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2006 Corporate Social Responsibility Report of State Grid Corporation of China



STATE GRID
CORPORATION OF CHINA



**2006 Corporate Social
Responsibility Report of
State Grid Corporation of China**

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STATE GRID
CORPORATION OF CHINA

In Search of Excellence

In Pursuit of Out-performance

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State Grid Corporation of China (SGCC) is a state-owned enterprise that is crucial to national energy security and economic lifelines. Adhering to a scientific outlook on development and the ten principles of the United Nations Global Compact, we vigorously assume our social responsibilities. We are committed to building a world-class utility through securing a safe, quality, convenient and clean power supply, and unrelentingly improving services for the country, customers, business partners as well as economic and social development. With joint efforts from all circles of society, we will make greater contribution to building a harmonious socialist society.

Mr. Liu Zhenya, President of SGCC 

Overview

SGCC was established on December. 29th, 2002 with the core business to build and operate power grids and the basic mission to provide secure and reliable power supply for economic and social development. The corporate service area covers 26 provinces, autonomous regions and municipalities, accounting for 88% of the national territory. We, with 1.504 million employees (apart from 290,000 retirees), provide direct service for 145 million customers, and supply power for a population of over 1 billion consumers.

Business Scale

For the year of 2006, we achieved electricity sales of 1,710 TWh, core business revenue of RMB 852.9 billion Yuan, a total asset of RMB 1214.1 billion Yuan, debt ratio of 60.43%. We ranked the 32nd in the Fortune Global 500 based upon the annual revenue in 2005.

Comparison with others in Fortune Global 500

Ranking in 2006	Company	Annual Revenue in 2005 (USD million)	
1	Exxon Mobil	339,938	<div></div>
10	ConocoPhillips	166,683	<div></div>
20	American Intl.	108,905	<div></div>
25	Carrefour	94,455	<div></div>
30	McKesson	88,050	<div></div>
32	SGCC	86,984	<div></div>
Annual revenue in 2006	SGCC	109,224	<div></div>

Note: The data is retrieved from <http://money.cnn.com/magazine/fortune>. The annual revenue of SGCC in 2006 was converted to US dollars at the exchange rate of 7.8087:1 issued by Chinese Foreign Currency Exchange Center on January 1st, 2007.

Organization Structure

SGCC wholly or dominantly owns 51 subsidiaries and affiliates, and manages Zhongneng Power Industry Fuel Company entrusted by the Chinese Central Government.

SGCC owns and manages five regional electric power grid companies and 24 provincial-level electric power grid companies, namely:

North China Grid Company Limited	East China Grid Company Limited	Central China Grid Company Limited	Northeast China Grid Company Limited	Northwest China Grid Company Limited
Beijing Electric Power Company	Shanghai Electric Power Company	Hubei Electric Power Company	Liaoning Electric Power Company	Shaanxi Electric Power Company
Tianjin Electric Power Company	Jiangsu Electric Power Company	Hunan Electric Power Company	Jilin Electric Power Company	Gansu Electric Power Company
Hebei Electric Power Company	Zhejiang Electric Power Company	Henan Electric Power Company	Heilongjiang Electric Power Company	Ningxia Electric Power Company
Shanxi Electric Power Company	Anhui Electric Power Company	Jiangxi Electric Power Company		Qinghai Electric Power Company
Shandong Electric Power Company	Fujian Electric Power Company	Sichuan Electric Power Company		Xinjiang Electric Power Company
		Chongqing Electric Power Company		Tibet Electric Power Company Limited

SGCC owns and manages 5 scientific research institutes, several affiliates and holding companies, namely:

China Electric Power Research Institute	Zhongxing Power Industrial and Commercial Development Company Limited	China Power Finance Company Limited
State Grid Nanjing Automation Research Institute	China Anneng Construction Corporation	China Electric Power Technology Import & Export Corporation
State Grid Beijing Electric Power Construction Research Institute	State Grid Senior Training Center	State Grid Shenzhen Energy Development Group Corporation Limited
State Grid Wuhan High Voltage Research Institute	State Grid Xinyuan Holding Company Limited	Yingda International Trust and Investment Company Limited
State Grid Beijing Economic and Technological Research Institute	State Grid DC Project Construction Company Limited	Yingda Securities Company Limited
	State Grid AC Project Construction Company Limited	China Electric Power Press Limited
	State Grid Operation Company Limited	
	State Grid Information Center	State Grid Social Insurance Management Center
	State Grid Telecommunication Center	
	State Grid News	

Corporate Governance

The top executives of SGCC are appointed by the Central Government and the president is responsible for corporate performance. The Presidency Meeting is the top governing body of SGCC in charge of formulating and deploying major strategic decisions. 31 functional departments and over 20 specialized committees are responsible for the implementation of those decisions.

The strategy of SGCC aims at coordinating and unifying sustainable development of the company and the social development. SGCC is dedicated to achieve a balance between economic, social and environmental development, a balance between short-term and long-term objectives, and also a balance between the interests of the society, the employees and the company.

SGCC performs investor’s responsibility for subsidiaries. It has established legal person management structure in most subsidiaries and appointed or dismissed executive directors, inspectors and senior management to them. SGCC carries out comprehensive performance evaluation and internal audit in its subsidiaries per annum and per tenure.

