit.



The efforts made by the Red Eléctrica Group in this field are aimed at the constant improvement of communication contents and channels and the design and implementation of new mechanisms to consolidate or facilitate its relations with its stakeholders.

Shareholders and investors

The basis of trust that Red Eléctrica pursues in all its dealings with shareholders, investors and the financial community lies in its ongoing search for transparent, smooth, close communication that goes beyond merely complying with legal obligations.

For this purpose it has two units: Shareholders Relations and Investors Relations, for identifying and solving the concerns and demands for information made by the different interest groups, through a combination of measures to facilitate communication.

Among the activities taken for improvement in 2006 is the strengthening of communications, since advanced

technologies have been incorporated into traditional communication and participation channels. Thus, during the first quarter of the year, the strategic plan and annual results of the company were transmitted in real time through the corporate website, with a participation of 236 users from different countries: 58.9% from Spain, 18.6% from the United Kingdom, 7.2% from Switzerland, 6.8% from France, 2.1 % from the US, 2.1% from Italy and the rest was shared between Belgium, Germany, Sweden, Korea and others.

Along the same lines, this year the Shareholders Assembly was transmitted over the Internet and the voting rights systems were improved by implementing electronic methods, with an increase in participation to 164 shareholders as compared to the 7 of the previous year.

On the other hand company management has taken part in presentations and meetings with institutional investors in the most important financial centres of Spain, Europe and the United States. 234 meetings were held with analysts and institutional investors, 30 important financial centres were visited in 21 visits organised for national and international institutional investors, and 13 presentations were made to institutional investors holding variable and fixed interest positions.

Clients, business agents and regulatory bodies

The effective development of the activities of Red Eléctrica is directly linked to its satisfactory interaction with clients, market agents and regulatory bodies. For this reason all communication activities and systems are focused on identifying potential anomalies, needs, requirements and expectations that will contribute to improving the efficiency in processes and the quality of the services rendered.

Shareholders and Investors -4.16, 4.17-

Communication and participation channels

Shareholders Assembly
Shareholders Office
Toll free number 900 100 192
Shareholders e-mail address: accionistas@ree.es
Investors e-mail address: relacioninversores@ree.es
Investors Relations Department
Corporate website: Shareholders and investors section (Spanish and English)
Presentations and meetings with shareholders and investors
Publications: Annual report, corporate governance report, corporate responsibility report, quarterly shareholders bulletin
Retransmission over the Internet of the presentation of results
Retransmission over the Internet of the Shareholders Assembly
"Red al día" alerts service on relevant issues
Electronic voting at the Shareholders Assembly
Satisfaction Survey

2006 Objectives

	Compliance rate
Improvement in participation in the Shareholders Assembly through electronic voting	100 %
Retransmission over the Internet of the Shareholders Assembly and presentation of results and company strategy	100 %
"Red al día" alerts service communicating relevant issues	100 %
Incorporation into the website of the investor's agenda	100 %

Main communication indicators

	2004	2005	2006
Shareholders Office, visits processed	1,165	1,502	1,547
Shareholders line and e-mail, consultations dealt with	1,087	2,737	1,754
Sending of documents	3,161	4,393	5,766
Identification of shareholders, number of records	3,397	3,564	3,713
Shareholders and investors section in the Website, number of visits	44,333	73,114	117,234
Relations with analysts and institutional investors	132	198	234
Visits to Institutional Investors	14	14	21
Presentations made to institutional investors (variable and fixed interest)	7	11	13
Surveys. Degree of Satisfaction (0-10)			
Minority shareholders	-	8.69	7.71
Financial & business analysts	n.e.	n.e.	7.43
Relations with investors (DJSI) (0-100)	55	100	n.e.(*)

DJSI: Dow Jones Sustainability Indexes
(*) Not evaluated in 2006 in "utilities" companies

Information access and exchange in the different technical and economic processes by market agents is controlled through specific data-processing systems (SIOS, SIMEL, etc.). The design of these systems guarantees the safety and protection of customer data, and no complaints have been received in this respect. In addition, the criteria of transparency, objectivity, non-discrimination and confidentiality established by the law are applied. In the case of the electrical system operation, in accordance with operating procedure PO9, which is posted in the corporate website. -PR3-

Management and improvement of relations with clients

Since 1999 Red Eléctrica has in place a system for evaluating satisfaction and detecting needs and expectations through surveys and interviews carried out every two years, the results of which lead to actions for improvement.

In 2006 the 2005-2006 Action Plan was implemented, designed based on the survey carried out in 2004, with a compliance level of more than 90.6%.

In addition, the survey for the period 2005-2006 was conducted, and the results are once again satisfactory. Currently the new action plan to respond to the concerns, expectations and requirements of clients, market agents and regulatory bodies is in the process of being designed.

Examples of permanent Committees

Electrical system operation

Technical Control Centres Coordination Group

Market Agents

Technical Wind Generation Integration Group

Electrical companies - wind

Technical Follow-up Committee on the Iberian System Operation

Market Agents

Market Agents Committee

Market Agents

Technical Group for Following up Measures MITT, NEC and market agents

Transmission network manager

Transmission Grid (TN) Planning Follow-up Group National Energy Commission (NEC), Ministry of Industry, Trade and Tourism (MITT) and market agents

International Interconnections Planning Coordination TSO France (RTE), Portugal (REN), Morocco (ONE) and FEDA

GRAI Analysis of incidents and obtaining of improvements in protection systems

NEC, MITT and market agents (Generators and distributors)

Work group for accessing the distribution TN NEC and market agents (distributors)

Wind associations

APPA and AEC (wind)

This tool is one of the communication channels that form the most complete relations framework. Relations customarily maintained with the different clients, market agents and regulatory bodies are consolidated through permanent and specific work groups, ad hoc commit-

Main Satisfaction Indicators -PR5-

	2000	2002	2004	2006
Global level of satisfaction	7.85	7.77	7.79	7.77
Service quality satisfaction level	7.41	7.50	7.30	7.38
Service provision satisfaction level	7.13	7.08	7.00	7.01
Customer service	6.84	7.51	7.51	7.70
Evaluation of actions for improvement then as the result of last year's survey	—	7.40	6.43	6.47

tees for implementing and conducting follow-up of services and specific products, strategic alliances, benchmarking studies among others.

Together with these joint operating tools and mechanisms Red Eléctrica has a comprehensive management system for consultations and complaints from system agents. This system has made it possible to identify areas for improvement related mainly to the settlements programme and access to the network. With respect to consultations, the majority refer to requests for information on the Control Centre based on RD 1454/2005 and on procedures for requesting access to the transmission network.

For the network access process, information on the procedure has been improved on and the necessary forms for requesting feasibility studies and processing including, if necessary, connection to the transmission network. Furthermore Red Eléctrica participates in different benchmarking studies to compare the results of its business activities with those obtained by the most important companies developing similar activities, both in Spain and internationally.

Benchmarking

Electrical system operation	
Start of participation by REE	1998
Frequency	Annual
Body	TSO
Participants	20 TSO companies 5 continents
Maintenance of high voltage facilities	
Start of participation by REE	1994
Frequency	Every two years
Body	ITOMS
Participants	25 international transmission companies

Client, business agents and bodies -4.16, 4.17-

Communication and participation channels

Ongoing anomalies management
Consultations and complaints management
Public website with information in real time and full contents www.ree.es.e-SIOS
Website for market agents. Specific computer systems (SIOS, SIMEL, SIOM)
Ongoing information for market agents and regulatory bodies
Regular technical publications
Active participation in study committees and debate forums
Work groups and technical meetings. Joint projects
Presence in business associations
Benchmarking studies
Satisfaction surveys and identification of requirements
Training for market agents on different processes

2006 Objectives

	Compliance rate
Reduce response times for agents in requests for access to the network by speeding up information flows between units	100 %
Publication in the website of existing access capacities in the network nodes	100 %
Standardise and provide forms for requesting network access through the internet	100 %
Information for agents on the existence of special mailboxes for consultations	100 %
Review of websites contents on operations markets and on the management of international exchange programmes	75 %
Improvement in information on group programming due to technical restrictions	50 %
Replacement of the electrical measuring system	
Web server for improving functionality	100 %
Creation of two groups for identifying weaknesses in access planning and control	100 %

Principales indicadores

	2004	2005	2006
N° of complaints	-	-	80
Solving of complaints (%)	-	-	87.5
Avg. time for solving Complaints (days)	-	-	34.1
Relations with clients (DJSI) (0-100)	69	81	75

DHSI: Dow Jones Sustainability Indexes

Suppliers -EC6-

The acquisitions volume of goods and services for 2006 exceeded 526 million euros, representing a growth of 14% compared to the previous year and a cumulative growth over the past 3 years of 30%. This considerable increase in activity requires purchases procedures to be made more efficient, flexible, speedy, with the application of stricter criteria in terms of transparency, objectivity and equal opportunities. In this respect a series of measures has been adopted, which include:

- reviewing and improving the suppliers evaluation procedure
- differentiating the product homologation process
- request for evaluation surveys in digital format
- consolidation of the new purchases procedure and its authorisations chart
- information for requesting offers for works and services in digital format
- programming and defining projects for transferring AC criteria to suppliers

During this year, contracts were awarded to 1,253 suppliers. The main suppliers of Red Eléctrica this year were Siemens, Areva, ABB, Cobra and Electrónica Arteché. Purchases made from these suppliers account for approximately 25% of the total annual amount.

Based on the location of the corporate headquarters of the company issuing the invoices, the geographic distribution of purchases reveals the social and economic commitment of the company with its country of origin, given that they are made mostly in Spain (96%) and Europe (4%), and include purchases from Portugal, France and Germany. However, if we take as the rating criteria the place of manufacture of the main equipment, this percentage increases to 87.5% for Spain and 11.7% for the European Union.

Taking into account that the purchases volume accounts for half the total revenues and the geographic distribution thereof, Red Eléctrica is converted into a company that provides wealth and as a consequence, local economic development, through these supplies.

Supplier evaluation

In 2006 the supplier evaluation procedure was reviewed and improved on. As a previous step for being rated by Red Eléctrica, suppliers must be registered in the “RePro” rating system.

The Red Eléctrica rating system assures transparency and compliance with company standards. The system evaluates for each supplier, its production and economic capacity, among other factors, and environmental, and occupational safety and health criteria. Requests for ratings received through the specific channel in the corporate website amounted to 169.

After analysing the information on our rating system, in which currently suppliers representing 40% of all orders issued are included, we know that 13% of these have signed the United Nations Global Compact and that 50% have specific policies in place in respect of human rights, labour rights and prevention and the promotion of environmental responsibilities within the company. -HR2-

Other significant data obtained from the same source with respect to the different management systems are:

- 85% of suppliers have a certified quality management system.
- 39% of suppliers have a certified environmental management system.

Associations and work groups

Continuing along the line of work set up with RePro, there has been active participation in the “Audits Committee” work groups, and in the Documentation Work Group and the recently-formed committee for working on the application of corporate responsibility criteria in our suppliers rating system.

In addition, Red Eléctrica has taken part in defining the contents for the “Public Contracts Committee based on sustainability criteria” that was organised at the 8th National Environmental Congress. Also, in order to improve our responsibilities and the implementation thereof, we are members of AUSAPE and AERCE.

Transparency

With the aim of allowing suppliers non-discriminated access to information, the estimated annual needs for the main categories of goods and services, the main contracts awarded and ordinary announcements made for separate projects which require this due to their budgets are published in the OJEC (Official Journal of the European Communities) and OGS (Official State Gazette), in the suppliers rating system.

Communications with the press

In response to the informative transparency and ongoing improvement criteria maintained by Red Eléctrica, during this year new communication channels have been developed, among which are an open, participative newsletter on the subjects of energy, the environment and culture. In addition, work has continued on the programme for transmitting information for the press through holding different training sessions and setting up scholarships for training young journalists.

Suppliers -4.16, 4.17-

Communication and participation channels

Consultations and complaints service

Special area in corporate website: www.ree.es

Presence in associations and work groups

Quality agreements

Alliances

Meetings

Surveys on satisfaction and the identification of requirements

Training sessions

REPRO rating system

Publication in the OJEC and OGS

Exchange of impressions

2006 Objectives

	Compliance rate
Development of an action plan to increase the number of quality agreements	50 %
Preparation of a suppliers recognition plan	50 %
Transfer of CA criteria to suppliers	50 %
Review and improvement of the rating procedure	100 %
Differentiation of the products homologation process	100 %
Rating surveys in digital format	100 %
Requests for offers for works and services in digital format	100 %

Main indicators

	2006
N° of suppliers (with purchases in 2006)	1,253
Rated suppliers	465
Suppliers rated with environmental evaluation (*)	200
Suppliers with occupational safety and health evaluation	176
N° of joint quality and supply agreements	4
2005 Survey on the level of satisfaction (0-10)	7.94

(*) More information in the chapter on environmental responsibility



Yet another step in the company's communication strategy was the creation of Entrelíneas, the Red Eléctrica de España newsletter. Coordinated by the Press Office, it is drafted based on journalistic criteria and is an open, participative publication that offers many possibilities for discussion. Special attention has been paid to its contents and specialised journalists in energy, management, environmental and cultural fields have taken part in preparing it. Great care has also been taken in the mock-up, illustrations, photographs and infographs.

It is distributed to companies from the sector, the news media and Spanish, regional and local institutions and authorities. It is also distributed to all the employees, thereby converting it into an internal communications tool. Finally, to make it available to the public at large, it is posted on the website with 13,968 downloads being made at year end.

In 2006 issues 1 and 2 of the newsletter were published. The newsletter is published every quarter, with 4,000 copies being printed.

Training

With the aim of contributing to **training young journalists** in the energy and economic areas, an agreement was signed with the Efe Foundation for creating two scholarships each of one year, for students with a degree in journalism from the latest promotions. This scholarship allows them to work for six months in the economic department of the EFE news agency and another six months in the Press Office of Red Eléctrica.

Further to the **programme for transmitting knowledge to journalists**, two training courses were held for the regional press to explain how the electrical system works, which in 2006 was given to journalists from Andalusia and Catalonia.

Also, among the **activities carried out by the company in the environmental field** have played an important role in this training activity. We should mention the event in Andalusia for presenting the work on live facilities carried out by helicopters and the visit to the Balboa-Alqueva line, one of the main lines of interconnection with Portugal, to explain about some of the environmental activities carried out in the province of Badajoz. In addition to the visit, a dossier was prepared on the project, containing information about its technical aspects, the importance of the interconnection for the electrical systems of both countries, and preventive and corrective measures carried out to reduce harmful effects of the facility on the environment to a minimum.

Relations with professional associations

As part of the collaborative agreement with the Association of Environmental Information Journalists (AEIJ), for promoting the actions taken by the company

for environmental protection, a round table was organised during the 8th National Environmental Congress (CONAMA 8) held on November 28 last, at which the conclusions of the conference on compensatory measures organised during the year in Oviedo, Seville, Barcelona and Madrid were presented.

An agreement was also signed with the Association of Journalists of Campo de Gibraltar (AJCG) through which Red Eléctrica has sponsored the 4th Seminar on electricity entitled "Production and distribution of electricity". Red Eléctrica organised an event in Algeciras on the environmental policy of the company and the Spain-Morocco interconnection, and a visit to the national electrical Control Centre (Cecoel) in Madrid.

Informative activity

In 2006 the second cable of the Spanish-Moroccan interconnection was laid (REMO Project). To offer information about it, a visit to the area of Tarifa was programmed for journalists in June while the cable was being laid, and they were given a dossier containing a report on the project with full information about the importance of this interconnection for the electrical systems of both countries, the technical aspects of the project and the environmental activities carried out.

Following the start of Red Eléctrica's operations as electrical system operator for the Balearic and Canary Islands, the press from both these regions was invited to the opening of the headquarters in Palma de Mallorca, Las Palmas de Gran Canaria and Santa Cruz de Tenerife. The presence of the president and directors from Red Eléctrica de Baleares y Canarias respectively, helped in establishing contact with (in

some cases) and maintaining contact with (in others) the press from both regional communities.

