



Regulatory Management

Clear Rules

The Regulations Department works, based on prioritization criteria, on focusing the regulatory agenda in order to contribute to the consolidation of an institutional and regulatory environment favorable to the development of businesses and projects, to thereby enable maintaining and improving the revenues of GEB and its affiliates.

In 2019, Grupo Energía Bogotá created the Regulations Department, which during the first semester of the year reported to the Group's Legal Vice President's Office. Its establishment was a latent need in our company, since the electric energy and natural gas utilities businesses in which we participate are regulated in each of the countries in which we operate.

Our purpose as a Group is to position ourselves in the market as a strategic connector that drives development in the energy sector. To this effect, the Regulations Department has established the following as its main objectives:

- To maintain and improve GEB's income derived from the regulated activities of its affiliates, and increase the viability of new sources of income.
- To prioritize GEB's regulatory agenda in accordance with the Corporate Strategic Plan (CSP) and to implement structured and effective regulatory management.
- Contribute to the consolidation of an institutional and regulatory environment favorable to the development of businesses and projects.

Why is it important?

(103-1)

The government intervenes in electric energy and gas utilities by establishing rules aimed primarily at ensuring efficient, continuous and high quality services under arrangements of competitive and free markets.

In this sense, for Grupo Energía Bogotá, regulatory management is of great importance, as it seeks to comply with standards and regulations, as well as to manage actions aimed at enabling favorable institutional environments for the development of our affiliates' businesses and guaranteeing a profitable and sustainable business.

How we manage it

(103-2) (103-3)

Under the premise of promoting sustainability and improved revenues through the consolidation of a favorable institutional and regulatory environment, we have defined the following action lines:

- Consolidate and propose the strategic regulatory agenda.
- Prioritize institutional management and relations.
- Facilitate and coordinate regulatory discussions in the Group.
- Represent the Group before governments, industry associations and institutions, and act as spokesperson for the Group's positions on regulatory issues.
- Facilitate and lead, when required, institutional management and relations in cross-cutting topics for the affiliates.
- Coordinate and follow-up on the sectoral agenda of the Group and its affiliates in Colombia.
- Intervene in regulatory issues that benefit one affiliate with an impact on others.



We will lead the regulatory agenda with the main actors of the Colombian government.

Each affiliate has a regulations team that manages the particularities of each business. Consequently, the Regulations Department is a support and assistance area for relations with the government and industry associations (in the case of the Transmission Branch and TGI, on topics not related to their operational aspects in their normal course of business). For the affiliates outside Colombia, we provide periodic monitoring on regulations management and identify matters on which the Regulations Department may add value.

In order to achieve our objectives, sector committees are key events for the Group. At these events we aim to lead and actively participate in order to submit our proposals and positions on regulatory and institutional matters.

In 2019, we participated in the National Business Association of Colombia (ANDI, for the Spanish original), the Colombian Association of Electric Power Generators (ACOLGEN, for the Spanish original), and the National Association of Public Utilities and Communications Companies (ANDESCO, for the Spanish original). This year in ANDESCO we were elected as the Chair of the Board of Directors, and at its congress we promoted the adoption of OECD guidelines on regulatory quality and improvement, as well as the promotion of draft laws to speed up the execution of public service infrastructure projects, in face of delays in granting environmental licenses and in prior consultations with communities, as well as difficulties in the process of obtaining rights of way.

(Own - Industry Association Events) Additionally, in 2019 we actively participated in Colombia Generates (ANDI), the Naturgas Conference, the Colombian Business Conference (ANDI), the Colombian Energy Conference (Association of Colombian Engineers, ACIEM), Wholesale Energy Market Conference (National Council of Operations and Sales Advice Committee), Biennial Exhibition of the Electrical Industry (FISE), among others.

The Regulations Department, created in 2019, provides support to all GEB businesses, and makes its experience available to transfer knowledge and best practices.