Special Committees

Domain	Name	Responsibilities
Security	Safe Production Committee	General evaluation of safety of the power grid, the personnel and the environment
	Flood Prevention Committee	Ensure the security in flood season
	Quality Supervision Station	Ensure the quality of the construction of power projects
Service	Common Practice Regulatory Committee	Monitor service quality
	Electric Power Market Committee	Guide and implement the demand-side management and power market construction
Employees	Talent Training Committee	Instruct and coordinate the training of talents, and strengthen team construction of talents
	Staff Stability Committee	Protect human rights, other legitimate rights and interests of employees
	Retired Employees Committee	Manage the matters of retired employees and protect their rights and interests
	International Talent Recruitment Committee	Recruit international talents
Procurement	Tendering & Bidding Committee	Tender with the rule of open, fair and just
Investment	Investment Committee	Generally evaluate the impact of the invested projects upon economy, society and environment
Technology	UHV Committee	Develop UHV transmission technology and build UHV power grid
	Technology Innovation Committee	Boost technological innovation and IT construction
Morality	Cultural and Ideological Progress Committee	Observe commercial moralities and serve the construction of harmonious society
Performance Evaluation	Budget Management Committee	Carry out all-round budget management and evaluation
	Bench-marking committee	Benchmark with international counterparts and promote the best practice
	Performance Evaluation Committee	Implement comprehensive performance evaluation
Public Welfare	Loving Fund Committee	Manage and operate SGCC "Loving Care" Fund
	Aiding Tibet Committee	Study and organize to aid Tibet
	Poverty Relief Committee	Study and organize to relieve poverty

Participation of All Stakeholders

SGCC operates openly and transparently, enhances communication with all stakeholders. SGCC believes that maintaining harmonious interaction with all stakeholders is one of the most crucial factors to coordinate the sustainable development of the company and the society.

SGCC provides the government and the society with reliable, prompt and high quality information in various ways for the development of the corporation and the power grids.

SGCC actively offers suggestions on the design and enhancement of the national energy strategy, implements regulations on state-owned assets management and heightens the operation efficiency of the assets. At the same time, SGCC will provide essential information and powerful support for the enactment and execution of the regulatory rules, communicate with the local government, get up to date information about the demand of local economic and social development for the electric power and achieve the coordination and unity between the development of the power grid and local economy and society.

High quality and unimpeded dialog with public is the vital foundation to improve the management and service competence of the corporation and ensure customers satisfactory. SGCC strengthens the communication with customers, follows their suggestions and enhances the service through various activities such as public commitment, workshops, visits, notices, advice soliciting, power supply service experience invitation, the unified 95598 power service hotline, and assessment for the service quality and demands, etc.

It is fundamental for SGCC to keep sound partnership with generation companies, equipment manufacturers, research and development institutions and financial institutions in order to ensure the safe and stable operation of the power grid, maintain the order of the power market and foster the sustainable development of the power industry. SGCC always dedicatedly implement the Regulations on Electricity Regulation, share information with business partners, establish industry alliances, promote technology innovation and strive for joint prosperity with all parts.

High quality dialogues between the management and employees are important for mobilizing employees’ enthusiasm and creativity, and improving the core competitiveness of the corporation. Organizations of the corporation at different levels are all committed to establishing open channels for dialogues between the management and employees, encouraging employees to put forth advice, receiving the opinions and suggestions from employees and promoting sustainable development of the company.

It is a challenge and also a mission to establish efficient dialogue mechanism with the community. SGCC makes effort to perform responsibilities as a community citizen, to actively handle the influence of the company’s business upon residents’ life and to serve the construction of harmonious society.

SGCC actively participates in activities held by associations and organizations and all kinds of forums. As a member of the UN Global Compact and China Business Council for Sustainable Development, SGCC participates and supports the activities of China Federation of Industrial Economics, China Enterprise Confederation and China Electricity Council as well as takes part in high-level forums regarding sustainable development, energy conservation and environmental protection, energy strategy, pumped storage, harmonious electricity, and tendering and bidding.

Core Value	
Corporate Mission	To serve the country, customers, business partners, to promote the economic and social development
Corporate Spirit	In search of excellence, in pursuit of out-performance
Corporate Philosophy	To be human-oriented, faithful to company; and serving society wholeheartedly
Corporate Vision	To build a world-class utility

Corporate Social Responsibility (CSR)	
CSR Goal	Develop the Company, Serve the Society Sticking to the corporate spirit of in search of excellence, in pursuit of out-performance, we make efforts to achieve employee development along with corporate development, satisfy the government and customers, and promote economic development and social harmony.
CSR Code	Human-oriented, Common Growth Various programs have been carried out to care about employees, customers, partners and provide sincere services to foster a win-win partnership and common growth amongst the company, sector and society. We develop ourselves in an all-round way, serve power industry and behave as a good corporate citizen to ensure the sustainability of the company, sector as well as society.

Development Strategy	
Strategic Goal	Build a modernized power grid with a strong grid, excellent assets, excellent service and excellent performance
Strategy Implementation	Transform the development mode of the corporation by promoting conglomerated operation, consolidated development, streamlined management and standardization Transform the operation mode of power grid by building a strong national grid with Ultra High Voltage (UHV) power grid as its backbone and supported by coordinated development of grids at different levels
Guiding Methodology	Achieve first-class performance by focusing on development, management and team-building
Development Requirement	Enhance core competence, including competence in safety, efficiency, high technology, quality and team-building Build the corporate image, demonstrate the image of an earnest and responsible state-owned enterprise, sincere and standardized service supplier, stringent and efficient administrator, fair and trustworthy market player, and united and enterprising team
Corporate Commitments	Ten Promises on Power Supply Service Ten Measures of Open, Fair and Just Dispatch Principle Ten Prohibitions against Service Misbehavior