The News Media -4.16, 4.17-

Communication and participation channels

E-mail: gabinetedeprensa@ree.es
Attention over the telephone
Press room at www.ree.es
Publication <i>Entrelíneas</i>
Press releases
Press conferences
Training sessions
Live retransmission over the Internet of press conferences
Press releases alerts service
Collaboration with professional associations
Satisfaction surveys
Visits to facilities

2006 Objectives

	Compliance rate
Publication of a newsletter	100 %
Direct broadcasting through the website of the Shareholders Assembly press conference	100 %
Incorporation into the Press Room in the website, of a new section with leaflets, infographs and videos on different aspects of the activities carried out by Red Eléctrica	100 %

Main Indicators

	2004	2005	2006
News items published on Red Eléctrica			
National press	2,255	3,159	2,442
Regional press	4,010	6,415	3,471
Information disseminated			
Press releases	50	63	35
Press conferences & meetings	14	21	22
Interviews and statements	73	113	148
On-line press room			
N° of visits	20,380	33,256	45,530
Pages consulted	74,400	125,974	177,995
Satisfaction Level Survey (0-10)	n.e.	7.43	n.e.

On March 16-17, Red Eléctrica de España, L'Office National de l'Electricité (ONE) and the Averroes Committee organised an event in Marrakesh on Hispano-Moroccan co-operation in the energy sector, to which journalists covering this type of information in the press were invited.



Social environment

Red Eléctrica integrates into this category a series of stakeholders with which it relates in a continuous process of learning and innovation, maintaining the principle of transparency and mutual co-operation in those relations. This group includes educational and research centres, ecological groups, trade unions, borough councils, business institutions and associations, local communities and NGOs.

To offer the appropriate response to the demands and expectations of these groups Red Eléctrica makes a great effort to establish a framework of relations that will facilitate dialogue. In 2006 several communications mechanisms have been consolidated and actions taken to improve on the satisfaction surveys performed the previous year.

As part of the activities carried out during the year, we should mention the initiatives taken by Red Eléctrica to bring the company and its business activities closer to the different parliaments in our country. These initiatives are aimed firstly at visits by parliamentary commissions, and secondly the Corporate Parliamentary Programme (CPP). This philosophy of proximity has also been applied to educational centres through different activities such as participation in different science fairs and setting up an educational channel in the corporate website.

Projection of the real situation of the business

In 2006 the **parliamentary visits programme** was continued. This initiative was started up in 2005 with a visit of the Industry Commissions of the Senate and House of Representatives, and 5 regional commissions with a total of 58 parliamentarians. Following positive accept-

ance and suggestions made by the people visiting us, in 2006 the invitation was extended to the members of commissions having environmental responsibilities.

During these visits the parliamentarians have the opportunity to visit the Electrical Control Centre, where they are shown how the system works in real time. They are also shown the current situation of the transmission network in their regional communities and the forecasted development necessary to cover future energy demands.

Visits by parliamentarians in 2006

	N° of visitors
Economic and Technological Innovation Commission. Parliament of Madrid	8
Economic, Labour, Industrial and Trade Commission. Parliament of Castilla y León	8
Industrial, Trade and Tourism Commission. Parliament of Aragon	14
Environmental and Social Development Commission. Parliament of Castilla y León	6
Environmental, Territorial Ordinance and Infrastructures Commission. Principedom of Asturias	7
Industrial, Energy and New Technologies Commission. Parliament of the Canary Island	5
Industry, Labour, Trade and Tourism Commission. Parliament of Murcia	4

Red Eléctrica also participates in the **Corporate Parliamentary Programme (CPP)**, an initiative promoted by the Business Circle to improve knowledge and relations between parliamentarians and companies. This programme is implemented through a visit by parliamentarians to the company, lasting for about 10 days, during one year. During each stay those responsible for the different organisational units of the company explain the functions they perform in their units to the visitors and tell them about the future challenges to be faced and prospects for the future. During the first meeting in 2006, the two senators included in

Social Environment -4.16, 4.17-

Communication and participation channels

Consultations and complaints. Telephone and e-mail.
Corporate website: www.reee.es
Publications (corporate, electrical, environmental, social)
Website educational channel
Participation in congresses, forums, conferences, courses
Collaboration with business, educational, social and environmental associations,
Meetings and agreements with public authorities (local and regional)
Visits and open-door events
Participation in fairs
Satisfaction surveys

2006 Objectives

	Compliance rate
New corporate responsibility section in the website	100%
Creation of an educational area in the website	100%
Extending the environmental website area	60%
Sponsoring of conferences on compensatory measures	100%
Collaboration with NGOs related to the company's Activity	100%
Diffusion of REE Corporate Responsibility	100%

Main indicators

	2006
Number of complaints dealt with	52
Solving of complaints (%)	63.5
Average time for solving (days)	18.6
Number of consultations made in the website	400
Number of downloaded publications	450,000
Number of visits to the site	846,269
Social communication (DJSI) (0-100)	
Commitment towards stakeholders	95
Social communication	98
Corporate Citizen	85
Satisfaction Level Surveys (0-10)	
Borough Councils	6.80
Social environment of activity	7.23
Educational and research centres	8.25
Ecological groups	4.50
NGOs-Foundations	6.00

DJSI: Dow Jones Sustainability Indexes

the CPP made the visits corresponding to the 2005-2006 programme and in September 2006, the 2007 programme was started, for which seven parliamentarians, six senators and one M.P. signed up.

Corporate website

Red Eléctrica places at the disposal of the company its corporate website on the Internet (www.ree.es) in order to diffuse information that is relevant and of use to all the company's stakeholders.

In 2006 work continued on enlarging and improving the contents of the different sections. We should mention the commitment to new technologies that has given rise to the **retransmission over the Internet of the presentation of results to analysts and investors and the live retransmission of the General Shareholders Assembly**. This event recorded a participation of 879 users, indicating the potential for development of this channel. In addition, the distance voting system was improved by incorporating new functions, such as the delegation of voting rights.

Likewise, we should refer to the effort made in **developing the educational section** of the website. An area with interactive contents (the educational game "Controla", a virtual visit to the Cecoel centre, videos, etc.) which forms part of the widest educational programme through which Red Eléctrica intends to approach educational centres to offer a straightforward explanation about how the Spanish electrical system works, and the functions it has been assigned as the system operators and manager of the electricity transmission grid.

In addition, in 2006 Red Eléctrica carried out an **accessibility audit**, in collaboration with Technosite,

to ascertain the degree of adaptation of www.ree.es to the Website Contents Accessibility Guidelines (WCAG) in the 1.0 release defined by the W3C, World Wide Web Consortium. The results showed that difficulties in access existed for some users as the accessibility percentage reached in accordance with level AA was 22.59%. Red Eléctrica has started work on adjusting the contents of the site to the AA accessibility level, through a plan to be implemented in several stages between 2007-2008.

Red Eléctrica continues to offer **information in real time**, such as mainland Spain consumption of electricity or its listing on the stock exchange, and it has also introduced other important improvements such as:

- The publication of the daily demand indicator on the homepage
- The incorporation of a curriculum-uploading service
- The publication of contents in RSS format. RSS files use a files format based on XML, known as Really Simple Syndication (RSS). They are free and include the title, description, date and link to ree.es in which the full content is located. With RSS, the information is updated regularly and reaches the user directly without that user having to visit each page in his search.

In 2006 more than **16 million pages were consulted during the 846,269 visits** made to the website from one hundred countries, compared to the almost 15 million pages and 609,504 visits of 2005. This important increase in visits confirms the growing importance of the website as a communication channel with all stakeholders.

The Group's transparency policy is also evident in the websites of TDE (Bolivia) (www.tde.com.bo) which offers ample information on the company and on the Bolivian electrical sector. During 2006 it

received 10,225 external visits, 17% more than for the previous year.

Publications

Red Eléctrica publishes and diffuses publications as a key communication tool with its different stakeholders. The public at which the documents are targeted represents a wide spectrum in society: institutions, public bodies and authorities, electrical companies, the press, shareholders, etc. and are distributed to almost 4,000 recipients. Every year, approximately **25 types of corporate publications** are prepared and distributed, including technical documents and informative material, with the publication of more than 100,000 copies in 2006.

To this we should add the downloading of the digital versions made from the corporate website. The distribution of e-publications, which permits a greater diffusion of information to all interested parties, with an important savings in resources, has continued to increase in 2006, with **more than 450,000 copies downloaded**, 80% more than in 2005.

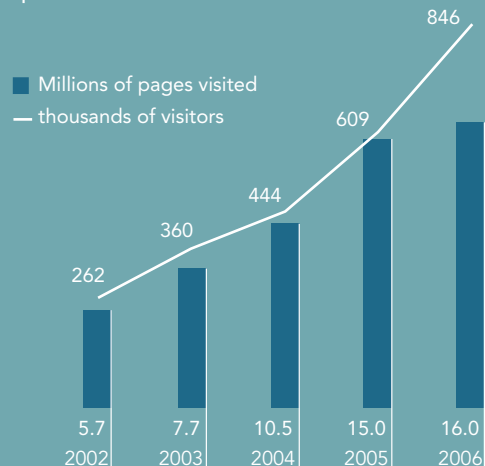
Most important publications in 2006 (*)

2005 Annual report (in Spanish and English)
2005 Corporate Responsibility Report (in Spanish and English)(**)
2005 Corporate Governance Report (in Spanish and English)(**)
2005 Environmental Report (in Spanish and English) (**)
Spanish Electrical System Report
Preview 2006 (in Spanish and English) (**)
2005 Spanish Electrical System Report
Monthly Report. Electrical System Statistics.
Electrical Energy Statistical Bulletin (monthly). Published jointly with the Ministry of Industry, Tourism and Trade
Map of the Iberian Electrical System Transmission Grid for 2006
Shareholders Bulletin (quarterly)
Entrelíneas. Quarterly Red Eléctrica Newsletter.
A stable legal framework
The Spanish electrical sector economy 1988-1997
Electric cables: shelter for the pilgrim hawk

(*) All the publications are available in electronic format at www.ree.es

(**) Only available in English in electronic format

Corporate website: annual evolution



RED ELÉCTRICA DE ESPAÑA

Al servicio de la sociedad

- Quién es Red Eléctrica
- Operación del sistema eléctrico
- Transporte de energía eléctrica
- Medio ambiente
- Responsabilidad corporativa
- Desarrollo internacional

English

[Área de accionistas e Inversores](#)
[Sala de Prensa](#)
[Área de proveedores](#)
[Área de educación](#)

Environmental and social integration of projects -SO1-

Environmental and social integration of projects

Principles of the environmental and social programmes:

- To identify interlocutors, their perceptions and attitudes towards the company and the projects it develops
- To determine the most appropriate channels for maintaining permanent, systematic communication with all those interlocutors
- To work towards conciliating environmental and social interests with the feasibility of the project
- To set up agreements aimed at complying with the company commitment with support for the development of society and biodiversity conservation



Red Eléctrica tests experiences in the integration of projects into the communities in which it operates through the development of **environmental and social participation programmes (ESPP)**. The objective of these programmes is to encourage the participation of all interested parties and respond to the demands for information generated in the community to ensure that the company's projects are executed with the maximum possible consensus.

When a project is started up, a series of standard criteria are analysed, in order to determine the intensity level of the ESPP. These criteria include four fundamental aspects: the project characteristics, the envi-

ronmental quality, the level of implantation of the company in the territory and the social acceptance of the project. Based on the evaluation of these criteria, Red Eléctrica makes a distinction between three ESPP intensity levels: initial, basic and advanced. Each of these levels involves a series of different actions. Once the project has concluded, the ESPP is closed and a final evaluation made.

ESPP projects	Region
Spain-Morocco (REMO)	Andalusia
Mainland Spain-Balearic Isles	Balearic Isles-Valencia
Lada-Velilla	Asturias-Castilla y León
Arocs-La Roda	Andalusia
Cabra Gardarne	Andalusia
S.E. La Cabra	Andalusia
Soto-Penagos	Asturias-Cantabria
Penagos-Güeñes	Cantabria-Basque Country
Abanto-Zierbena	Basque Country
Zierbena-Santurce	Basque Country
Mesón-Cartelle	Galicia
Mesón-Puentes	Galicia
Cabra-La Roda	Andalusia
Muruarte-Vitoria	Navarre-Basque Country
East Cantabrian Supply	Cantabria

The REMO project, declared of community interest by the European Community, is one of the best examples for Red Eléctrica in relation to the integration of projects into their environment. This project crosses the Natural Reserve of the Strait (Tarifa), one of the areas included in the Natura 2000 Grid. Red Eléctrica received the co-operation of the Migres Foundation as a mediator between the environmental interlocutors of Campo de Gibraltar and Tarifa. The Migres Foundation also collaborated in designing and executing the compensatory measures, i.e, those included in the Habitat Directive to guarantee the integrity of the Natura 2000 Grid. These measures, agreed on by the Follow-up Commission formed by all the interested parties, is grouped into three basic lines of action: conservation, research and education.

In addition to the compensatory measures included in the environmental impact declaration (EID) (which is referred to in the environmental chapter of this report), the project also determined accompanying measures which, although not defined in the EID, have been developed by Red Eléctrica to guarantee the social and environmental integration of the project.

The social conflicts arising during the laying of the first Interconnection cable were not repeated in this case, among other reasons, thanks to the ESPP initiated in 2002.

REMO Project -EC8-

Accompanying social measures

Repairing of pavements in La Marina Residential Complex

Street lighting reform work in Sancho IV el Bravo street

Elimination of architectural barriers

Street repairing in La Zarzuela

Burying of Urban Waste Containers in Sancho IV street

Termination of El Lentiscal avenue

Compensation to fishermen for the prohibition to fish while laying the cable

Aid for the fishermen's guild for the control and sale of snapper fish

Land for the urban waste station, sub-station and fire brigade

Accompanying environmental measures

Plan for monitoring the birdlife in the natural reserve of Los Lances (Tarifa, Cadiz)

Underwater emissary on Los Lances beach

Study on the feasibility of the ecological and cultural use of the isle of Las Palomas

Construction of a bird-watching observatory in the marshland of the Palmones river

Re-editing of works on the natural wealth of the Strait

Co-funding of documentaries on the migration phenomenon

Sustainable project in Sierra de Gata

Environmental education programme for promoting knowledge about the natural environment among young people from the region of Gata. In executing this project Red Eléctrica received the support of the Association for the Integral Development of Sierra de Gata (ADISGATA).

The work carried out for 6 months by 1,869 school-children and 120 teachers from 21 schools in the area was published in the book *La flora en la sierra de Gata vista por los niños* (The flora of Sierra de Gata, as seen by children). The book includes the most important species of trees from the region, and information on the traditional uses made of them. It also includes recipes, sayings and other expressions of local culture related to the use of the natural resources in their area.

The book was distributed among the children for the purpose of providing them with material that they would take pride in showing to future generations, thereby keeping alive the knowledge passed down by their parents and grandparents in writing the book. The book was presented at a public event attended by children, teachers, institutional representatives from the region and Red Eléctrica.

The ESPP also play an active part in other projects, such as the new line from Lada to Velilla. Thanks to the communication channels opened up within the context of this ESPP in 2006, different institutions such as the Fund for the protection of wildlife (FPW), the University of León and the Biological Station of Doñana (CSIC) have provided information that is extremely relevant for determining the best possible course. On the other hand, in relation to specific actions taken as part of the Lada-Velilla ESPP, we should mention the programme for pollinating the habitat of the capercaillie, in collaboration with FPW in the mountains of Campo de Caso y Aller (Asturias). The idea is to make the bees return to the mountain ecosystems.

Sustainable development projects

These projects are part of the sustainable development programme that Red Eléctrica intends to promote directly, to strengthen the company's integration into the social and institutional areas of the territories where its facilities operate. The first of these projects was carried out in Sierra de Gata, an area that was also chosen due to its great ecological value, as it houses one of the first facilities constructed by Red Eléctrica at a time when no studies were drawn up on environmental impact.



Support to the community

Our community support policy is based on the Red Eléctrica Group's commitment to collaborate with the social development through actions of co-operation and sponsorship, largely in the fields of education, the environment and society.

Environmental protection, educational development and co-operation in social and cultural projects are the Red Eléctrica Group's main areas of action in providing support to the community. The activities carried out in these fields are instrumented mainly through sponsorship and collaboration with specialised entities.

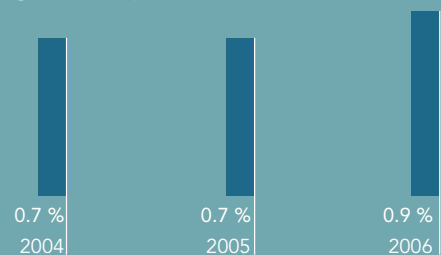
Environmental protection

Taking care of and improving the natural environment are the key directives in the daily activities of Red Eléctrica. This commitment is strengthened by collaboration with entities of great prestige that operate in the area of protecting and arousing awareness on the environment.