RESULTS

- We promoted opening the discussion on the relevance of reviewing the limits of vertical integration for the natural gas sector by means of a study in which we presented the problem, the consequences and a proposal for flexibility. During 2018 and 2019 we made specific presentations at government entities and forums, which led the Energy and Gas Regulation Commission (CREG) to accept to study the proposal, and on numerous occasions it has indicated its intention of issuing an amendment in 2020.
- We proposed a regulatory reform that would allow electricity generating agents to share their connection infrastructure to the National Transmission System (STN). This is particularly important for the timely and efficient development of projects related to non-conventional renewable energy sources in La Guajira. To this end, we took the lead in performing technical and economic studies jointly with interested generators. The result was the issuance of CREG Resolution 200/2019.

TGI

- We carried out specific studies in order to propose changes in the methodology for the remuneration of natural gas transportation in Colombia in order to, on the one hand, add thrust to the gas market in the country, as well as increase its competitiveness and flexibility, and on the other to reduce the risk of under-remunerating certain assets of the affiliate. These proposals have been well received by the industry in general.
- The Group's President, Astrid Álvarez, was appointed Chairwoman of ANDESCO's Board of Directors.
- We submitted to CREG and the Public Utilities Superintendence (SSPD, for the Spanish original), our Control Architecture and compliance arrangement pursuant to the provisions of CREG Resolution 080/2019, aimed at establishing guidelines on the behavior of electric energy and natural gas companies in connection with users, the market and other companies. The Public Utilities Superintendence highlighted our compliance plan as an example of good practices.

We proposed a Shared Connection by generators to the Transmission System in order to increase efficiency and prevent impacts on the infrastructure in La Guajira, where over the next years we will develop wind and solar energy farms.

- We organized events to discuss regulatory quality and improvement, such as that held with representatives from OECD, government entities, industry associations and market agents, during which we shared experiences and identified key topics to support the implementation of methodologies for the analysis of the impact of regulations in Colombia.

Cálidda

- We managed to extend the original Five-Year Plan for 2018-2022 approved in May 2018, in order to assure the massification of natural gas during the current rates period and to connect more users. In order to enable the viability of the works required for the approved Five-Year Plan, we obtained an adjustment to the Single Distribution Rate in line with the aforementioned extension.
- We participated in discussions on the procedure for supervision of natural gas rationing mechanisms in the event of an emergency through the presentation of comments and meetings with Osinergmin (Body for the Supervision of Investment in Energy and Mining), in order to assist in application of the mechanism.

Contugas

- We managed to sign the second addendum to the natural gas supply contract, together with Pluspetrol Perú Corporation S.A. It provides for a reduction in the amount of natural gas in the initial supply contract signed in 2010 and in the addendum to the supply contract signed in 2012. These efforts enable providing more services to customers of the Pipeline Network Distribution System.

We work, jointly with ANDESCO, on legislation proposals to expedite performance of public utilities infrastructure projects, which face delays due to environmental licenses, prior consultations with communities and difficulties in obtaining rights of way.

CHALLENGES

- In 2019, the Colombian government established a Mission for Energy Transformation, through which a group of experts studies and recommends reforms to the operation and structure of the electricity and natural gas sectors. We will continue to actively participate in the discussions and contribute to the construction of a roadmap for the implementation of these recommendations.
- We will manage the application of new discount rate and compensation methodologies for electricity transmission and natural gas transportation activities in Colombia.
- We will manage the modification of the vertical integration limits in natural gas.
- We will participate in the bidding process for the regasification plant in Buenaventura (plant and gas pipeline), a project in which TGI has special interest for the growth of its business.
- We will move forward in the implementation of methodologies to assess regulatory impact and quality.
- We will execute improvement processes related to compliance with the rules of behavior (CREG Resolution 080/2019).
- We will analyze and execute actions regarding the operation of the Peruvian Wholesale Energy Market and the participation of thermoelectric agents, as well as possible reforms to the rules of the electric and natural gas markets in Peru.
- At Contugas in Peru we will work of amending the Supreme Decree on Commercialization of CNG and LNG and the Regulation for the Installation and Operation of Establishments for Selling VNG to the Public, in order to carry out the mobility project using LNG (VNG-L).
- We will provide support to Contugas in preparing the 2022-2026 Five-Year Plan and the rates schedule for 2022-2026.
- We will provide support to Cálidda in actions to assure an adequate return on investments performed in connection with the final period of the concession.



We will promote events to discuss best practices of the OECD. Photograph of the regulations team during an event to discuss regulatory quality and improvements in the energy sector, held in Medellín