Ten Promises on Power Supply Service

- Urban areas: the power supply reliability rate shall be no less than 99.90%, and the voltage qualification rate shall be 96% on the residential consumer side;
Rural areas: the promised power supply reliability rate and the voltage qualification rate on the residential consumer side shall be publicized by the related provincial-level (including provinces, autonomous regions and municipalities) electric power companies after SGCC's verification.
- Power supply business centers are responsible for promulgating information disclosure on electricity tariff, charge standards and service procedures.
- Response time on power supply requested: for residential customers, no more than three workdays; for low-voltage power customers, no more than 7 workdays; for high-voltage single supply customers, no more than 15 workdays; and for high voltage double supply customers, no more than 30 workdays.
- When residential consumers apply for electricity consumptions to the power supply companies, electricity shall be supplied within 3 workdays after the power-receiving devices are examined as up-to-standard and relevant formalities are completed.
- When non-residential consumers apply for electricity consumptions to power supply companies, electricity will be supplied within 5 workdays after power-receiving facility is verified as up-to-standard and relevant formalities are completed.
- When power supply is in shortage and continuous power supply cannot be ensured, the order of load shedding approved by the government shall be strictly executed.
- If power supply equipment is scheduled to be interrupted for maintenance, the notification should be publicized to the public 7 days ahead.
- The round-the-clock repair services for power failure are offered and the repairing staff shall arrive at the site within 45 minutes for urban areas, 90 minutes for rural areas and 2 hours for remote areas.
- If a customer fails to pay electricity fees, the necessary power interruption measures shall be taken in compliance with the laws and regulations. In this case, notification of interruption shall be delivered to the defaulted customers 7 days ahead.
- Power service hotline 95598 is available 24 hours a day, for business consultation, information inquiry, service complaint and power failure repair ,etc.

Ten Measures of Open, Fair and Just Dispatch Principle

- Firmly follow the principle of Open, Fair and Just Dispatch under the law to safeguard the safe and reliable operation of power system.
- Strictly comply with the Regulations on Electricity Regulation and submit reports quarterly to relevant regulators.
- Issue SGCC's Management Rules of Open, Fair and Just Dispatch and standardize dispatch activities.
- Strictly implement Power Purchase Contracts and Grid Interconnection Dispatch Agreements and ensure a scientific and rational operation mode.
- Standardize the promulgation of dispatch information including content, category and frequency and uniformly update the related website information on the 10th of each month.
- Establish inquiry-response system and ensure responses to the inquiries of interconnected power plants within 10 workdays.
- Optimize the communication mechanism between power grids and power plants, and organize liaison meetings at least twice a year.
- Recruit supervisors for monitoring Open, Fair and Just Dispatch activities and lay down external supervision mechanism.
- Set up the accountability system to tighten supervision and inspection, and take "Open, Fair and Just Dispatch" as an important assessment criterion for dispatch work.
- Strictly enforce dispatch disciplines.

Ten Prohibitions against Service Misbehavior

- Prohibition against exerting power interruptions that violates regulation and on delaying power feeding unreasonably.
- Prohibition against fabricating charge items and changing charge standards without permission.
- Prohibition against nominating the design, construction or supply companies to customers.
- Prohibition against shuffling responsibilities in regard to any customer's complaints or requirements for consultation.
- Prohibition against seeking personal interests for one's relatives and friends.
- Prohibition against disclosing customers' confidential commercial information.
- Prohibition against accepting gifts, money or securities from customers inprivate.
- Prohibition against accepting invitation to banquet, travel and entertainment activities organized by customers.
- Prohibition against alcohol drinking during working time.
- Prohibition against seeking any wrongful interests with the convenience of work.

SGCC assumes social responsibilities to accommodate the requirements of implementing the scientific development outlook and building a harmonious socialist society. It is stated in the 6th Plenary Session of the 16th Central Committee of CPC that **widespread activities should be launched with the theme of harmony building to enhance social responsibilities of citizens, enterprises and various organizations.** Article 5 of *The Company Law of the People's Republic of China* which took effect on January 1st, 2006 stipulates that **a company engaged in business activities shall follow the principle of honesty and trustworthiness and be subject to the supervision of the government and the public and undertake its social responsibilities.** Corporate social responsibility in China is not only a moral obligation but also a specific legal requirement, not only a management philosophy, but also a realistic mission of the company.

SGCC is always committed to fulfilling our missions and responsibilities for economic and social development in a better way

Power grid is not only the power transmission carrier connecting generators and customers, but also a significant part of national energy strategy as well as a vital link in the energy industry chain. Hence, it is of great significance to build a strong national grid with UHV as its backbone and supported by coordinated development of grids at different levels for the benefit of the wide-range, large-scale and highly efficient allocation of energy resources.

SGCC shoulders significant and extensive social responsibilities, elaborated as follows:

As an important entity who implements national energy strategy, SGCC assumes responsibility for facilitating the optimized allocation of energy resources and serving social and economic sustainability.

As a power grid company ensuring a safe and reliable power supply, SGCC assumes responsibility for meeting increasing demands of electricity resulted from rapid socio-economic growth and plays its role in safeguarding the social and public security as well as the social order.

As a state-owned key enterprise with huge assets and a main driving force with a great impact on economic development, SGCC assumes responsibility for maintaining and adding value to the state-owned assets, maximizing social wealth and enhancing national economic strength and industry competitiveness.

As a power grid operator with public services covering most parts of China, SGCC takes responsibility for providing quality services, accelerating the building of a new socialist countryside and coordinating urban and rural development.

As an extra-large state-owned enterprise with more than 1.5 million employees and impacting on tens of millions of citizens, SGCC bears responsibility for motivating the creativity of employees, achieving the development of employees in an all-round way and promoting social harmony.