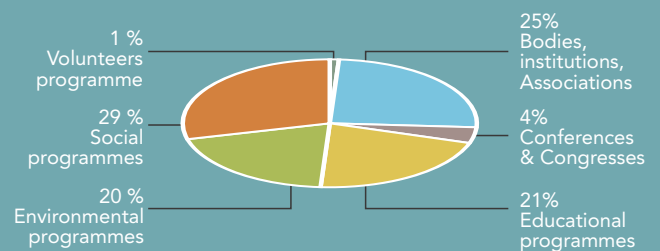
In addition, Red Eléctrica complements these activities through participation in and organising forums, congresses and environmental communication activities among which we should mention the "Conference on compensatory measures and linear infrastructures" held in Seville, Oviedo, Barcelona and Madrid. Also, Red Eléctrica participated actively in the **8th National Environmental Congress (CONAMA)**.



Investments in the community
(percentage of net profits)



Distribution of the investments



Most important environmental collaboration

Biological Station of Doñana (Council of Scientific Research)

Study on the incidence of transmission lines on steppe birds in Andalusia and possible measures for controlling the habitat to reduce the impact

Environmental advice on the alternatives given in response to the Summary Report in processing the new Lada-Velilla lines

Group for the rehabilitation of autochthonous fauna and its habitat (GREFA)

Collaboration in developing activities aimed at conserving and rehabilitating autochthonous fauna and its habitat

Finance for feeding the fauna in the new GREFA rehabilitation centre

Entorno Foundation

Collaborative agreement with the objective of promoting environmental improvement, by developing training and research activities in collaboration with the business sector

Spanish Ornithology Society (SOS)

Framework agreement of collaboration for offering environmental advice to make the electrical lines compatible with birdlife conservation

Fund for the protection of wildlife (FPW)

Support programme for apiculture in the mountains of Lada-Velilla

MIGRES Foundation

Collaboration in activities related to nature conservation, in particular migratory species

Official School of Physicists (COFIS)

Preparing of an informative leaflet on electrical and magnetic fields

Sustainability Excellence Club and Asturian Environmental Foundation

Sponsoring of the website "Responsabilidad" in which new trends in corporate responsibility are disseminated

Association of Environmental Information Journalists

Sponsoring of the publication of a book on the conclusions of the 6th National Environmental Journalism Congress



Educational development

Red Eléctrica considers education as a tool for integration, social development and innovation. One of the main lines of activity in this field is aimed at the university sector by setting up collaborative agreements or activities of mutual interest to both sides.

In addition, work is currently in progress on developing an educational programme targeted initially at students and teachers from secondary schools, professional training centres and pre-university education centres, with the following objectives:

- **To show teachers and students how the Spanish electrical system works and the functions assigned to Red Eléctrica**, as the system operator and manager of the high voltage transmission network.
- **To provide teachers with educational material and resources that will enable them to deal with contents on electricity**, not as an isolated subject but associated with more mainstream areas (environmental, healthcare and consumer education, etc.) by using new information and communication technologies, especially the Internet.
- **To provide the educational community, as an interest group of Red Eléctrica, with basic education on electricity**: what it is, why it is so important, where it comes from, how it is produced, how it is transformed and distributed, environmental impacts caused by its consumption, etc.
- **To disseminate the philosophy of a rational use of electricity**: to disclose its benefits and offer basic advice on how to use it correctly.

Collaboration with research and educational centres

University of Barcelona

Collaboration in the Corporate Responsibility, Accounting and Corporate Auditing Master's Degree course

University of Charles III

Co-operative agreement for developing a Master's Degree course in Industrial Economics specialising in the energy sector, (15th edition)

University of Valladolid

Programme for associate professors linked to the business sector, through which technical staff from Red Eléctrica teach in their fields of activity

Spanish Energy Club

Organisation of and participation in the 3rd Euro-Mediterranean Forum on Energy

Financial Studies Foundation

Agreement for promoting the development and diffusion of studies and training activities in the financial and stock market fields

Main lines of the educational programme

Development of the Education Area in the corporate website

www.ree.es/educacion

Presence at science and technology fairs in Spain

Madrid for Science. Sciences Pavilion in Saragossa and Science and technology week in Bilbao

"CONTROLA" game (electrical control simulator)

This is an interactive game that offers secondary-school students the chance to act as operators of the Spanish Electrical System

Audiovisuals on the activities of Red Eléctrica

Virtual visits to the facilities of Red Eléctrica

Social and cultural projects

Co-operation in this field is aimed at projects based in the areas where Red Eléctrica carries out its activities.

In this regard, it collaborates in different social and cultural initiatives aimed at improving the life of citizens in general.

Most important social and cultural activities

International charity activities

Identification of co-operation projects in Latin America and the organisation of activities for promoting awareness in Spain about the importance of water in sustainable development

Agreement with the ANAR Foundation

"ANAR-Peru hot line" for offering guidance and a response to the problems and needs of children and adolescents

Intermon Oxfam

Agreement for an education project on electrical applications in Cochabamba

Alcobendas Sports Foundation (FUNDAL)

Encouraging of sports in Alcobendas in order to develop both local sport and encourage the employees of Red Eléctrica to practise sports. Based on the agreement, part of the sponsorship is intended for a series of benefactors from social programmes. In 2006 the benefactors were:

- Alianza FUNDAL-UNICEF. Programme entitled "Educar deportivamente" (Education through sport)
- Integration through sports. Immigration and the disabled: Programme entitled "Nosotros también jugamos" (We play too)

Symphonic Orchestra of Madrid (SOM)

Co-funding of musical cycles organised by the Regional Community of Madrid for the 2006-2007 season

Urgent Spanish Fund (Fundeu)

Promotion of the correct use of Spanish

Madrid Race Course

Collaboration in recuperating the facilities

The New European Economy Forum

Co-sponsoring for financing forums with top-level celebrities on current affairs

Alternatives Foundation

Support for programmes proposed by the laboratory of the Foundation on topics of interest

Charles III Foundation

Collaborative agreement for implementing social activities on the part of this institution

Spanish Quality Association

Sponsoring of a Congress on Sustainable Development in Madrid (March 2006)

Sustainability Excellence Club

Sponsoring of the 1st International European and South American Corporate Responsibility Congress

Autonomous University of Madrid

Collaborative agreement for sponsoring the 32nd edition of Great Music Composers and Musicians

Red Eléctrica in Bolivia

Support for economic and social development

As part of the social acceptance plans set up by TDE for the projects to be executed in Bolivia (for instance the Carrasco-Santivañez line), in 2006 an agreement was signed with the Coordination Committee of the Six Federations of the Tropic and the Joint Association of Municipalities of the Tropic of Cochabamba to ensure that the project is included in a development plan for the area, that it is accepted and that the local population take part in it both in terms of its construction and subsequent maintenance. As part of this agreement, TDE has taken part in the following projects:

- It is a member of the University of the Tropic project with the commitment to control and implement facilities and/or equipment as the first step towards putting them into operation.
- Co-operation in improving the supply of electricity in the tropic zone through a new high voltage supply point.
- Preparation of studies for a project to extend the network to the north in the future.
- Preparation of a pilot project based on alternative renewable energies to supply power to small, remote villages which, due to their geographic location, have no means of being connected to rural distribution networks.
- Local participation in the construction of the project, preferably using labour, services and facilities from each town in which the project is executed.



In addition, the agreement has made it possible to sign over one thousand voluntary contracts on the rights of passage and the establishing of a mechanism to ensure that both the owners and TDE are able to settle any dispute in the valuation or appropriateness of the course plotted. On the other hand TDE has supported various national and regional initiatives with

respect to ongoing training for professional institutions for the purpose of promoting development, as is the case of the Bolivian Society of Mathematics, the Departmental Chamber of Industry, the School of Electrical Engineers, the Federation of Private Entrepreneurs of Cochabamba and the Bolivian Association of Maintenance, among others.

Activities in the educational field

TDE Interactive Electricity Centre in Cochabamba

The aim of this project is to transmit and strengthen education on electricity in an interesting, interactive manner. This year, 2,032 children and young people aged between 6-17 years from 19 educational centres took part.

Foreign action programme in rural areas

This programme, which has been running for three years now, is aimed at promoting awareness among children from rural areas on using and taking precautions with respect to electricity, and the elements that form it. In 2006 8,125 children from 73 schools took part through different activities, both directly and indirectly, as well as their parents and other persons from those communities.

Co-operation with universities

In 2006 TDE extended its reciprocal collaborative agreements with two nationally-reputed universities for carrying out apprenticeships for students and end-of-year projects in the company. During this year, 23 students were able to benefit from this programme.

Environmental and safety activities

As part of the environmental activities is the participation in the Clean Air Week organised by the town of Cochabamba in coordination with Swiss Development Cooperation and Swisscontact, and support for the publishing of the book *Retratos de Biodiversidad en Bolivia* (Portraits of Biodiversity in Bolivia) by the author Hermes Justiniano. With respect to activities in the safety field, we should mention the collaboration with the Volunteers Group of Salvamento Bolivia SAR in generating mutual-benefit support and training activities for both the institution and the staff of TDE.

Cultural and social activities

The most important activities carried out by TDE with respect to cultural affairs, included the promotion and defence of customs and cultural values, support for the development of artists and cultural groups and participation in events of national and international importance.

In 2006 concerts and recitals were given by the Symphonic Orchestra of Cochabamba, the Philharmonic Society of Cochabamba, the Arnoldo Schwimmer Foundation, the Bolivian American Centre, the Universidad Mayor de San Simón, the French Alliance and the Eduardo Laredo Institute together with other institutions. In addition, support was given to cinematographic activities together with the Spanish Embassy, and La Fábrica Cinematographic School.

Also, TDE made several donations to social institutions and entities whose mission is to provide aid to poor communities, such as the Good Shepherd Home, the Servants of Mary and San José Home for the Elderly.

06 Environmental responsibility

Our commitment towards the environment

The Red Eléctrica Group declares its commitment to protect the natural environment and undertakes to do its best to ensure that every person in the Group performs his/her daily tasks with a maximum of respect for the environment, through ongoing improvement in complying with his/her responsibilities and functions.





Environmental policy principles

- To orientate the Group towards sustainable development, ensuring an adequate balance between the environment, the promotion of social development and wellbeing and economic interest, through the proposal to create permanent value.
- To ensure the Group companies become leaders in protecting the environment in all their activities.
- To ensure compliance with the environmental legislation, regulations and norms applicable to the activities they carry out.
- To guarantee ongoing improvement and prevention of environmental contamination through the updating and follow-up of environmental management systems, and the environmental objectives and goals.
- To promote research, and the development and design of new technologies and process in order to reduce or minimise impacts on the environment.
- To integrate the environmental variable into the design and development of new plans and projects for facilities and activities or in modifying existing ones.
- To incorporate environmental resources into the process of selecting and evaluating suppliers and contractors.
- To prepare and provide ongoing training, arousal of awareness and motivation on environmental protection to achieve a more active participation on the part of employees.
- To develop methods and channels of communication for informing and communicating with all interested parties on activities with respect to the environment.

The information shown on the environmental management policy of Red Eléctrica can be consulted in the corporate website at www.ree.es

Policy reviewed in October 2006

Principal effects of facilities on the environment

- Effects on the vegetation (opening and maintenance of safety paths) -EN12-
- Effects on the birdlife due to collision -EN12-
- Visual impact of the facilities (lines and substations) and access roads -EN12-
- Occupation and limitations in the use of land
- Electromagnetic fields
- Noise generation
- Waste generation
- Luminous contamination
- Risk of pollutant substances spilling (oils)

Thanks to the application of preventive and corrective measures, the environmental activities (which are described throughout the document) and a correct follow-up of construction and maintenance activities, the impacts that may be generated have been attenuated and are generally compatible or not significant.

All the activities of the Red Eléctrica Group are carried out in accordance with a strict environmental policy.

To guarantee compliance thereof, Red Eléctrica has implanted in all its group companies a **certified environmental management system** based on the UNE-EN ISO 14001:2004 norm (activities and facilities located in Spain, Bolivia and Peru) and since October 2001, this system is recorded in the community eco-management and audit system (EMAS) (activities and facilities located in Spain).

Follow-up of the system is done through the Environmental Department which provides technical support to all organisational units. The application of techniques that do not harm the environment, research, training and communication activities, collaboration with environmental bodies, etc. all clearly show the determination of Red Eléctrica to protect the environment, an activity in which it occupies an international leading position in the electrical sector.

The activities of Red Eléctrica do not respond to a traditional productive process model. Potential environmental repercussions stem from the presence of its facilities (electrical lines and substations) and construction and maintenance activities associated to these.

All the indicators in this chapter refer to the electrical sector in Spain. However, some indicators for TDE Bolivia are given at the end of the chapter.



Environment conservation

Red Eléctrica prepares studies on environmental impact for all new facility projects, whether or not they are submitted to the Environmental Impact Evaluation Procedure.

Activities being planned

Based on its environmental policy the Red Eléctrica Group prepares studies on the environmental impact of all projects for new facilities whether or not these are submitted to the environmental impact evaluation procedure, pursuant to Act 6/2001 of May 8 2001 on environmental impact evaluation, and the modifications made by Act 9/2006 of April 28 2006, on evaluating the effects of certain plans and programmes with respect to the environment. -EN 14-

In 2006, the competent environmental authority has given the go-ahead for the construction of the following facilities:

Authorised facilities

E/S Abanto-L/P Penagos-Guenes
S E Aguayo
E/S Almodovar del Rio-L/Casillas-Villanueva de Rey
S.E. Almodovar del Río
L/Arces de la Frontera.La Roda de Andalucía
L/Cabra-La Roda de Andalucía
E/S Cabra-L/Guadalquivir Medio-Tajo de la Encantada
S.E Cabra
S.E.La Roca de Andalucía
L/Pesoz-Salas
L/Tordesillas-Segovia



During the preparation of the studies, Red Eléctrica consults and ensures consensus on the alternative having the least impact in each project with the environmental authorities of the affected areas, and the appropriate preventive and corrective measures are determined in each case, for development during the construction and maintenance phase. In the case of repercussions in protected areas, these measures are even stricter.

Activities under construction

Red Eléctrica supervises the construction of its new lines and substations and the extensions, renovations and improvements made to already-operating facilities, bearing in mind the natural environment. This supervision consists mainly of checking the application of the **preventive and corrective measures** defined in the project, and verifying their effectiveness.

Preventive measures

- Archaeological prospecting
- Hoisting of supports with a jib crane -EN 14-
- Storing of topsoil
- Installing of bird spirals -EN 14-
- Moving of nests -EN 14-

Corrective measures

- Restoring of slopes by hydro-sowing and topsoil -EN 13-
- Regeneration of paths -EN 13-

As part of its environmental supervision, Red Eléctrica works closely with contractors to assure compliance of all the environmental requirements applicable to construction activities.

Environmental supervision in 2006

New facilities	
Lines	17
Substations	20

In some cases this is not possible except in areas classified as natural protected sites. In the environmental study conducted during the project phase, preventive and corrective measures are defined to attenuate possible impacts of the construction activity on the environment.

Lines constructed in Natura Grid areas -EN 12-

	2005	2006
Km of lines constructed in LIC/ Km of lines constructed	1.82 %	1.18 %
Km of lines constructed in ZEPA/ Km of lines constructed	1.82 %	1.18 %

Substations constructed in Natura Grid areas -EN 12-

	2005	2006
Substations constructed in LIC/ Substations constructed	0	0
Substations constructed in ZEPA/ Substations constructed	0	0

LIC: Sites of Community Interest
ZEPA: Specially Protected Bird Areas

Spain-Morocco Interconnection

Due to its special characteristics, of all the projects carried out in 2006 we should mention the project for laying the **second Spain-Morocco Interconnection cable** (REMO project).

The project has been declared of community interest by the European Union and funded by the EIB (European Investment Bank) and ADB (African Development Bank). It crosses a protected area known as LIC, the Natural Reserve of the Strait (Tarifa) which is included in the Natura 2000 Grid.

Through an agreement signed with the Migres Foundation, acting as the mediator between the environmental and social interlocutors, research institutions,

business associations and private association from Campo de Gibraltar and Tarifa, a catalogue of **compensatory measures** was drawn up -EN14- grouped into three main areas: conservation, education and dissemination and research.