As a highly public-concerned utility, SGCC assumes responsibility for operating openly and transparently, fully complies to governmental regulation and subject to public supervision.

As an energy supplier playing a significant role in environmental protection and efficient utilization of resources, SGCC assumes responsibility for promoting energy conservation and loss reduction, protecting eco-systems and achieving harmonious development of man and nature.

As a corporate citizen which directly serves the public and extensively influences the society, SGCC assumes responsibility for being honest and trustworthy, complying with noble business ethics and upholding social norms.

SGCC is always committed to fulfilling social responsibilities in a better way

In 2006, SGCC officially became a member of the United Nations Global Compact and China Business Council for Sustainable Development (CBCSD). While taking reference to philosophy and practices of global well-renowned enterprises and meeting the expectations of our stakeholders, we proceed from reality and endeavor to establish a management system for sustainable development.

Sticking to performing social responsibilities in all respects, we endeavor to:

Scientific Development

Follow the development trend for power sector and keep in mind the overall national energy strategy as well as requirements for economic and social development. In light of China's basic conditions, we endeavor to build a stable, economical, clean and safe energy supply system by actively transforming the development pattern of the corporation and grid, and intensifying efforts to accelerate the building of UHV power grid and optimizing the wide-range energy resource allocation.

Management Excellence

We pursue management excellence to fulfill our social responsibilities.

Innovation

Insisting on taking science and technology as the first productive force, we shall upgrade corporate

sustainability with reliance upon science innovation and technology progress.

Common Development

Sincerely serving our stakeholders, we demonstrate and uplift corporate values and explore opportunities for further development.

Communication

We shall reach consensus on sustainable development by improving the dialogue mechanism and building harmonious relationships with various stakeholders.

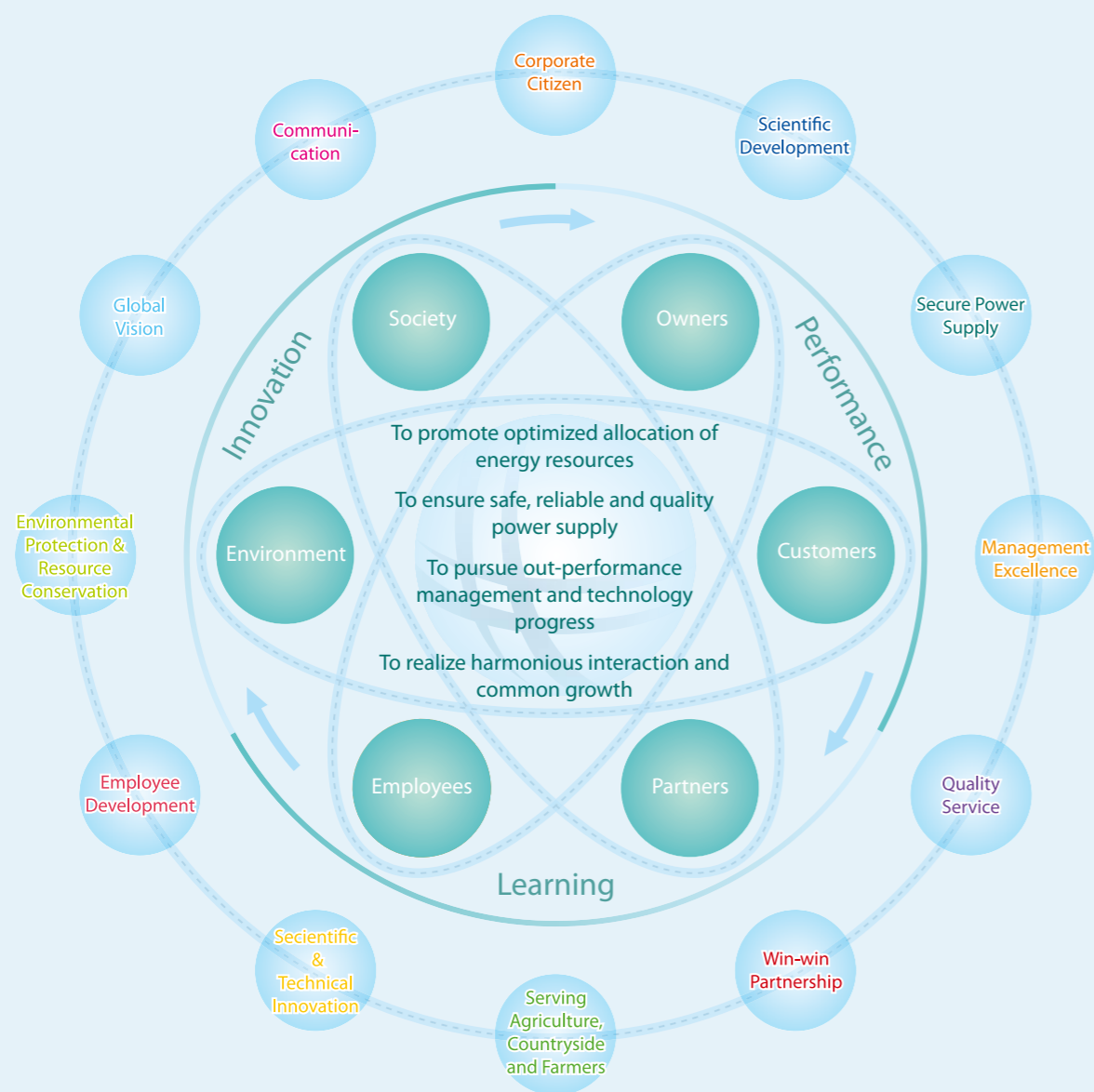
A Global Vision

We shall build a world-class utility by fully utilizing global resources along with integrating into economic globalization.

Performing social responsibilities is a process to push forward scientific development of our corporation, in which we recognize:

We care about expectations and demands of our stakeholders, in which we continue to deepen, enrich and enhance our understanding of corporate positioning and mission. We respect to requirements and proposals from stakeholders actively, in which we facilitate learning and continuous innovation and improve services, management and performance.

Social Responsibilities of SGCC



Performing social responsibilities in an all-round way, serving the building of a harmonious socialist society

- In accordance with actual conditions of China and its power grid, SGCC endeavors to implement the scientific outlook on development and its social responsibilities in 12 aspects by being well aware of expectations and demands of all stakeholders.
- SGCC's basic missions are to boost the optimized allocation of energy resources, ensure a safe, reliable and quality power supply and seek management excellence and technology progress so as to achieve harmonious interaction and common growth. We shoulder responsibilities for **pursuing scientific development, management excellence, scientific and technological innovation, and conduct communication** with related stakeholders.
- As a wholly state-owned enterprise directly under the Central Government and owned by all the people, we shall take responsibilities including providing **excellent services** for customers, boosting **development of employees**, fostering a **win-win partnership** among partners and strengthening **environmental protection and resource conservation**. We also assume **corporate citizen** responsibilities as legal citizens of the society.
- The government gives top priority to building a new socialist countryside whilst striking a proper balance between urban and rural development. It is thus a common task for our corporation as well as all circles of the society to **serve agriculture, countryside and farmers**.
- SGCC also takes responsibilities to have a **global vision**, actively integrate into economic globalization, raise the core competence by sustainable use of global resources, and enhance the economic and social sustainability.
- Taking SGCC's social responsibilities can help us keep learning from each other, keep exploring and innovating to accomplish harmonious development of the company and the society. Fulfilling social responsibilities is also an important harmony-building activity, playing an important role in building a harmonious socialist society.

Global Compact Principles: Performance in 2006

In 2006, SGCC followed the corporate principle of “serving the country, business partners, customers and the social development”; officially committed to undertake the “ten universal principles” of UN Global Compact Initiative; constructed the corporate social responsibility management system; constantly improved the economic, social and environmental performance of SGCC.

Principles		Performance in 2006
Human Rights	1. businesses should support and respect the protection of internationally proclaimed human rights	SGCC has been fully complying with International Labor Conventions and relevant Chinese labor regulation; attaching great importance to the health and safety of its employees; launched “loving Care” Project; strengthened safety training and labor protection to insure the safety of employees and customers.
	2. make sure that they are not complicit in human rights abuses	SGCC has constructed the mechanism of annual employee representatives’ meeting to strengthen democratic management and democratic supervision; uphold the social justice and protect human rights.
Labour Standards	3. businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	SGCC has established labor union; adhered to negotiation on equal basis and has been sticking to collective labor contracting system; strengthening and perfecting the corporate labor dispute mediation organization and protecting lawful interest of SGCC’s employees.
	4. the elimination of all forms of forced and compulsory labour	SGCC has been strengthening training of its employees, improving staff quality, consolidating the staff’s awareness of labor contract and legal covenant; prohibiting all kinds of forced labor.
	5. the effective abolition of child labour	SGCC constantly forbidden the use of children labor.
	6. the elimination of discrimination in respect of employment and occupation	SGCC established open, fair, competitive and optimized employment mechanism; firmly prohibit discrimination of races, gender, sex-orientation, nationality, religion, region, family, ages and illness.
Environment	7. businesses should support a precautionary approach to environmental challenges	SGCC has been firmly implementing environmental evaluation process of power grid construction projects. In order to realize high standards of environmental protection, the 1,000 kV UHV power transmission lines will be qualified with the same electromagnetic standards of 500kV power transmission lines. SGCC has implemented the “three-year plan on energy conservation & consumption reduction”, to eliminate high energy-consuming technology, process and equipment, hence constantly reduce line losses and coal consumption in power generation.
	8. undertake initiatives to promote greater environmental responsibility	SGCC plans to develop hybrid power grid with UHV AC and UHV DC transmission lines; develop pumped storage power plants; promote the adoption of typical design; reduce corridor area and construction area; decrease resources consumption and save investment; implement environmentally optimized power dispatching; strengthen demand-side management and provide guidance to the customers for high-efficiency power consumption; encourage the customer to use green electricity; support the development of renewable energy; and minimize noise pollution.
	9. encourage the development and diffusion of environmentally friendly technologies	SGCC dedicated to develop energy-saving, high-efficiency and environmentally friendly technologies; promote the research and application of new technologies and equipments such as power grid energy storage, NaS battery, electric car, non-silicon transformer etc.; promote the application of clean coal combustion technology; SGCC constructed and operates China’ s first 300MW CFB boiler demonstration project (Sichuan Baima CFB Power Plant); develop biomass power generation technology; SGCC constructed the first national level biomass power generation demonstration project (Shanxian Biomass Power Plant).
	10. businesses should work against all forms of corruption, including extortion and bribery	SGCC has been enforcing the construction of honest and clean governing, improving the employee’s ability to resist corruption and prevent degeneration; implementing the anti-corruption in all-around ways; exercising responsibility auditing to senior executives at all levels; ensuring 100% of employees have received anti-corruption training. SGCC committed to protect customers’ privacy. On violation of laws and regulations and no significant fines had been subjected to SGCC in advertising and other business.
Anti-Corruption		

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We endeavor to innovate development patterns, improve development quality, ensure corporate sustainability, and propel sustainable development of power industry as well as the economy and society as a whole.