Unlike environmental preventive and corrective measures, the compensatory measures (those defined in the environmental declaration issued by the Ministry of the Environment), are not aimed at halting the direct consequences of constructing the infrastructure, but consist of a set of activities whose objective is to palliate possible diffuse effects caused to the ecosystem by

the facility. These measures are not restricted exclusively to compensating habitats and species affected by the construction and operation of the infrastructure, but are aimed at strengthening the most sensitive elements of the ecosystem, to reduce their fragility.

In developing the REMO project, as well as the compensatory measures, other accompanying measures have been defined which, although not included in the environmental impact declaration, have been developed by Red Eléctrica in its search for social and environmental integration of the project. A list of these measures is shown on page 91 of this report.

2006 Compensatory measures REMO project. Conservation -EN14-



Elimination of invasive aspects and recuperation of autochthonous species

In coordination with the programme already implemented by the Department of the Environment (Andalusian Plan for invasive exotic species), specific areas have been allocated in the nature reserve in which measures will be undertaken for the mechanical elimination of species introduced and the subsequent forestry recuperation using native species of flora. Once the elimination and reforestation work has been concluded, an annual volunteers programme will be started up for the maintenance thereof, in collaboration with the University of Cadiz and the Natural Reserve of the Strait.



Intertidal biota and ocean meadows in the natural reserve of the strait: characterisation, threats and conservation

The aim is to contribute to developing the objectives set forth in the Natural Resources Ordinance Plan. Two of the main values of the reserve are analysed: the ocean meadows and the rocky intertidal strip.



Actions for evaluating the influence of underwater activities on the sea bed

The main objective of this project is to reduce the pressure caused by diving activities on the sea bed. On one hand, mooring structures will be laid to prevent anchoring in the bed and on the other, measures will be taken to distribute the pressure and alternative mooring structures used outside the isle of Las Palomas.



Protection of summer drinking pools. Construction of nearby drinking troughs

The priority areas in need of protection will be determined and different protective measures applied, both permanent and/or seasonal, encompassing a selection of pools and habitats. Researchers from the Scientific Council will co-operate in designing these measures and the drinking troughs and their methods of supply.

2006 Compensatory measures Project REMO. Research -EN14-

**Characteristics of the basins and fauna communities in the seasonal rivers and streams between the saltwater rivers (Conil) and the Guadiana (San Roque)**

This project is aimed at reducing the fragility of the ecosystem, which determines the great dependence on rainfall, by means of actions for the conservation and recuperation of biodiversity in these water channels, with special attention given to the location of new saltwater fish communities.

**Study on the migration of the red Atlantic tuna (*Thunnus thynnus*) in relation to sexual maturity and egg-laying in the Mediterranean**

This project aims to contribute towards ascertaining specific issues and obtaining the necessary information for taking measures in respect of conservation, that are compatible with the economic development of the area.

**Complementary actions to the studies on catching the snapper being carried out in the strait of Gibraltar**

The objective is to try and offer a general idea of the dynamics of the population of this species in the area under study, to permit its use as a tool in providing advice on the best management of resources and to determine the situation with respect to catching this species.

**Long-term monitoring of the saltwater fish population (*Aphanius baeticus*) in La Vega river (Tarifa)**

This project aims to study this population with a view to detecting and halting actions that could endanger this species and designing others to improve the habitat in the area of the river in which this species lives.

**Ichthyological study and inventory of associated communities**

The objective is to establish corrective measures in the event of possible tipping of pollutants into the coastal areas, which will permit the previously-existing environmental balance to be recovered.

2006 Compensatory measures Project REMO . Education and dissemination -EN14-

**Design and fitting out of a station for monitoring migration in the strait of Gibraltar**

The creation of a tracking station will serve to unify and optimise efforts made to develop different projects and strengthen the results thereof through the use of new working techniques related to the study of migration in the strait of Gibraltar and adding value to this phenomenon.

**Study on the socioeconomic and conservational aspects of activities dedicated to the sighting of whales**

The aim is to contribute to obtaining knowledge, ascertaining the environmental impact and behaviour of the whale-sighting industry in order to permit decisions to be taken and action plans to be drawn up and to implement a series of recommendations for regulating the sector.

New Line between Escombreras-El Palmar

We would also mention the actions carried out on the New Escombreras-El Palmar line as a consequence of its passing through the LIC of El Valle y Carrascoy. The compensatory measures have been defined and executed in collaboration with the Department of Industry and the Environment of Murcia.

Compensatory measures for the new Escombreras-El Palmar line -EN14-

Construction of an artificial lake and observatory for the birds that visit this area, and a dovecot specially intended for raising birds as food for the birds of prey in the area.

Other actions

Casares-Puerto Real line

Moving of a crow's nest (*corvus corax*). The result can be considered a success as it has not altered the behaviour of the adult or young birds. Given the results obtained, a protocol of action will be developed to face the above-described situation quickly and effectively. (R+D+i Project).

Finally we should mention that landscaping activities have been carried out on four lines and four substations to reduce the visual impact and allow the facilities to blend in with the environment.

Landscaping actions -EN 13-

Second Spain-Morocco interconnection cable

More information available at the start of the chapter (REMO project)

L/Cabra-La Roda de Andalucía

Restoring of slopes in the surroundings of the two supports. Recovery of the natural slope in the terrain with topsoil.

E/S in S.E. Brovales

and E/S in S.E. El Palmar-L/Litoral-Rocamora

Restoring of slopes

S.E. La Roda de Andalucía, S.E. Cabra

and S.E. Almodovar del Rio

Restoring of slopes with topsoil obtained previously, to minimise the colour contrast between the deeper substrata and the topsoil

E.T. Tarifa

More information available at the start of the chapter (REMO Project)

Actions with respect to maintenance

The Red Eléctrica facilities are located in areas with wide environmental diversity. In addition, during recent years there has been important growth in them due to the increase in the demand for electricity and the need for constructing new generation stations. As a result, part of the meshed network electricity infrastructure must be constructed in protected areas.

Presence of lines in Natura Grid areas -EN11-

	2005	2006
Km of lines in LICs/km total lines	13.12 %	12.45 %
Surface area of lines in LICs/ Total surface area of LICs in Spain	0.10 %	0.12 %
Km of lines in ZEPAs/ Total km of lines	9.10 %	9.30 %
Surface area of lines in ZEPA/ Total surface area of ZEPAs in Spain	0.10 %	0.13 %

Presence of substations in Natura Grid areas -EN11-

	2005	2006
Number of S.E. in LICs/Total S.E.	8.37 %	7.06 %
Number of S.E. in ZEPAs/Total S.E.	7.41 %	5.70 %

LIC: Sites of Community Interest

ZEPA: Specially Protected Bird Areas

Protection of birdlife

During the operating phase, the only possible effect of the transmission lines (220 kV and 400 kV) on birds is the risk of the birds colliding with the earth cables (protecting the lines from discharges during storms) which, since their diameter is smaller than the conductors, are less visible. Therefore the actions aimed at reducing this risk are based on signalling these cables by means of devices that make them more visible.

During the project phase, the idea is to avoid all areas that could cause an impact on birdlife and establish the necessary preventive and corrective measures in each case. For the lines already constructed which could cause an impact of this kind, Red Eléctrica carries out

exhaustive monitoring and permanent updating. In 2006 the following measures were taken:

- Detection of a massive collision of flamencos (*Phoenicopterus ruber*) in a line in Andalusia. The monitoring of the line enabled the dangerous sections to be defined and they were signalled using bird spirals. The efficacy of the signalling was checked by monitoring the line (in accordance with the UICN criteria, this is an *almost extinct* species and protected inside a habitat catalogued as a LIC and ZEPA known as the Endorreic Complex of Utrera). -EN15-
- Monitoring of the experimental signalling installed on the Palos-Guillena line in the south of Spain has been done. This signalling forms a parte of research aimed at finding even more efficient and long-lasting solutions to prevent the collision of birds. (R+D+i Project).
- Signalling with bird spirals in Aragon, in accordance with the terms of the agreement signed with the regional government of this area, for correcting the electrical cables. A total of some 19 km has been signalled, in ZEPA areas. -EN14-
- In addition to signalling for reducing the risk of collision as described above, actions have been taken in the regions of Castilla y León and Murcia in facilities with respect to which, given their proximity to wetlands, it was thought that the risk of collision for some bird species would be quite considerable. -EN14-

Signalling of facilities with bird spirals -EN 14-

	2005	2006
Total km of lines with spirals	631	686
Total km of lines with spirals/ Total km of lines	2.84 %	2.89 %
Km of lines with spirals in ZEPA/ Km of lines passing through ZEPA	10.21 %	9.38 %

In addition other actions have been taken related to birdlife:

- The rescue in Cáceres, of a Golden Eagle chick (*aquila adalberti*) perched on the support of an electrical line, coordinated by the Regional Government of Extremadura and specialist technicians from Red Eléctrica. (In accordance with the criteria of the UICN this species is *in danger* of extinction). -EN15-
- Monitoring of the nesting and efficacy of devices preventing birds from nesting for storks (*ciconia ciconia*) in lines in the regions of Extremadura, Castilla-La Mancha, Castilla y León and Madrid. As a result of the follow-up we can say that in 53% of cases, these measures were found to be effective. -EN14-
- Support for technicians from the wildlife section of the Territorial Environmental Service of Castilla and León in monitoring and inventorying several pilgrim hawks (*falco peregrinus*) located in nests on the supports of electrical lines belonging to Red Eléctrica. -EN14-

Tendency of the population of pilgrim hawks in Valladolid -EN14-

	2004	2005	2006
Total number of nests inventoried	33	40	33
Number of nests in electrical lines	21	28	23


- Research project with the Biological Station of Doñana (National Scientific Council) for analysing the incidence of our electrical lines on Andalusian steppe-land birds, and in particular the great bustard and possible measures for controlling their habitat in order to reduce the risk of them colliding with electrical lines. (R+D+i Project).

Landscaping project -EN13-

- Restoring of the slopes in the substation of Anchuelo. The flatter areas of the slopes, which have clay soil and are prone to erosion, have been replanted by hydro-sowing with 95% of native species and 5% of shrubs. The areas with steeper slopes, (more than 50%) formed by with pebbles associated with clay, and a high risk of erosion have been raked to guarantee better use of the earth adhering to the rock, and then covered with xerophylic matter.
- Monitoring of the planting activity carried out last year in Boimonte substation with the subsequent filling in of gaps with new plants.



Environmental monitoring



In all its activities, Red Eléctrica performs constant environmental monitoring, applying preventive measures in the event of possible impacts and controlling emissions and tipping to prevent accidents or, if necessary, reduce the consequences.

Review of new activities

In 2006 the environmental review of the substations purchased from Endesa and Unión Fenosa was completed, which remained pending from 2005. In addition, work has been started on planning and developing the preventive and corrective measures which were defined previously (CA report for 2005) as being necessary for their adaptation.

On the other hand reports have been prepared on the environmental status of all the facilities purchased from Endesa and Unión Fenosa (156 substations) in December 2002 and reports on the environmental state of all the facilities purchased in 2003 from Inalta (134 substations), inventoried to date. This work was

done in order to ascertain the current environmental status and, based on the results obtained, a series of actions has been defined (preventive or corrective measures) for their adaptation.

Also, in compliance with Royal Decree 9/2005 dated January 14 2005, establishing the list of soil-contaminating activities and the criteria and standards for declaring contaminated soils, preliminary reports have been concluded (of the 347 that are obligatory for the 391 substations owned by Red Eléctrica) for presentation to each regional community no later than February 2007.

On the other hand the socioenvironmental inventory has been continued, to which have been added the lines purchased from Inalta (325 lines). This inventory contains all the intersections with natural areas included in the Natura 2000 network and with urban areas. As a result, a series of preventive measures has been set up for implementation in the areas classified as LICs, ZEPAs and on the plan for measuring noise and electromagnetic fields defined by Red Eléctrica.

Next year, work will be continued on reviewing and applying preventive and corrective measures for the facilities pending, and new assets not inventoried to date.

Emissions control

Emission of greenhouse-effect gases

With respect to **direct emission** of greenhouse-effect gases, the most important of these are sulphur hexafluoride (SF₆). This gas is used in electrical facilities as an insulating element in both the equipment (mainly

switches) and complete facilities (armoured substations). SF₆ emissions would be associated with accidents or leaks during work carried out in installing and maintaining the equipment.

SF₆ gas emissions

	2005	2006
SF ₆ gas emissions (kg) ^(*)	1,372	2,592
SF ₆ gas emissions (t CO ₂ equivalent) ^(**) -EN 16-	30,456	57,538

^(*) The emissions have been calculated taking into account the criterion of the Ministry of the Environment, meaning (for the high voltage facilities) a percentage of loss equivalent to 2% of the gas installed. The increase in emissions corresponds to the increase in the gas installed, basically due to the construction and incorporation into the network of armoured substations.

^(**) Taking a heating potential of the earth in 100 years' time.

Source IPCC (Intergovernmental Panel on Climate Change).

Red Eléctrica assumes its commitment to reduce these emissions as much as possible, for which purpose it carries out preventive maintenance (which enables it to detect any leaks and avoid possible accidents) and implements strict procedures for handling gas so that the losses in filling and emptying the equipment are kept to a minimum.

On the other hand, the guidelines have been established for recovering gas and the largest possible quantity of gas has been reused in the facilities. -EN18-

Reuse of gas

	2005	2006
Reused gas (kg)	389	429

Also, direct emissions from travel by road made in company vehicles have been considered -EN 16-:

Emissions from travel

	2005	2006
Emissions by company vehicles (t equivalent CO ₂) ^(*) -EN 16-	1,322	1,420

^(*) Source used for the calculation: GHG Protocol initiative

Indirect emissions derived from electricity consumption by the company are as follows: -EN 16-

Emissions from electricity consumption

	2004	2005	2006
Emissions from electricity Consumption (t equivalent CO ₂) ^(*)	3,970	5,570 ^(**)	6,050

^(*) For calculating the emissions the emission factor published by the International Energy Agency for 2006 was used (last publication available at the time of preparing the report), corresponding to Spain (year 2004 mixed generation).

^(**) The information differs from that published in the 2005 report for two reasons; recalculation and correction of the total electricity consumed figure and the updating of the emission factor, considering the data published in 2006 (instead of those published in 2004).

Taking into account the data provided up to now, the most relevant total emissions of greenhouse-effect

gases for the company in 2006 were 65,008 tonnes of equivalent CO₂. -EN 16-

As additional data below are included those related to other indirect greenhouse-effect gas emissions: -EN17:-

Other indirect emissions

	2005	2006
T equivalent CO ₂ due to use of private vehicles for going to work ^(*)	1,150	1,380

^(*) Estimated data for the company headquarters building, corresponding to travel by employees, collaborators and visits. Emission factor based on GHG Protocol Initiative.

In addition, the equivalent CO₂ emissions have been calculated for **pérdidas derivadas del transporte de energía⁽¹⁾** (of the energy generated by generating companies, a portion does not reach the consumer as it is lost in transmission). Transmission losses are associated to the points of energy-generation with respect to the consumption areas, and although some lines of action are in place for reducing these, they basically depend on the location of those points and the company is unable to obtain a significant reduction in them. However, Red Eléctrica is working to improve the factors that depend on its management, even though they may only mean a small reduction in losses.

Emissions due to transmission losses

Energy loss due to transmission (kWh)	3,016,700 · 10 ³
Energy loss due to transmission (J)	1,086,012 · 10 ¹⁰
Emissions ^(*) (t equivalent CO ₂) -EN 17-	1,155,396

^(*) Although Red Eléctrica does not know the exact proportion of energy generation, we cannot associate the types of energy to the losses, and therefore to homogenise with other calculations, the emission factor of the AIE has been used, corresponding to Spain (year 2004) for mixed generation (as with the calculation of emissions for electricity consumption)

⁽¹⁾ In this case we should clarify, as with the case of emissions associated with electricity consumption, that the CO₂ is not emitted during REE activities. The real emissions take place in the different processes for generating electricity.



Finally, we should stress that Red Eléctrica, as the carrier and manager of the electrical system, works towards **fighting climate change**, in an attempt to facilitate as much as possible the incorporation of renewable energies into the transport network and thereby facilitate the consumption of clean energies.