We fully implement the 11th Five-year Plan for power grid development in an all-round way. The construction of 1000 kV UHV AC pilot project commenced upon the governmental verification, which symbolizes a new stage of power grid development.

In 2006, we completed an investment of RMB 176 billion Yuan to reinforce power grid, an increase of 47.5%, 43,720 km of 110(66) kV and above transmission lines operated, with 166.93 GVA transformation capacity, and 1,049 km of ± 500 kV DC transmission lines operated, with 6 GW converting capacity. The scale of power grid construction has witnessed a record-high, and the grid's ability to optimize the allocation of resources has been remarkably enhanced.

The trading volume of state electric power exchange market reaches 168.5 TWh, an increase of 17.7%. Regional and provincial electric power markets keep developing consistently, and the role of market in optimizing the allocation of electric power resources becomes more prominent.

We vigorously carry out technological renovation and promote technology upgrading. The incremental transmission capacity thereby has been aggregated to 85,270 MW since 2005. Power grid's potential to optimize resource allocation was further realized.

We endeavor to transform the operation mode of power grid, build a strong national power grid with UHV as its backbone and supported by coordinated development of grids at different levels, enhance the role of the grid in allocating energy resources of wide range, large scale and high efficiency to meet the needs of socio-economic development for electric power in a quality, economical, environment-friendly and harmonious way.

Jindongnan-Nanyang-Jingmen 1,000 kV UHV AC pilot project consists of three substations and two lines. The transmission lines are 645 km long with 6,000 MVA transformation capacity is further enhanced. The project is conducive to the intensive and efficient exploitation of coal resources so as to realize the complementation of hydropower and thermal power between North China Grid and Central China Grid, and interconnection benefits as a result of reducing installed units. The follow-up projects could stretch to Northwest China's Shaanbei (Northern Shaanxi) coal power bases as well as the load centers of Beijing in the northeast and Wuhan in the southeast respectively.



Optimizing the Allocation of National Energy Resources on a Larger Scale

Long-term pressure for energy supply in China. Our per capita energy resource is only 40% of the world’s average, per capita energy consumption takes up less than 25% of that of developed countries, and per capita power consumption is only 50% of the world’s average.

Coal is the primary energy consumption. The ratio of coal in the mix of un-renewable energy consumption is 70%, accounting for 40% of the end-user’s energy consumption and far higher than the world average level of 8%, which results in severe environmental pressures.

The distribution of primary energy and productivity development is very unbalanced. In China, more than 80% of coal resources are located in the west and north, more than 80% of hydro bases in the west, while 75% of load centers in the east and central part of China.

A promising prospect for international energy cooperation. As neighboring countries have abundant energy resources, trans-national power transmission will lead to a win-win situation with outstanding benefits.

Developing UHV Power Grid is a Must to Promote Energy Sustainable Development in China

Power load centers of China are 800~3,000 km away from the main coal-power & southwest hydropower bases. The anticipated transmission capacity will reach above 200,000 MW by 2020. The exploitable hydropower capacity in Tibet is about 100,000 MW, the location of which is 3,000 km away from the power load center. The existing 500 kV transmission lines cannot satisfy power transmission of long distance, large scale and bulk capacity.

UHV power grid has remarkable economic potential and technical advantages. It is a must to optimize the energy resource allocation nationwide. It is conducive to promoting the development of power market and technologies of power industry, developing the east and the west of China, speeding up the international energy cooperation and strengthening the environmental protection and resource conservation.

Remarkable Features of UHV Transmission——Economic Efficiency and Technical Superiority

1,000 kV UHV AC transmission vs. 500 kV AC transmission	±800 kV UHV DC transmission vs. ±500 kV DC transmission
Natural power transmission ability: 4~5 times	Power transmission ability: 2 times
Line loss (using the same aluminum material): 25%	Line loss (using the same aluminum material): 39%
Corridor width per unit capacity (using same type towers): 50%	Corridor width per unit capacity (using same type towers): 77%
Economic transmission distance: 4 times	Economical transmission distance: 2,500 km and above
Per unit capacity cost: 73%	Per unit capacity cost: 72%

Based upon the strategy of constructing large-scaled coal-fired power stations, hydropower stations and nuclear power stations facilitated by the UHV, we should develop UHV power grids to speed up the intensive exploitation of the coal power bases in China’s west and north and hydropower bases in its southwest, and push forward the construction of large-scale nuclear power stations.



Three bio-pole ±800kV UHV DC Power Transmission Project (Phase I of Jinshajiang River)



Large Coal-Fired Power Plant



Large Hydropower Plant



Large Nuclear Power Plant

2006 International Conference of UHV Transmission Technology
Minutes of the Conference

November 29th, 2006

From 27th to 29th Nov. 2006, representatives from electric utilities, research institutes, consulting companies, associations, universities, financial organizations and equipment manufacturing enterprises from 19 countries and regions attended 2006 International Conference of UHV Transmission Technology in Beijing. The representatives conducted in-depth discussion concerning the challenges faced by electric power industry, studied the goal and orientation of the electric grid development, exchanged research results of the UHV power transmission technology and reached consensus.

Discovery and application of electricity is one of the most important achievements in human history. As an economical, convenient and clean energy, the consumption level of electricity is an important symbol of a society's civilization. Electric power industry is an important base for economic and social development and thus plays an important role in promoting the world economic development and advancement of human society.