Along these lines, last year a specific control centre was set up for the supervision and control of special-regime facilities (renewable energies and cogeneration). This “specialised unit” which is called the Special Regime Control Centre (SRCC), has the objective of minimising the integration of wind energy into the electrical system in a way that is compatible with safe network operation. -EN 6-

Emissions that may affect the ozone layer -EN 19-

The activities of Red Eléctrica do not generate emissions that harm the ozone layer, except those that could be derived from gas loss in the air conditioning equipment (R22).

For the losses to be reduced to a minimum, regular reviews are made and the equipment is properly maintained. In addition, the substitution of R22 equipment with R410 equipment (which does not harm the ozone layer and has a low greenhouse-effect potential) -EN 19-

Luminous contamination -EN 26-

In 2006 a preliminary study was made on the feasibility of reducing the lighting levels in the electrical substations in service, taking as a pilot test the substation of Anchuelo. A document was drawn up with a proposal for corrective measures and recommendations for application in existing substations and

newly-constructed ones, aimed at studying the possibility of reducing electricity consumption and luminous contamination.

During next year this study will be continued, as well as the application of the measures and recommendations.

Also, a method for verifying luminous contamination produced in these facilities was installed in two substations planned for 2006 (Segovia and Almodovar del Rio). It was determined that both the method and the computer tool used in the substations were valid for future luminous contamination studies.

Monitoring of electric, magnetic fields and noise

The electrical system operates at a very low frequency (50 Hz) and so the electric and magnetic fields cannot shift (as radio waves do, for example) meaning that the emissions disappear a short distance from the source that generates it.

Red Eléctrica continues its plan for measuring electric fields, magnetic fields and noise that was started in 2004. This year two objectives have been established through which these values can be known.

- On the one hand, measurements were made on five lines that were repowered this year. The measuring was done before and after the repowering operation, to ascertain the variation that might have taken place in those values. As the fundamental conclusion, we should indicate that the values emitted showed no increase.

- And on the other measurements have been started on the facilities (55 lines and 16 substations) recently acquired by Red Eléctrica from Endesa and Unión Fenosa which are located near towns.



In general, we can say that the electric and magnetic field measurements comply with European legislation.⁽¹⁾

Evaluation of the noise levels is more complicated, since in most points measured, the noise is not attributed to the facility but to traffic, machinery, planes or livestock. However, when the main source of noise was the high voltage lines, the value never exceeded 40 dBA.

With respect to electric and magnetic fields, the research study entitles “Currents induced in the human body by industrial-frequency electromagnetic fields” continues, in an attempt to develop a model for calculating the density of the current induced by electric and magnetic fields inside the human body (R+D i project).

With respect to noise, a method has been developed for identifying and characterising noise sources in substations. The method was applied to the Cartelle substation (Orense) using as a corrective measure, an acoustic screen near the power transformers, in order to reduce the noise generated. The screens will be installed in 2007 and the effectiveness of the solution will be checked.

(1) In the absence of Spanish legislation on electric and magnetic fields, we use the European recommendation for exposure to the public, which establishes that the public may not be exposed to electric and magnetic field levels of 50 Hz exceeding 5 kV/m and 100 μ T respectively, for a prolonged period of time.

Control of wastewater tipping

Red Eléctrica generates no process wastewaters. Tipping of domestic wastewater into the substations owned by Red Eléctrica is done either through the drainage network or through a septic tank, depending on the existence of a collector in the vicinity of the substation.

The septic tanks used are for biological treatment or sealed, and are chosen depending on the number of persons in the facilities. Red Eléctrica has a total of 62 septic tanks inventoried.

Accident protection

One of the measures implemented for monitoring in the construction activities is the recording and control of accidents occurring in order to apply measures to prevent them in the future.

Accidents occurring in construction activities -EN 23-

	2004	2005	2006
Leaks and spillages of oil due to failure in the transformer	1	0	1 ^(*)
Leaks and spillages of oil and hydrocarbons due to minor failures in using construction machinery	2	15	5 ^(*)
Total	3	15	6

^(*) A minor accident with a volume of less than 500 litres.

Among the potential environmental accidents taking place in the operations of Red Eléctrica due to maintenance work are oil spills in substations. These take place on rare occasions and are usually not serious, thanks to applying the respective preventive measures (correct maintenance of equipment and the presence of ditches/containers underneath the equipment/storage of potentially contaminating substances).

Furthermore, in Red Eléctrica work is done to increase these preventive measures and reduce potential environmental impact resulting from accidents.

Accidents occurring in maintenance activities

	2004	2005	2006
Fire due to failures in lines	2	0	1 ⁽¹⁾
Explosions of intensity and Capacitating transformers -EN 23-	0	1	4 ⁽²⁾⁽³⁾
Leaks and spills of oils and hydro-carbons during the use and maintenance of substation equipment -EN 23-	7	5	10 ⁽³⁾
Flooding	0	1	0
Total	9	7	15

⁽¹⁾ Serious accident: Short circuit

⁽²⁾ Serious accident: one of the accidents involved the explosion of an expansion tank with the withdrawal of approx. 12,000 litres

⁽³⁾ Minor accident with a volume of less than 500 litres

Fire-fighting measures -EN 14-

The most important fire-fighting measures taken include the selective cutting and pruning of vegetation for clearing paths and maintenance of safety distances.

In 2006 Red Eléctrica contacted different regional authorities to insist on the importance of sharing information, identifying preferential areas of action depending on the fire risk and coordinating extinguishing tasks, if necessary. In the future, these contacts will take the form of collaborative agreements for preventing and fighting forest fires.

Preventive measures for leaks and spills -EN 26-

- Preventive maintenance of all equipment containing oil.
- Laying of ditches and/or containers underneath the equipment and/or the storage of potentially contaminating substances.

- Handling of contaminating equipment and substances on impermeable surfaces.

In addition, in 2006 preventive measures established in 2005 were applied to: live equipment in four substations –Escatrón, Gatica, Hernani and Vitoria–; auxiliary transformers in two substations –Mesón and Lastras– and in expansion tanks in power machinery in two substations –Escatrón and Tajo–. This activity is planned to be continued during forthcoming years.

Inventory and management of equipment with PCB

Since 2004, Red Eléctrica has implemented a plan for listing all equipment with PCB in its facilities. To date, 86% of the equipment has been analysed, and 24 pieces of contaminated equipment identified (>50 ppm), of which four have now been eliminated, the last of these in 2005.

We should mention that only two pieces of equipment exist in the Red Eléctrica facilities with a PCB concentration of >500 ppm. In 2007 a plan for eliminating/decontaminating transformers with PCB will be prepared and presented to the Government, defining the equipment to be decontaminated/eliminated during the next few years up to 2011 (as set forth by the legislation).

In addition this year, there has been a great increase in providing material for preventing spillages.

Sanctions and fines -EN28-

During the course of the year, the competent authorities have ordered the halting of four cases that were sanctioned. A total of 19 cases remain pending decision, 1 from 2004, 4 from 2005 and 14 from 2006.

The situation of the cases settled by paying a fine from 2004-2006 and those pending a decision as at December 31 2006 are shown in the following table.

Evolution of sanctions

Year opened	Pending decision	Involving payment of a fine
2004	1	1
2005	4	*
2006	14	*

(*) In the process of being settled

Below is a table showing the type of infringement committed and the cost of the same in the cases settled by paying fines from 2003-2006.

Cost of the infringement (euros)

Infringement	Year opened			
	2003	2004	2005	2006
Construction of a hut without authorisation	280	*	*	*
Cutting and pruning without authorisation	1,001	*	*	*
Fire in an electric line	30	*	*	*
Diverting of a water channel	0	375	*	*
Coste total	1,311	375	0	0

(*) In the process of being settled

Waste management

Red Eléctrica carries out the proper separation, storage and management of all waste generated in its facilities and ensures that the management tasks performed by its contractors in construction activities are carried out in accordance with all legal requirements and contamination-prevention criteria.

Maintenance activities

Red Eléctrica carries out the proper separation, storage and management of all waste generated in its facilities.

Due to the nature of its activities (repair work, filling with oil, replacement of equipment reaching the end of its useful life, failures, accidents, pruning, office activities, etc.), the type and quantity of the waste generated each year varies considerably.

We continue to search for solutions for the internal management of waste that are viable in technical and economic terms. In 2006 a series of criteria was drawn up for the scrapping of equipment; with respect to solid urban waste, containers have been installed in the company headquarters (Madrid) for selective collection.

Due to the nature of the waste-generating activities of Red Eléctrica (with no production processes, and merely linked to the construction and maintenance of facilities), and the area where the waste is generated (mostly in natural environments), the main objective is to ensure that management is as appropriate and causes the least possible impact on nature.



Waste generated during maintenance activities

		Quantities disposed of (kg)		
		2004	2005	2006
Non-hazardous waste -EN-22-	Mud from septic tanks (m ³)	37	67	43,57
	Scrap metal	1,054,951	691,856	917,641
	Inert waste	100,920	928,629	-
	Paper and cardboard	75,155	72,024	73,405
	Toner	530	1,253	343.6 ⁽³⁾
	Wood	46,010	64,850	42,455
	Vegetable waste	349,540	(1)	(1)
	Non-hazardous electrical and electronic waste	-	65	473
	Plastics	5260	-	187.67
	Vegetable cooking oils	320	320	2,200
	Total non-hazardous waste	1,671,086	1,838,057	1,088,118
Hazardous waste -EN-22, EN-24-	Used oil	61,042	72,650	168,730
	Mixtures of oil and water	58,760	0	0
	Transformers with PCB	0	459 ⁽²⁾	0 ⁽²⁾
	Oils with PCB	0	180	0
	Lead batteries	3,750	1,102	311
	Nickel-cadmium batteries	16,084	2,327	2,070
	Dry-cell batteries	141	227	89
	Fluorescent tubes	356	428	539
	Earth impregnated with hydrocarbons	4,762	26,940	14,253
	Recipients containing hazardous substances	164	673	1,113
	Absorbent matter, filtering matter, cleaning rags and protective clothing contaminated by hazardous substances	1,139	663	59,287
	Silicagel	328	0	733
	Non-halogenated solvents	0	29	35
	Halogenated solvents	0	500	0
	Hazardous electrical and electronic waste	0	35	0
	Water-based cleaning liquids	0	200	0
	Paint waste	0	2	183
Total hazardous waste	146,526	106,415	247,343	

(1) No data available, mainly evaluated by the owners or incorporated into the terrain

(2) More information in the section entitled "Environmental monitoring". Plan for de-contaminating/eliminating transformers with PCB

(3) Information for the first six months. Since July 2006 maintenance and substitution of equipment is done by an external company. The procedure for obtaining information is being reviewed but the final waste management is being performed appropriately.

1m³=1,18 t

Actions taken to reduce the quantity of waste generated are mainly aimed at strengthening good practices through training and arousing awareness among the staff and suppliers. In addition, oil used in substations is regenerated whenever this is feasible, and reused.

In 2006 198 tonnes of oil were regenerated, accounting for 82.76% -en-2 of the total amount consumed during the year.

Management of waste generated in 2006

	Type of waste	Type of management
Non-hazardous waste	Mud from septic tanks	Treatment/Elimination
	Scrap metal	Recycling
	Paper and cardboard	Recycling
	Toner	Recycling
	Wood	Evaluation/Elimination
	Vegetable waste	Incorporation into terrain/Evaluation/Elimination
	Vegetable cooking oils	Evaluation
	Non-hazardous electrical and electronic waste	Recycling
Hazardous waste	Used Oils	Regeneration/Evaluation
	Lead batteries	Recovery of lead/elimination
	Nickel-cadmium batteries	Recovery/Elimination
	Dry-cell batteries	Recycling/Elimination
	Fluorescent tubes	Recycling
	Earth impregnated with hydrocarbons	Elimination
	Recipients containing hazardous substances	Recycling/Elimination
	Absorbent matter, filtering matter, cleaning rags and protective clothing contaminated by hazardous substances	Evaluation/Elimination
	Silicagel	Elimination
	Non-halogenated solvents	Regeneration
	Paint waste	Evaluation

Construction activities

The waste generated in construction activities is managed by contractors. In Red Eléctrica care is taken to ensure this management is carried out in accordance with all legal requirements and based on contamination-prevention criteria. For this purpose, prior to starting work, the pertinent environmental specifications are delivered (included as a contractual clause) indicating the requirements with respect to the storage and management of the waste generated by the activities.

In addition, the work is monitored to check for compliance of those specifications, including a review of the respective waste-management records.

Waste generated
during construction activities

Non-hazardous waste	Excess earth from excavation
	Vegetable waste
	Paper and cardboard
	Plastics
	Wood
	Scrap
	Solid urban waste
	Rubble
Hazardous waste	Paint waste
	Rags impregnated with hazardous substances
	Lubricants
	Grease
	Oil for filling underwater cables
	Absorbent matter and rages contaminated with hazardous substances
	Earth contaminated with hazardous substances
Recipients containing hazardous substances	

Consumptions management

Being aware of the need to implement the responsible consumption of natural resources, Red Eléctrica has put into effect different campaigns to arouse awareness about reducing basic consumptions among all employees.

The activities of Red Eléctrica are not organised as a conventional production process, and therefore the total consumption of raw materials is not calculated. As an indication, the quantity of oil used in maintenance operations has been calculated, since this is the most important auxiliary material in terms of environmental impact -EN1-.

Oil consumption -EN1-

	2005	2006
Oil consumption (kg)	23,472	41,242

In addition the Group is extremely concerned about reducing basic consumptions, and proof of this is the fact that it has set up a pluriannual plan for reducing consumptions based on the following measures:

- Creation of a work group between the areas directly involved that have the authority to take decisions on implementing measures.
- Definition of the campaign for arousing awareness among employees about reducing consumptions, by posting in the internal website a best practices area in which an article is included every month related to the concern for the consumption of natural resources and also, the creation of a green suggestions box with a prize for the best proposal. This line of work leads to greater involvement and collaboration on the part of the employees.

- With respect to reducing the consumption of paper, measures have been taken such as purchasing printers that print on both sides and the clear implementation of a system for controlling documentation (DCS) to permit easy access to documentation stored without the need to handle paper copies.
- Incorporation of consumption indicators that were not previously calculated, such as paper consumed in external publications and electricity consumption by Red Eléctrica employees in their homes, as an indirect consumption indicator.

Below is the evolution of the basic consumptions over the past three years.

Electricity consumption

Electricity consumption corresponds to the buildings in the main office and substations that have a meter.

Electricity consumption

	2004*	2005*	2006
Total electricity consumption (kWh)	10,372,143	14,541,350	15,797,284
Total electricity consumption (j, 1kWh=36·10 ⁵ j) -EN 4-	3.73·10 ¹³	5.23·10 ¹³	5.69·10 ¹³
Electricity consumption per employee (kWh) -EN 3-	7,193	9,592	10,139

In 2006 information on the Western Region, 8 substations and the facilities of one underwater cable was included, for which the meters were not inventoried up till now.

No numerical objectives have been considered for reducing consumption, but direct actions have been defined in the 2007 environmental programme.

() The figure has been recalculated and corrected.*

Water consumption

The water consumed in the Red Eléctrica facilities comes from the municipal water mains, wells, water from cisterns and tanks. The data given correspond to consumption in the head office, regional offices and substations that have meters, and do not include water supplied from tanks.

Water consumption -EN8-

	2004	2005*	2006
Water consumption per Employee (m ³)	11.23	9.41	21.30

In 2006 information on the Western Region and 6 substations has been included, for which meters were not inventoried until now.

No numerical objectives have been considered for reducing consumption, but direct actions have been defined in the 2007 environmental programme.

() The figure has been recalculated and corrected.*

Consumption of fungible materials

Consumption of fungible materials -EN1-

	2004	2005	2006
Paper consumption per employee (kg)	47.01	34.79	28.08
Paper consumption for external publications (kg)	--	57,526	66,166
Consumption of CD/DVDs per employee (units)	--	3.08	5.47 ⁽¹⁾
Consumption of toner per employee (units)	--	0.66	0.16 ⁽²⁾

(1) In 2006 data were included on purchases made directly⁷ from work centres

(2) Information for the first 6 months. From July 2006, maintenance and replacement of equipment has been done through an external company.

Fuel consumption

The company vehicles fleet increased in 2006 by 114 vehicles (total fleet of 347 vehicles operated on a renting system) and so the data related to fuel consumption has fallen. We do not consider this relevant given that its use depends on service needs.

Fuel consumption of company vehicles

	2005	2006
Diesel consumption (L)	479,627	511,936
Diesel consumption (J) -EN3-	$1.77 \cdot 10^{19}$	$1.89 \cdot 10^{19}$
Petrol consumption (L)	11,698	17,952
Petrol consumption (J) -EN3-	$3.98 \cdot 10^{17}$	$6.10 \cdot 10^{17}$

This includes fuel consumed by employees travelling to the company headquarters (Madrid).

Fuel consumed by employees travelling to work -EN7-

	2005	2006
Fuel consumption* (L)	542,572	650,356

(* An average consumption of 0.08 l/km has been estimated and a distance travelled per vehicle of 50 km.

In addition Red Eléctrica offers the employees in its headquarters in Madrid a bus for travelling to their work centre. -EN7- On the other hand the consumption of electricity for employees in their homes is included, in which an important decrease has been observed:

Electricity consumption by employees

	2004	2005	2006
Electricity consumption by employees in their homes (kWh)	10,207	10,092	8,914

(* Refers to all employees on the payroll who are entitled to this benefit and retired employees. $1\text{kWh}=36 \cdot 10^5 \text{ J}$.

Ecoefficiency

During the year a comparative study was made of two electricity transmission line supports (types 42S2 and 45S2) based on three environmental-impact analysis criteria, ecoefficiency, *ecocompass* and life cycle analysis to determine the main differential factors of those supports on the impact.

All three analyses carried out resulted in important findings in evaluating the impacts of each support, but it is evident that a comparative analysis is not easy to make, since many different factors have to be taken into consideration. However, we can say in general that the 45S2 support has less environmental impact during operation. Considering the total life cycle of the supports, it appears quite clear that the 42S2 support has less environmental impact than the 45S2.

Above and beyond the specific results for the different support types, the study was interesting in that it represents a starting point for commencing work on calculating the raw materials and materials used in constructing our facilities. (Up to now no calculations have been made but the method use in the study will help us define the method for calculating these data in the future). -EN 1-

Special measures

Using rainwater -EN10-

Part of the commitment of Red Eléctrica towards responsible consumption includes the measures taken to use up rainwater and the study on energy efficiency in its facilities.

In the buildings in its offices in northern Spain (Bilbao), western Spain (La Coruña), and southern

Spain (Seville), the rainwater falling onto the roof is stored and collected in a tank and then used for irrigation, domestic purposes or for putting out fires.

Continuing with this approach, during next year a study will be conducted regarding the feasibility of installing tanks in the buildings of the north-eastern offices (Barcelona), eastern offices (La Eliana) and central office (headquarters).

In new substations in which this is possible, ducting is installed to collect rainwater from the roofs of the building in a tank (La Lora, La Espluga, Puerto de la Cruz, Medinaceli, Anchuelo, Fuetns de la Alcarria, Terrer, Palos, Fuendetodos, Olmedo, Segovia, Guillena, Montecillo, Arroyo Valle and Venta Inés. The water is used for domestic purposes (but not for human consumptions). During the year ducts have been installed in the substations of Muruarte, Castellet and La Eliana.

Increase in energy output

Red Eléctrica is committed to renewable energy in the scope of technological development and innovation. The SOLIDI project was started up in which an analysis is being made of the integration of new renewable energy systems in the buildings of the company headquarters (Madrid). In addition, a study is in process on the energy efficiency of those buildings (R+D+i project). -EN5-

On the other hand a feasibility study is being carried out on reducing the lighting in the electrical substations in operation, taking as a pilot study the substation of Anchuelo (Guadalajara). A series of proposals has been defined including corrective measures and recommendations for application in substations in operation and

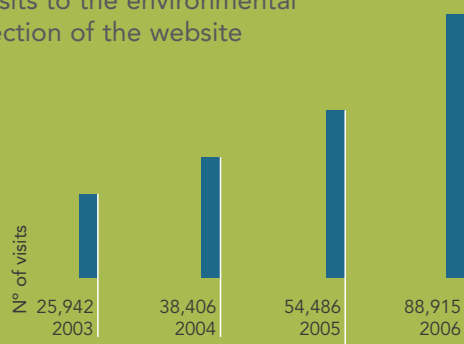
newly-constructed substations, aimed at studying the possibility of reducing electricity consumptions and luminous contamination (R+D+i project).

Next year, the electricity consumption data for two substations (still to be decided on) will be recorded in order to study the corrective measures proposed in the above-referred study and then evaluate the reduction in electricity consumption. Positive results are expected, and therefore these measures will be applied in the future to all the other substations in service and those planned to be constructed.



Relations with stakeholders

Visits to the environmental section of the website



Being aware of the interest generated by the impact of its activities on the environment, Red Eléctrica undertakes to inform and communicate such activities in an open, fluid and permanent manner to all interested parties

Main activities in 2006

Work groups/organiser

Environmental management systems" sub-committee	AENOR
"Environmental behaviour of electrical systems" study Committee	CIGRE
Sustainable development performance indicators	CIGRE
Utilities practices in sustainable development	CIGRE
Work groups for the 8 th National Environmental Congress	CONAMA
Environment and society	EURELECTRIC
Noise Act Regulation	Ministry of the Environment
Electromagnetic fields work group	UNESA

Debate forums/organiser

National conference on Environmental Evaluation	Ministry of the Environment
1 st National Congress on Biodiversity Conservation	APIA y CSIC
Presentation of the programme for the Recovery of the Golden Eagle	SOS
Impact of electrical lines on birdlife, Experiences and management systems	Parco Delta del Po (Italy)
Presentation of the 2006 Entorno Report	Entorno Foundation
Permanent forums	Sostenibilidad de España
Meetings with journalists on Environmental affairs	Red Eléctrica
- Seminar on electric energy. Environmental policy of REE and 2nd Spain-Morocco interconnection. Association of journalists from Campo de Gibraltar.	
- Seminar on the operation of an electrical substation in the Aparecida substation. Presentation of the 2004 environmental report.	
- Seminar on birdlife conservation. Placing of bird-saving devices and work on maintaining the lines using helicopters. Antena 3 Seville. Canal Sur and TVE Seville.	

External communication

Red Eléctrica places at the disposal of society different environmental communications channels, including the annual publication of its *Environmental Report* and the website (www.ree.es) which has a special section on the different environmental actions implemented by the company. In 2006 this section was visited by 88,915 persons from many countries, representing 63.2% more than for the previous year, and an increase of 242% over the past three years.

There is also a system for dealing with and solving queries and complaints from interested parties (mam-biente@ree.es) that manages response in the shortest possible time.

Evolution of queries

Type	2004	2005	2006
Birdlife	1	7	8
Electromagnetic fields	5	1	5
Green certificates	1	-	-
Environmental costs	1	0	
Facilities	4	1	7
General information on the environment	4	2	3
Publications	13	13	(1)
Noise	1	0	-
Consumptions	-	-	2
Environmental Management System	-	-	4
Vegetation	-	-	1
Emissions	-	-	1
Total	30	24	31

(1) The request for publications was booked during 2006 by the subject matter (birdlife, electromagnetic fields, etc.)

Evolution of complaints⁽¹⁾

Type	2004	2005	2006
Electromagnetic fields	0	7 ⁽²⁾	-
Landscape	1	0	-
Facilities	1	0	-
Government requirements	3	0	-
Fire risk	0	0	1
Noise	0	0	-
Vegetation	0	2	-
Waste	-	-	1
Total	5	9	2

(1) Cases sanctioned are not included in this table

(2) In the seven complaints on electromagnetic fields, measurements were made and the values established in the European recommendation for public exposure were not exceeded in any of the cases.

Another important channel of relations and internal learning is that of work groups, congresses and debate forums.

In addition, Red Eléctrica publishes and distributes many environmental publications. These documents can be consulted and downloaded through the website or requested free of charge (redelctrica@ree.es). The number of publications distributed in electronic format through the website (www.ree.es) which enables greater diffusion of information to all interested parties with important savings in natural resources was 131,044, of which 3.7% corresponds to documents in English.

In 2006, the following publications were the most relevant:

- 2005 environmental report.
- 2005 corporate responsibility report.
- Líneas eléctricas: Refugio del halcón peregrino (Electrical lines: Shelter for the pilgrim hawk) published in collaboration with the Valladolid Territorial Office of the Department of the Environment, Regional Community of Castilla y León.
- Flora de la sierra de Gata vista por los niños (Flora in the Mountains of Gata as seen by children).
- Explanatory leaflets on the Balboa-Alqueva lines and the REMO project.

Suppliers

Red Eléctrica considers its suppliers and contractors an essential link in the chain in developing its activities and for this reason its commitment towards the environment is extended to each of these, as an inseparable part of our team.

As at December 31, a total of 325 suppliers were identified (corresponding to 134 supplies) in need of classification by Red Eléctrica, of which 198 (52 supplies) provide a service or product that affects the environment.

Of these 198 supplies, 75 have an environmental management system in place, either certified through the UNE-EN ISO 14001:2001 standard or registered with EMAS. Of the 123 other suppliers, 28 have informed us that they have started the implementation or certification process.



Behaviour of suppliers with respect to the environment

	2005	2006
Suppliers with a certified environmental management system (%)	22	38
Suppliers with an environmental system in the process of being implemented or certified (%)	26	14
N° of classified suppliers	350	325
N° of environmentally classified Suppliers ^(*)	213	198

() These include suppliers classified by Red Eléctrica whose services or products have specific environmental connotations that need to be considered*

Supplies classified by Red Eléctrica for services or products with environmental connotations that must be considered

Civil works on lines and substations
Assembly and maintenance of equipment in substations
Laying of conductors and ground cables
Supervision of facilities with helicopters
Supervision brigades in the construction and maintenance of facilities
Painting of line supports
Line topography
Felling of trees
Processing of facilities
Application for pesticides and rat poison
Environmental engineering
Supply of equipment for substations (transformers, reactances, etc.)

Internal communications

Environmental training areas

Environmental training and sustainable development
Iberian fauna and flora
Restoration of spoiled areas
Diagnosis and control of environmental problems
Hazardous waste management in Red Eléctrica
Environmental management systems
Appraisal and evaluation engineering for plant species
Visits to electrical power stations
Contaminated soil
Environmental communication techniques
Environmental legislation
Environmental communication in the company
Contents and navigation through the REE portal
Communication skills and environmental forums

Arousing awareness

Work in arousing awareness during the present year has been done through the following communications channels:

- **Training and arousing of awareness on consumptions.** This campaign was carried out in 2006 among the employees of Red Eléctrica in order to try and achieve reductions of 10% in the consumption of water and consumables, such as paper, toner, CDs and DVDs, and 5% in energy consumption. To do this, best practices and tips on savings resources and sustainable habits were posted in the website.
- **Green box.** Set up in 2006, in order to collect proposals from all employees on protecting and improving the environment in the workplace and at home. There is a prize for the best proposal received during the year to encourage participation in the future.
- **Internal website.** Since the middle of 2006 the new internal portal “miRed” is a friendlier way of encouraging the staff to find out about environmental activities carried out by the company, best practices for use both in the home and at work, external environmental events and publications or articles on environmental topics promoted by the company.
- **Quarterly bulletins with news on electrical and magnetic fields of 50/60 Hz.**
- **Entrelíneas.** A newsletter that contains news, activities and important events in the company, with articles on the environment.
- **Red en Línea.** An electronic publication informing on the activities of the company with news on the environment, diffused through the press.

Environmental training

In 2006, 3.66% of our employees received specialised environmental training (through face-to-face and virtual courses) amounting to a total of 2,585 hours.

Environmental costs -EN30-

In 2006 Red Eléctrica made environmental investments in new facilities amounting to 6,293,732.62 euros, representing 1.22% of all investments in the transmission network. These investments correspond to the preparation of studies on environmental impacts for all our projects and the application of preventive and corrective measures and environmental supervision in electrical facilities under construction.

Likewise expenses incurred in protecting and improving the environment amounted to 9,321,594.39 euros, accounting for 2.03% of all operating expenses.



	2004	2005	2006
Investments (euros)	1,704,464.50	2,074,968.98	6,293,732.62
Engineering and construction of new facilities	1,704,464.50	2,074,968.98	6,293,732.62
Expenses (euros)	4,893,172.86	5,879,716.37	9,321,594.39
Environmental protection system	24,639.79	19,811.05	7,365.73
Preventive and corrective measures on facilities in service	3,527,413.47	4,387,809.48	7,489,289.72
Prevention of contamination	121,833.00	326,713.67	305,488.98
Fire prevention	2,952,405.00	3,498,942.00	6,664,040.20
Birdlife protection	131,555.61	228,796.37	225,921.67
Environmental improvements to facilities	166,011.00	42,441.61	188,903.42
Management of electromagnetic fields and noise	100,047.10	45,348.06	34,515.34
Waste management	55,561.76	58,144.38	70,420.11
Research and development	225,315.58	217,744.19	355,327.92
Training and communication	210,386.42	266,392.94	451,197.98
Environmental training and awareness	4,606.00	17,500.00	38,130.00
Communication	205,780.42	248,892.94	413,067.98
Environmental taxes and royalties	2,815.90	21,660.37	16,820.04
Staff expenses dedicated to environmental activities	902,601.70	966,298.34	1,001,593.00
Environmental investment and expense (%)	2004	2005	2006
Environmental investment /total investment in trans. net.	0.70	0.57	1.22
Environmental expense/total operating expenses	1.80	2.18	2.03

Environmental programme. Objectives and goals

Global compliance with the 2006 environmental programme was 60.90%:

Compliance with the 2006 Environmental Programme

Areas of activity	Objectives
Improvement in the environment management system	Review of the environmental policy
Birdlife conservation -EN14-	Analysis of results of R+D+I "Salvapájaros" (Bird-saving) Project. Termination and conclusions, or if applicable, justification of extension
Preservación de la vegetación -EN14-	Digital guide to trees and shrubs that are compatible with electrical lines (VEGE project)
Incorporation into new facilities of an Environmental Management System	Environmental inventory and proposed preventive and corrective measures for new facilities from INALTA
Reduction in the risk of accidental tipping	Construction of 10 ditches and a duct for collecting oil in 8 Substations from INALTA and in Escatrón ⁽¹⁾
Prevention of contamination -EN26-	Application of preventive measures in expansion tanks in Power machines in 10 substations ⁽¹⁾
	Application of preventive measures in auxiliary transformers in 7 substations ⁽¹⁾
	Conditioning of ditches for collecting oil in the Litoral substation ⁽¹⁾
	Preparation of a project for constructing a ditch for Collecting oil for the reactance of the Morales substation
Improvement of emissions control	Proposed preventing and corrective measures for noise in substations ⁽³⁾
	Verification of the method for evaluating luminous contamination caused by substations applied in 2 new projects
	Feasibility study on reducing lighting levels in substations in service: applied to 2 substations
Waste management	Review of the final management of waste generated in maintenance work and proposals for improvement, if necessary ⁽¹⁾
	Reduction in total electricity consumption of 5% ⁽²⁾
Reduction in consumptions	Reduction in total water consumption of 10% ⁽²⁾
	Reduction in total paper consumption of 10%
	Reduction in total toner consumption of 10% ⁽²⁾
Environmental classification of suppliers	Incorporation into internal regulations of environmental Construction certification ⁽¹⁾
	Increase of 10% in the number of suppliers with certified environmental management systems
Training	Increase of 8% in the number of employees receiving environmental training ⁽¹⁾
	Increase of 30% in the number of visits to the environmental section of the corporate website
Communication	Collaborative agreement with Valladolid Territorial Service of the Dept. of the Environment, Regional Govt. of Castilla y Leon ⁽⁴⁾

(1) Not terminated during the year and passed over to 2007

(2) Objective not reached in 2006 which means it is necessary for us to draw up a stricter plan for reducing consumptions and plan actions for direct application

(3) Executed but outside the foreseen term

(4) Pending signing by the government

The degree of compliance with the programme is the result of evaluating compliance with the goals shared by each objective and application of the corresponding weighting based on its strategic importance.