Technological innovation is the drive and source for electric power development. Ever since electricity was invented, generations of electric power engineers have kept making active innovations and continuous efforts to promote the great progress of the electric power development. The scale of electric grid keeps expanding, the voltage grade keeps improving and the economic status and reliability of the electric power system operation keep improving. All of these are supporting the economic and social development in the world.

Since the middle of last century, human society began to face the dual burden of resources and environment, which posed new challenges to electric power industry. To meet the needs of continuous and rapid growth of the electric power, some countries in the world have done research on 1000~1600 kV UHV transmission technology, among which the former Soviet Union, Italy and Japan have completed UHV industrial pilot projects.

We realized that the UHV transmission has the advantages of large

transmission capacity, long distance power transmission, low line loss, economical investment, efficient utilization of corridor and strong network connecting ability, etc. It is the important development orientation of the power transmission technology and thus has a significant role in promoting the innovative development of the world electric power industry.

According to the available research results and the construction experience, we believe that the UHV transmission has no insurmountable obstacles in technology; it has stepped into a construction application period and has a broad application prospect.

We have noticed that the Chinese electric power demand keeps growing while the energy resources and electricity load center are extremely imbalanced. It is necessary to build a large-scale and long-distance AC and DC hybrid electric grid. The construction of the UHV grid could promote the highly efficient development and utilization of China's energy resources and thus facilitates the sustainable development of China's energy industry.

We appreciate the efforts that State Grid Corporation of China (SGCC) made in the aspects of developing the UHV power transmission technology. In recent years, China actively promoted the research of UHV transmission technology and made breakthrough and thus further improved the UHV power transmission technology. China's construction of the 1000 kV UHV AC and ±800 kV UHV DC pilot construction does not only have an important significance to China, but also to many other countries and regions.

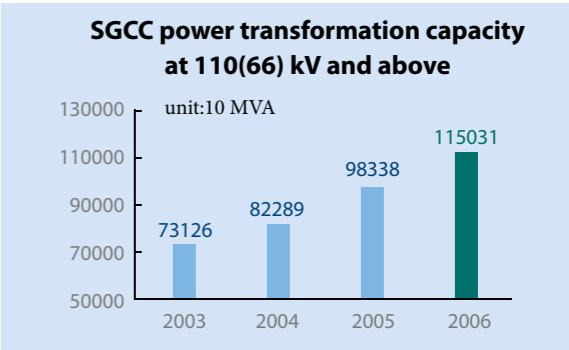
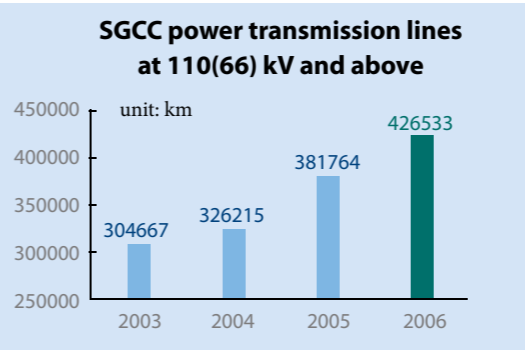
To build the electric grid, develop the electric power and serve the global economic growth and social progress are the historical tasks we are facing. We propose that technology communication mechanism of UHV transmission should be built to strengthen the technical communication and cooperation, share the experience and knowledge, promote the international research and application of the UHV transmission technology, and deal with the challenges faced by the sustainable development of the electric power industry in the new century.

Accelerating the Construction of Power Grid and Further Enhancing Resource Allocation Capability

A gradually enlarged power grid. We now own 426,500 km transmission lines at 110(66) kV and above with a transformation capacity of 1,150,000 MVA.

An increasing growth of trans-regional transmission capability. Trans-regional transmission capability has reached 15,860 MW, an increase of 38.4%. The Three Gorges Transmission and Transformation Project completed the investment of RMB 34.1 billion Yuan, including 5,070 km of 500 kV AC transmission lines, 20,500 MVA transforming capacity, 2,965 km of ±500 kV DC transmission lines, 18,000 MW converting capacity and 145.7 TWh electric power of Three Gorges Project transmitted from 2003 to 2006.

Acceleration of urban network reinforcement. We completed an investment of RMB 64.2 billion Yuan in urban network construction and refurbishment in 31 major cities in 2006.



2006 International Conference of UHV Transmission Technology held in Beijing



North Beijing 500 kV Substation in Operation on June 22nd, 2006



Foundation of Jing'an Substation in Shanghai—China's First 500 kV Underground Substation on March 23rd, 2006

Speeding up the Development of Power Market, Ensuring the Fundamental Role of Resource Allocation in the Electric Power Market

Sticking to market-oriented approach, SGCC shall develop electric power according to China’s situation and promote the tariff mechanism in line with market economy and ensure the sustainable development of power industry.

SGCC shall build a unified and open electric power market system suiting China’s situation, speed up the construction of three-level market system, open provincial markets, develop regional power markets and foster the national power market.