Environmental activities for 2007

Areas of activity	Objectives	
Improvement in the Environmental Management System	Homogenisation of documentation in accordance with the evaluations on environmental impact Portal for listing and managing environmental information on assets	
Birdlife conservation -EN14-	Prevention of actions affecting birdlife in sensitive areas	
Plant conservation -EN14-	Prevention of actions affecting plant life. Definition of criteria for preparing felling and pruning plans	
Prevention of contamination -EN26-	Environmental inventory	Updating of environmental inventory for assets
	Reducing the risk of accidental tipping	Actions for improvement in substations aimed at preventing soil contamination due to spillages of oil from power machines, auxiliary elements and expansion tanks
	Improved emissions control	Actions for mitigating noise in substations
	Waste management	Review of the final management of waste generated in maintenance work and proposals for improvement, if necessary
Control of consumptions	Implementation of measuring for controlling consumption of natural resources	
Relations with suppliers	Environmental certification of construction	
	Arousing awareness about the environment among suppliers	
Training	Increase of 8% in the number of employees receiving environmental training	
Relations with interested parties	Improve relations with interested parties. Regional government. Work groups, sectors and management areas	
Communication	Flora and fauna guides	
Environmental responsibility	Adapting to the future Environmental Responsibility Act	



Key environmental indicators of TDE in 2006

Environmental objectives	
Compliance with environmental programme (%)	100
Actions affecting protected species. Impact on biodiversity -EN12-	
Km of lines constructed in protected areas/km. of lines constructed (%)	0
Km of lines constructed in protected areas/km. of lines constructed (%)	0
Consumption of natural resources	
Total electricity consumption ⁽¹⁾ (kWh) -EN4-	1,100,280
Electrical consumption per employee ⁽¹⁾ (kWh) -EN3-	9,169
Total water consumption ⁽²⁾ (m ³)	11,309.20
Water consumption per employee ⁽²⁾ (m ³) -EN8-	94.24
Total fuel consumption for company vehicles ⁽³⁾ (L) -EN3-	119,189.66
Fuel consumption for company vehicles ⁽³⁾ (L/car)	3,221.74
Fuel consumption of electric generators in substations (L)	680
Waste generated (kg)	
Non-hazardous -EN22-	
Municipal	15,045
Plastics	656
Paper (cardboard, newspaper, magazines)	2,144.50
Hazardous -EN22, EN24-	
Cartridges and printer toner and chemicals containers	105
Batteries and dry-cell batteries	281.8
Sanitary, out of date medicines	2.1
Miscellaneous solids impregnated with dielectric oils	120
Accidents (spillages of oils and fuels) -EN23-	
Only 3 minor incidents occurred involving the spillage of oils	
Training and arousing of awareness (environmental training)	
Employees attending environmental training courses (%)	40
Environmental communication with interested parties	
Number of environmental queries	3
Number of environmental complaints	1
Behaviour of suppliers with respect to environmental matters	
Number of suppliers	2
Suppliers /contractors with certified Environmental Management Systems based on ISO 14001 (%)	0
Cases involving fines -EN28-	
0	
Environmental Expenses and Investments -EN30-	
Environmental investment (US\$)	9,426
Environmental investment /total investment (%)	0.05
Environmental expenses (US\$)	30,258
Environmental expenses / total expenses (%)	0.34
Environmental taxes ⁽⁴⁾ (US\$)	Not applicable

(1) Data from Head Office, regional centres of Valle Hermoso, Potosi Oruro, Santa Cruz and La Maica warehouse

(2) Data from public network 3,773 m³ well 7,056.2 m³ and container vehicles 480 m³

(3) A total of 37 vehicles has been counted

(4) The Bolivian legislation does not provide for environmental taxes

1kWh=36.105 J

Annexes

Report parameters

Profile, scope and coverage -3.1, 3.2, 3.3-

Based on the principle of materiality and exhaustiveness, this corporate responsibility report aims to offer relevant information on the social, environmental and economic impacts of our company during 2006 and with respect to the majority of the indicators, its evolution over recent years. This report, which Red Eléctrica has been publishing every year since 2002, has been drawn up and validated based on the directives of the new <2006 Guide for drafting sustainability reports (G3)>, published by the Global Reporting Initiative (GRI).

In keeping with the requisites of this guide, the team responsible for defining the contents has paid special attention to the stakeholders, and integrated most of their proposals, with emphasis on the contributions received from bodies and entities that disseminate and evaluate CA. The design of the contents has two phases:

- An internal analysis for the purpose of improving the technical quality and coherence of the contents with respect to previous reports, and update the information for 2006 to the new version of the guide.
- An external analysis based on the results of the evaluations made by the different opinion bodies and entities in which different areas for improvement have been identified, many of which have been included in this report.

With respect to coverage, this report includes the main activities and results of the company's major business activity: the electrical business in Spain, the parent company Red Eléctrica de España, S.A. (REE), since the existing systems make it impossible to obtain homogenous information on the business of its sub-

siary, Red Eléctrica Internacional (REI). However, great progress has been made in presenting some aggregate indicators for the Group, and also specific indicators for REI and its participated company TDE (Bolivia), in order to enlarge upon and improve this information in future editions. -3.5., 3.6, 3.7, 3.11-.

The financial information for the past three years has been prepared in accordance with the International Financial Information Norms which came into force in 2005. The application of these norms means changes in the valuation criteria and the presentation of the consolidated financial statements as compared to the norms applied previously and therefore the 2004 figures have been changed somewhat with respect to those published during that year, and are not homogeneous with those of preceding years. -3.10- With respect to significant changes in terms of the ownership and size of the company, no change has taken place in this regard in 2006. -3.11-.

This report also includes some of the activities and results that show the organisation's commitment and support for human and labour rights. In this direction, a list of the 10 Principles of the United Nation's Global Compact is included, together with the associated GRI indicators and their location in the document.

We should mention that this report is based on the three volumes published by the Red Eléctrica Group, which are distributed jointly in a box containing the information for 2006 (Annual Report –legal documentation–, Corporate Governance Report and Corporate Responsibility Report).

For any clarifications or additional information on this Corporate Responsibility Report of the validation or verification report, please contact the addresses shown at the end of this document. -3.4-.

Independent verification -3.13-

The information systems used to provide the data and results included in this report are subjected to different internal and external control, supervision and auditing processes. The contents of this report have been verified by an independent auditing firm. The verification process consisted of the following milestones:

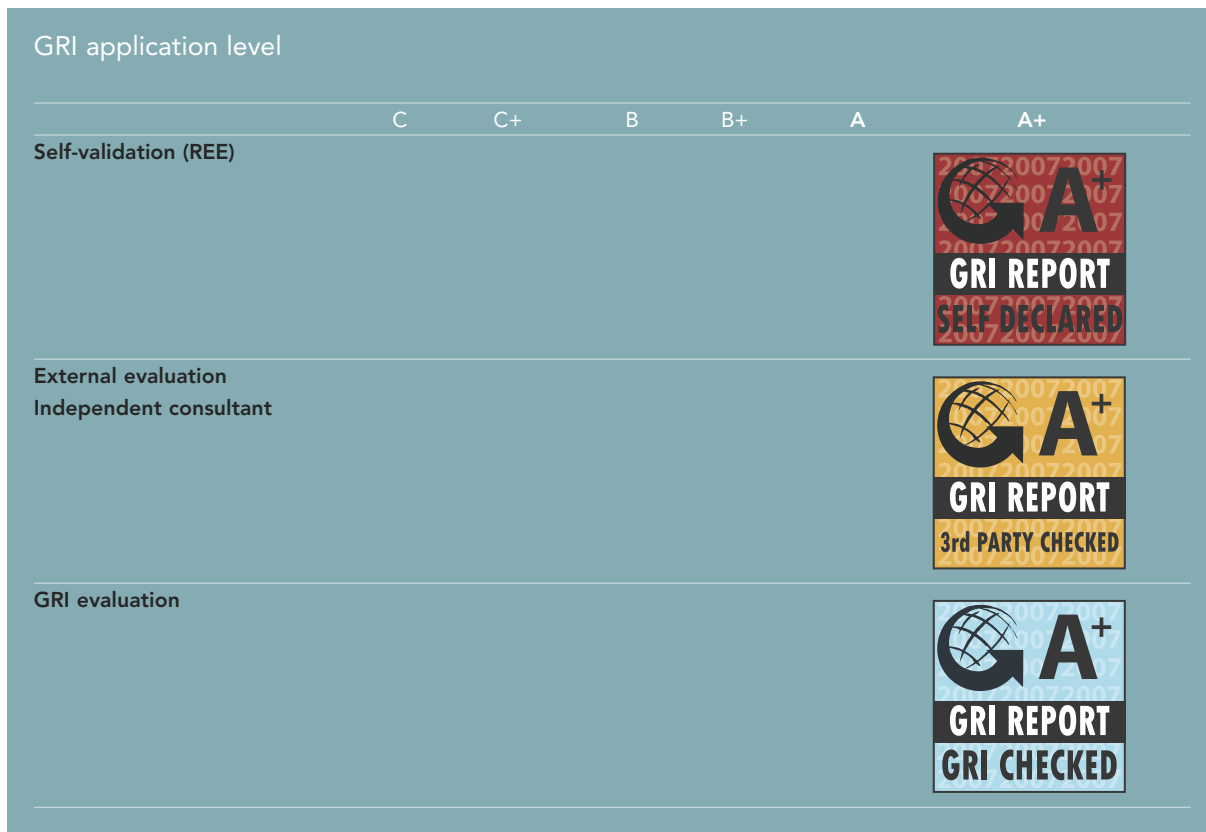
- Verification of the process used to draw up the corporate responsibility report based on the AA1000 AS standard.

- Verification and classification of the degree of compliance with the G3 guide proposed by the Global Reporting Initiative.

Furthermore, the economic and environmental data have been subjected to an external audit and are published in greater detail in the company's Annual Report and Environmental Report for 2006. -3.9-.

Red Eléctrica has following the protocol established by the GRI and has submitted its self-evaluation to verification by SGS-ICS. This was finally confirmed by the auditing firm as A+.

This report has also been reviewed by the GRI, which awarded it the maximum level of application, A+.



GRI table of contents -3.12-

PROFILE	Page
1. Strategy and analysis	
■ 1.1 Declaration of the maximum authority on the relevance of sustainability for the organisation and its strategy	5
■ 1.2 Description of the main impacts, risks and opportunities	25, 40, 29
2. Profile of the organisation	
■ 2.1 Name of the organisation	9
■ 2.2 Main brands, products and/or services	12
■ 2.3 Operating structure of the organisation	13
■ 2.4 Location of the organisation's head office	141
■ 2.5 Number of countries in which the organisation operates	12
■ 2.6 Nature of the holding and legal form	9
■ 2.7 Markets served	12
■ 2.8 Dimensions of the informing organisation	11
■ 2.9 Significant changes during the period covered by the Report, with respect to the organisation's size, structure and Holding	132
■ 2.10 Prizes and distinctions received during the period	34-35
3. Report parameters	
Report profile	
■ 3.1 Period covered by the information contained in the Report	132
■ 3.2 Date of most recent previous report (if any)	132
■ 3.3 Presentation cycle for reports (annual, biennial, etc.)	132
■ 3.4 Contact point for issues related to the report or its content	141
Scope and coverage of the report	
■ 3.5 Process for defining the report contents	132
■ 3.6 Report coverage	132
■ 3.7 Indicate any limitations in the report scope or coverage	132
■ 3.8 Basis for including information in the case of joint ventures, subsidiaries, leased facilities, subcontracted activities and entities that could significantly affect comparison between periods and/or organisations	132
■ 3.9 Techniques for measuring data and bases for making calculations, including hypotheses and underlying techniques for the estimates applied in gathering the indicators and information contained in the report	133
■ 3.10 Description of the effect that might be caused by having to repeat the information (re-expression of information) belonging to previous reports, and reasons for making that re-expression	132
■ 3.11 Significant changes related to previous periods in scope, coverage or valuation methods used in the report	132
GRI Table of contents	
■ 3.12 Table indicating the location of the basic report contents	134
Verification	
■ 3.13 Current policy and practices in relation with the request for external verification of the report. If the verification request is not included in the sustainability report, explain the scope and basis for any other existing external verification. Also clarify the relation between the informing organisation and the supplier or suppliers of the verification	142-143
4. Governance, commitments and participation of stakeholders	
Governance	
■ 4.1 The governance structure in the organisation, including the committees in the maximum body of governance responsible for tasks such as defining the strategy or supervising the organisation	20-22
■ 4.2 Indicate whether the president of the maximum body of governance also occupies an executive post (and if so, his function within the management of the organisation and reasons to justify this)	21
■ 4.3 In organisations with unitary management structures, indicate the number of members in the maximum body of governance that are independent or non-executive	20

	Page
■ 4.4 Shareholder and employee mechanisms for communicating recommendations or indications to the maximum body of governance	19-20
■ 4.5 Link between the salary of the members of the maximum body of governance, other directors and executives (including agreements for abandoning the post) and performance of the organisation (including social and environmental performance)	22
■ 4.6 Procedures implanted to prevent conflicts of interest within the maximum body of governance	18
■ 4.7 Procedure for determining the training and experience required of the members of the maximum body of governance in order to guide the organisation's strategy in social, environmental and economic aspects	18
■ 4.8 Mission statements and values developed internally, codes of conduct and relevant principles for economic, environmental, social performance and how these are implemented	18, 26, 29
■ 4.9 Procedures of the maximum body of governance for supervising the identification and management by the organisation of economic, environmental and social performance, including related risks and opportunities and adherence to or compliance with internationally-agreed standards, codes of conduct and principles	23-26
■ 4.10 Procedures for evaluating the performance of the maximum body of governance, in particular with respect to economic, environmental and social performance	20-21
Commitment with external initiatives	
■ 4.11 Description of how the organisation has adopted an approach or principle of caution	23-26
■ 4.12 Social, environmental and economic principles or programmes developed externally, and any other initiative in which the organisation participates or approves	14, 140
■ 4.13 Main associations to which the organisation belongs (such as sector Associations) and/or national and international entities it supports	51
Participation of interest groups	
■ 4.14 List of stakeholders included by the organisation	31, 78
■ 4.15 Basis for identifying and selecting stakeholders to which the organisation is committed	31
■ 4.16 Approaches adopted for including stakeholders, including the frequency of their participation by types and category of interest group	31, 33, 58, 78-87
■ 4.17 Main concerns and aspects of interest arising through the participation of stakeholders and the way in which the organisation has responded to these in preparing the report	58, 78-87
ECONOMIC DIMENSION	
Management approach	9-15, 42-51
Aspect: Economic performance	
■ EC1. Economic worth generated and distributed	45
■ EC2. Financial consequences and other risks and opportunities for the organisation's activities due to climate change	25, 46-50
■ EC3. Coverage of obligations of the organisation due to social benefit programmes	74
■ EC4. Significant financial aid received from governments	44
Aspect: Presence in the market	
■ EC5. Range of relations between the initial standard salary and the local minimum salary in places where important operations are carried out	57
■ EC6. Policy, practices and proportion of expenses corresponding to local supplies in places where important operations are carried out	82
■ EC7. Procedures for hiring local staff and proportion of senior directors from the local community in places where important operations are carried out	56
Aspect: Indirect economic impacts	
■ EC8. Development and impact of investments in infrastructures and services rendered mainly for public benefit through commercial commitments, pro bono or in kind	91
■ EC9. Understanding and description of significant indirect impacts, including the scope of those impacts	46-50

	Page
ENVIRONMENTAL DIMENSION	
Management approach	100-130
Aspect: Materials	
■ EN1. Materials used in weight or volume	118-120
■ EN2. Percentage of materials used that are evaluated materials	116
Aspect: Energy	
■ EN3. Direct consumption of energy broken down by primary sources	119, 120, 128
■ EN4. Indirect consumption of energy broken down by primary sources	119, 128
■ EN5. Total savings in energy due to conservation and improvements in efficiency	121
■ EN6. Initiatives for providing efficient products and services in energy consumption or based on renewable energies and reductions in the consumption of energy as a result of those initiatives	111
■ EN7. Initiatives for reducing indirect consumption of energy and reductions achieved through those initiatives	120
Aspect: Water	
■ EN8. Total water captured by sources	118, 128
■ EN9. Water sources that have been significantly affected by water- capturing	(1)
■ EN10. Percentage and total volume of water recycled and reused	120
Aspect: Biodiversity	
■ EN11. Description of adjoining terrain or land located in protected nature reserves or in areas with high bio-diversity that are unprotected	105
■ EN12. Description of the most significant impacts on biodiversity in protected nature reserves arising from activities, products and services in protected areas and in areas of great value in terms of biodiversity outside protected areas	100, 102, 108
■ EN13. Protected or restored habitats	102, 105, 107
■ EN14. Strategies and actions taken and planned for the control control of impacts on diversity	101-106, 113, 126, 127
■ EN15. Number of species, broken down by their danger of extinction, included in the IUCN Red List and national lists whose habitats are within areas affected by operations, depending on the extent to which the species is threatened	106
Aspect: Emissions, tipping and waste	
■ EN16. Total direct and indirect emissions of greenhouse-effect gases, in weight	109, 110
■ EN17. Other indirect emissions of greenhouse-effect gases, in weight	110
■ EN18. Initiatives for reducing greenhouse-effect emissions and the reductions obtained	109
■ EN19. Emissions of substances that destroy the ozone layer, in weight	111
■ EN 20. NO, SO and other significant emissions into the air by type and weight	(2)
■ EN 21. Total tipping of wastewater, depending on type and destination	(3)
■ EN22. Total weight of waste controlled depending on type and treatment method	116, 128
■ EN23. Total number and volume of most important accidental spillages	113, 128
■ EN24. Weight of waste transported, imported, exported or treated that is considered hazardous based on the Basle Convention classification annexes I, II, III and VIII and percentage of waste transported internationally	116, 128
■ EN25. Identification, size, state of protection and value of biodiversity of Hydraulic resources and related habitats that are significantly affected by tipping of water and waste from debris-flows, on the part of the organisation	(4)
Aspect: Products and Services	
■ EN26. Initiatives for mitigating environmental impacts of products and services and the extent to which that impact is reduced	111, 114, 126-127
■ EN27. Percentage of products sold and their packaging materials, that are recycled at the end of their useful life, by product categories	(5)
Aspect: Compliance with legal provisions	
■ EN28. Cost of significant fines and number of non-monetary sanctions due to non-compliance of environmental legislation	114, 128

	Page
Aspect: Transport	
■ EN29. Significant environmental impacts of the transportation of products and other goods and materials used for the organisation's activities, and the transport of personnel	(6)
Aspect: General	
■ EN30. Break-down by types of total environmental expenses and investments	125, 128
SOCIAL DIMENSION	
Labour practices and work ethics	
Management approach	52-75
Aspect: Employment	
■ LA1. Break-down of employee groups, by type of employment, contract and region	54-56
■ LA2. Total number of employees and average turnover, broken down by age groups, sexes and regions	55-56
■ LA3. Social benefits for full-time employees, not offered to temporary or part-time employees, broken down by activity	74
Aspect: Relations between company and employees	
■ LA4. Percentage of employees covered by a collective agreement	55, 59
■ LA5. Minimum period/s of relative notice related to organisational changes, and whether these notification are specified in collective agreements	60
Aspect: Occupational safety and health	
■ LA6. Percentage of total employees represented on joint health and safety committees formed by the company-workers, to help in controlling and advising with respect to occupational health and safety programmes	61
■ LA7. Absenteeism, professional illnesses, days lost and number of mortal victims related to work by regions	55
■ LA8. Educational, training, advisory and risk-prevention and control programmes applied to employees, their families or community members in relation with serious illnesses	62, 63
■ LA9. Health and safety aspects covered by formal agreements with trade unions	60, 61
Aspect: Training and education	
■ LA10. Average hours of training received per year by each employee, broken down by professional categories	55, 64
■ LA11. Management programmes on skills and ongoing training to promote eligibility of employees for jobs and to support them in managing the end of their professional careers	64-65
■ LA12. Percentage of employees receiving regular performance and professional development appraisals	67
Aspect: Diversity and opportunity	
■ LA13. Composition of the corporate bodies of governance and staff, broken down by sexes, age groups, belonging to minority groups and other diversity indicators	55, 69
■ LA14. Ratio between basic salary for men with respect to women, broken down by professional categories	69
Human rights	
Management approach	52-75
Aspect: Investment and supply practices	
■ HR1. Percentage and total number of significant investments agreements including human rights clauses or which have been analysed with respect to human rights	(7)
■ HR2. Percentage of main distributors and contractors which have been analysed with respect to human rights and measures taken as a result	83
■ HR3. Total hours of training received by employees on policies and procedures related to those aspects of human rights that are relevant for their activities, including the number of employees trained	(8)
Aspect: Non-discrimination	
■ HR4. Total number of incidents due to discrimination and measures taken	70

	Page
Aspect: Freedom of association and collective bargaining	
■ HR5. Company activities in which freedom of association and to participate in collective bargaining may be exposed to important risks and measures adopted to support those rights	(9)
Aspect: Child labour	
■ HR6. Activities identified that pose a potential risk of child labour incidents, and measures adopted to help eradicate them	(9)
Aspect: Forced labour	
■ HR7. Operations identified as posing a high risk of leading to episodes of forced or non-consented labour and measures adopted to help eradicate them	(9)
Aspect: Safety practices	
■ HR8. Percentage of safety personnel trained in organisational policies or procedures on human rights aspects that are relevant for their activities	n.d.
Aspect: Rights of the indigenous population	
■ HR9. Total number of incidents related to infringements of the rights of the indigenous population and measures taken	(10)
Society	
Management approach	76-98
Aspect: Community	
■ SO1. Nature, scope and effectiveness of programmes and practices for evaluating and managing impacts of operations on communities, including entry, operation and exit	77-98, 90
Aspect: Corruption	
■ SO2. Percentage and total number of business units analysed with respect to risks related to corruption	25, 26
■ SO3. Percentage of employees trained on anti-corruption policies and procedures in the organisation	(8)
■ SO4. Measures taken in response to symptoms of corruption	26
Aspect: Public policy	
■ SO5. Position in public policies and participation in their development and lobbying activities	36
■ SO6. Total value of financial contributions and contributions in kind made to political parties or related institutions, by countries	(11)
Aspect: Unfair competition behaviour	
■ SO7. Total number of actions due to causes related with monopolistic practices and against free competition, by countries	(12)
Aspect: Compliance with legislation	
■ SO8. Monetary value of sanctions and significant fines and total number of non-monetary sanctions derived from non-compliance of laws and regulations	(13)
Responsibility for products	
Management approach	63, 79-81, 139
Aspect: Health and safety of clients	
■ PR1. Phases in the life-cycle of products and services in which are evaluated, for improvement, the impacts of the same on health and safety of clients, and the percentage of significant product and services categories subject to those evaluation procedures	63
■ PR2. Total number of incidents arising from non-compliance of legal provisions or voluntary codes on the impacts of products and services on health and safety during their life cycle distributed based on the type of result of those incidents	(14)
Aspect: Labelling of products and services	
■ PR3. Types of information on products and services required by the applicable procedures and regulations, and percentage of products and services subject to those informative requirements	80
■ PR4. Total number of breaches of the regulation and voluntary codes with respect to information and labelling of the products and services, distributed based on the type of result of those incidents.	(15)
■ PR5. Practices with respect to customer satisfaction, including the results of satisfaction surveys	80

	Page
Aspect: Marketing communications	
■ PR6. Programmes of compliance with laws or adhesion to voluntary standards and codes mentioned in marketing communications, including advertising, other promotional activities and sponsorships	(16)
■ PR7. Total number of incidents due to non-compliance of regulations regarding marketing communications, including advertising, promotion and sponsorship, distributed by type of result of those incidents	(16)
Aspect: Client privacy	
■ PR8. Total number of complaints due mainly to respect for privacy and the disclosure of customer personal data	(17)
Aspect: Legislative compliance	
■ PR9. Cost of any significant fines due to non-compliance of regulations with respect to the supply and use of the organisation's products and services	(18)

To facilitate the identification of the indicators required by the Global Reporting Initiative, in drawing up the report, references are included(..) corresponding to the indicator codes, as shown in this table.

- 1 Not applicable. No direct effect on ecosystems due to water consumption
- 2 Not applicable. These emissions are not generated directly
- 3 Not applicable. Red Eléctrica has no tipping activities associated with production processes
- 4 Not applicable. No tipping of water takes place
- 5 Not applicable. No products exist
- 6 Not applicable. No impacts are considered other than those indicated in EN3 and En7
- 7 Not applicable. No significant investments have been made
- 8 In the process of designing and implanting the ethical code, all employees have been informed and trained on the main ethical principles, among which are in particular, the criteria and procedures for acting relating to strict compliance with human and labour rights. Another of the aspects with regard to which employees have been trained is anti-corruption policy and measures, in particular for those persons or organisational units more involved in this respect.
- 9 The activities carried out by the company are characterised by being intensive in highly qualified human capital which make it highly unlikely for there to appear any problems related to human rights, such as child and forced labour, or freedom of association among others. In addition the management system certification based on the norm SA8000 verifies that these human and labour rights are guaranteed.
- 10 No incidents related to infringements of the rights of the indigenous population have taken place.
- 11 No contributions have been made to political parties.
- 12 No legal claims exist related to acts taken against the competition, anti-monopolistic legislation and monopolistic practices.
- 13 On November 10 2006 the Supreme Court issued a ruling as part of the contentious-administrative procedure no 128/04 filed by Red Eléctrica before the Supreme Court against Order dated January 21 2004 by the Ministry of Finance settling the sanctioning procedure instigated by the National Energy Commission dated December 14 2001, with respect to a serious infringement of article 6.1.4 of Act 54/1997 dated November 27, 1997, regarding the Electrical Sector, due to an interruption in supply amounting to the foreseen legal minimum amount of 60,101 euros. The Ruling of the Supreme Court confirms that this sanction is in keeping with legal provisions. The ruling is firm and final and no ordinary legal appeal whatsoever may be filed against it.
- 14 No incident related to the health and safety of clients has been recorded.
- 15 Not applicable. The products of Red Eléctrica are exempt from labelling mechanisms.
- 16 Red Eléctrica does not have any advertising campaigns for promotional or commercial purposes.
- 17 No claims have been filed in related with infringements of clients' right to privacy and the theft and loss of data.
- 18 Without detriment to what is indicated in paragraph SO8 above, no significant fines have been imposed due to breach of laws and provisions regulating the supply and use of products and services.

The United Nations Global Compact

The United Nations Global Compact is an ethical initiative aimed at ensuring that companies from all countries accept as an integral part of their strategy and operations, ten principles of conduct and action with respect to Human Rights, Labour, the Environment and Anti-Corruption.

Its aim is to promote the creation of a global corporate citizenship that will permit the conciliation of the interests and process of industrial activity with the values and demands of civilian society, and with the projects of the UN, International Sector-based Institutions, Trade Unions and NGOs.

On June 24 2002, Red Eléctrica subscribed the nine principles of the Global Compact and in 2004, and in 2004, the tenth principle was incorporated, linked to corruption and bribery, which the company also subscribed to during the same year.

Red Eléctrica is a Founder Member of the Spanish Global Compact Association (ASEPAM).

In 2006, the progress survey was sent through the computer application designed by ASEPAM. The full report can be consulted in the Global Compact website (www.pactomundial.org).

Aspects	Global Compact Principles	Direct GRI Indicators	Indirect GRI Indicators
Human Rights	Companies will support and respect the protection of the fundamental human rights, recognised internationally within their scope of influence	HR1-9	LA4, LA13, LA14;SO1
	Companies will ensure that their companies are not involved in any infringement of human rights	HR1-2, HR8	
Labour conditions	Companies will support freedom of association and the effective acknowledgement of the right to collective bargaining	HR5; LA4, LA5	
	Companies will support the eradication of all forms of forced labour or labour carried out under coercion	HR7	HR1-3
	Companies will support the eradication of child labour	HR6	HR1-3
	Companies will support the abolition of Discriminatory practices at work and in Occupation	HR4; LA2, LA13, LA14	HR1-2; EC5, EC7;LA3
Environment	Companies will maintain a preventive approach that favours the environment	4.11	EC2
	Companies will encourage initiatives to promote greater environmental responsibility	EN2, EN5-7, EN10, EN13-14, EN18, EN21-22, EN26-27, EN30	EC2; EN1, EN3-4, EN8-9, EN11-12, EN15-17, EN19-20, EN23-25, EN28-29; PR3-4
	Companies will favour the development and diffusion of technologies that respect the environment	EN2, EN5-7, EN10, EN18, EN26-27, EN30	
Anti-corruption	Companies will work towards eradicating corruption in all its forms, including extortion and bribery	SO2-4	SO5-6

Contact -2.4, 3.4-

For any consultation, opinion or suggestion about this report, please contact:

Red Eléctrica de España, S.A.
Corporate Responsibility and Institutional Relations Division
Paseo del Conde de los Gaitanes, 177
28109 Alcobendas . Madrid
Telephone: 91 650 85 00 / 20 12
Fax: 91 650 45 42 / 76 77
responsabilidadcorporativa@ree.es

This document is available in electronic format in the corporate website of Red Eléctrica, www.ree.es

Verification report



VERIFICATION REPORT

SCOPE

SGS ICS Ibérica (henceforth SGS) has carried out an independent verification of the document INFORME DE RESPONSABILIDAD CORPORATIVA 2006, commissioned by RED ELÉCTRICA DE ESPAÑA, S.A. (henceforth REE).

The scope of the verification includes the text and data contained in the reference document; not including the information and/or data referenced and not introduced in the document.

INDEPENDENCE

The information contained in the verified document and its elaboration is the sole responsibility of REE.

SGS has not participated nor advised in the elaboration of the verified document, only participating as independent verifier, checking the adequacy of the document's contents.

The content of this Report of Verification and the opinions contained in it is the sole responsibility of SGS.

VERIFICATION

Methodology and verifier team

The methodology used was that developed by SGS for the Verification of Sustainability Reports, this consists of audit procedures according to ISO 19011 and verification mechanisms according to GRI Guidelines (G3) and AA1000 Assurance Standard (2003), these include:

- Interviews with the personnel responsible for data procurement and preparation.
- Documents and records review (internal and public ones)
- Verification of data and its validation with the sources.

Particularly, for this verification, the data of the economic area were assessed against the certification of the annual accounting audit carried out by KPMG Auditors and the notification of the economic results of 2006 to the CNMV relevant fact for 2006.

The verification team was formed by SGS personnel:

- Mr. Alvaro Rodríguez de Roa Gómez and,
- Mrs. Belén de Rábago Gómez

and it was assembled based on their knowledge, experience and qualifications for the accomplishment of this task.



VERIFICATION REPORT

IMPROVEMENT AREAS

To continue advancing in the coverage of the Information of the GRI Indicators, in the perimeter of consolidation of the company, because for the most part there are GRI Indicators reflected for the parent company of REE situated in Spain

To penetrate into the degree of involvement of the Corporate Responsibility Management for the Groups of Interest, analyzing this information for these groups and gathering their valuation and feedback in REE's Memory of Corporate Responsibility for 2007.

It would be appropriate to reinforce the system to compile annually the GRI Indicators and their correspondence with the Information of Corporate Responsibility gathered in the memory.

STRONG POINTS

With regard to the Memory of Corporate Responsibility corresponding to the exercise of 2005, it has advanced notably in the internal social dimension, especially in the chapter of Human Resource Management and in the transparency of the information contributed by REE.

The Environmental Dimension is very well developed and improved with regard to the fiscal period of 2005 and aligned with REE's Annual Report on the Environment, which equally is sent annually to all REE's Groups of Interest.

An important effort has been made with regard to the Memory of Corporate Responsibility of 2005, in the analysis, detection and classification of the Risks that concern REE's social, environmental and economic impacts.

CONCLUSIONS

Based on the verification carried out, the SGS verification team considers the following:

- INFORME DE RESPONSABILIDAD CORPORATIVA 2006 – REE contains reliable information and data, these is a coherent representation of the activities and its results for the period reflected in the document, which has been elaborated according to the requirements of Sustainability Reporting Guidelines G3 from Global Reporting Initiative (GRI).
- The GRI Application Level declared by REE (A+) is appropriate.
- REE has implemented management systems to identify and respond to social, economic and environmental impacts of its activities, including identification and answers to stakeholders' views.

Madrid, May 07th 2007

Signed: Álvaro Rodríguez de Roa Gómez (SGS ICS Ibérica, S.A.)

Coordination:

Red Eléctrica Corporate Responsibility and Institutional Relations Division

Photographs:

Red Eléctrica Photographic Archive

Graphic design, image processing and mock-up:

zen comunicación visual . www.zen.es

Printing:

TF Artes Gráficas

Legal Deposit:

M-17044-2007

Chlorine-free ECF ecological paper certified by the FSC (Forest Stewardship Council)



Paper certified based on the FSC standards to ensure efficiency forest use to ensure forest conservation.



RED ELÉCTRICA
DE ESPAÑA

P.º del Conde de los Gaitanes, 177 · 28109 · Alcobendas · Madrid · www.ree.es  RED ELÉCTRICA DE ESPAÑA