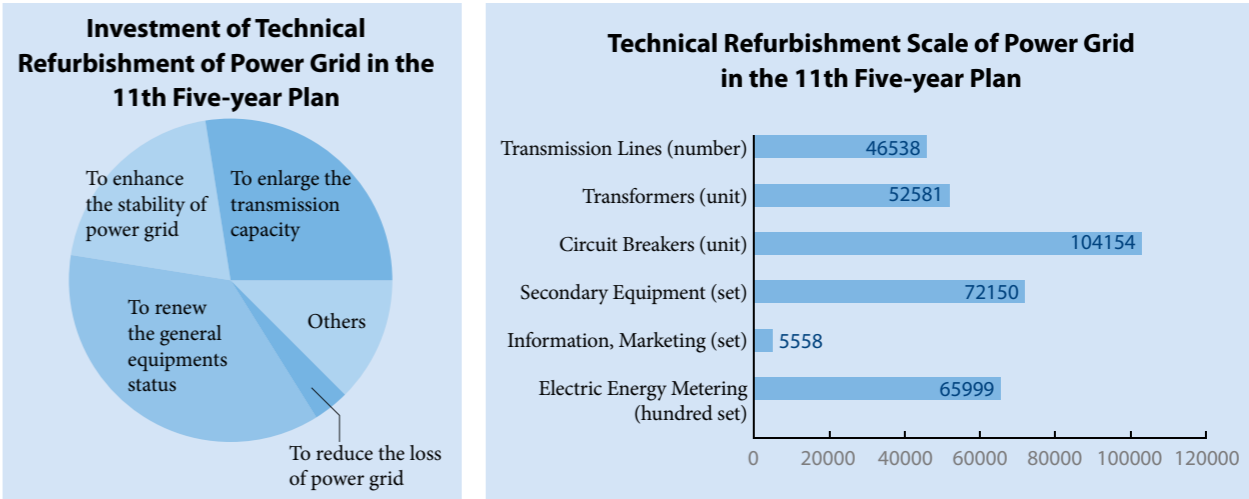
SGCC shall build national, regional and provincial three-level electric power exchange centers, innovate operational modes of electric power markets, and promote the development of electric power markets.

SGCC shall perfect regular information promulgation mechanism of electricity dispatch, release information monthly and quarterly, serve market players, and conscientiously accept governmental regulation and public supervision.

Strengthening Technical Renovation of Power Grid, and Fully Tapping the Potential of Resource Allocation in the Existing Power Grid

SGCC continuously carries out projects to enhance transmission capacity in the existing power grid. The first phase of projects has increased transmission capacity by 19,700 MW, and the second phase has increased the transmission capacity by 51,600 MW while the on-going third phase has increased the capacity by 13,910 MW. The total incremental transmission capacity is 85,270 MW.

The planning investment of technical refurbishment of power grid is RMB 102.2 billion Yuan according to the 11th Five-year Plan of SGCC, including the cost of refurbishment projects of rebuilding and enlarging with 177,900 km of transmission lines and 345,000 MVA transformation capacity. The refurbishment of the existing power grid has greatly enhanced the stability of power grid, re-powered the equipments status standard, enlarged the transmission capacity, reduced the loss of power grid and built a conservation-oriented and environment-friendly power grid.



Lobby of State Grid Power Exchange Center



Measures Taken to Enhance the Present Transmission Capacity



Home-made SVC



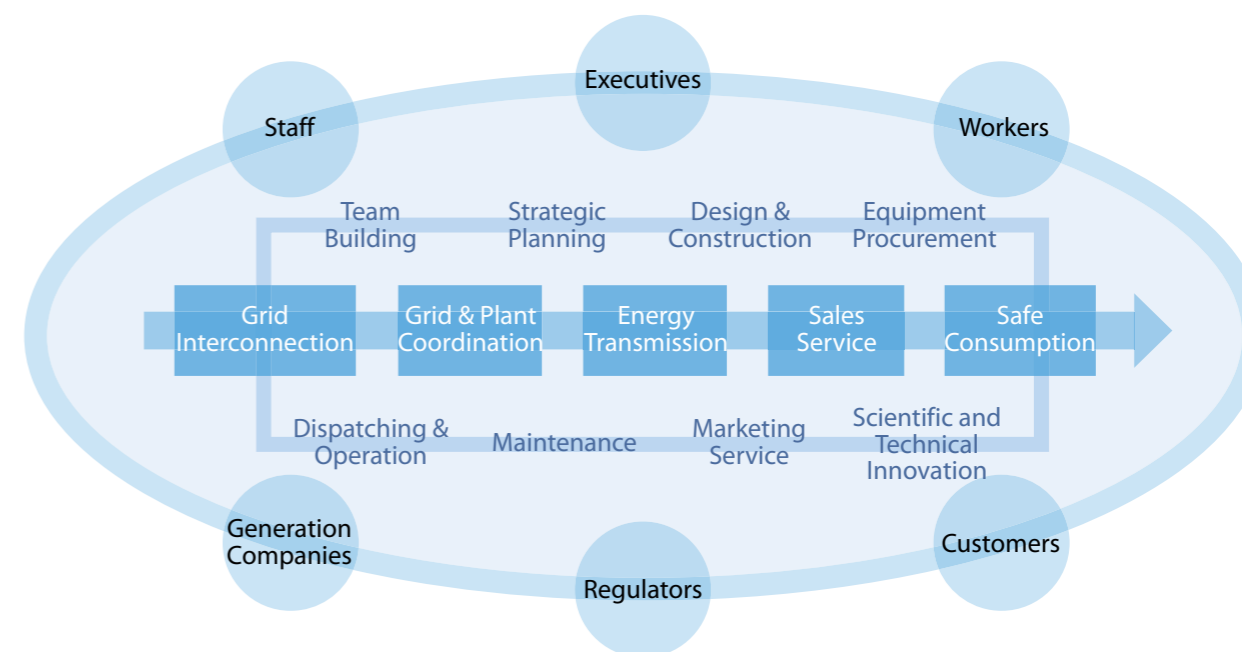
Home-made 500 kV SC



“Safe operation of electric power system is of vital importance to the public well-being and the development of the whole society.”

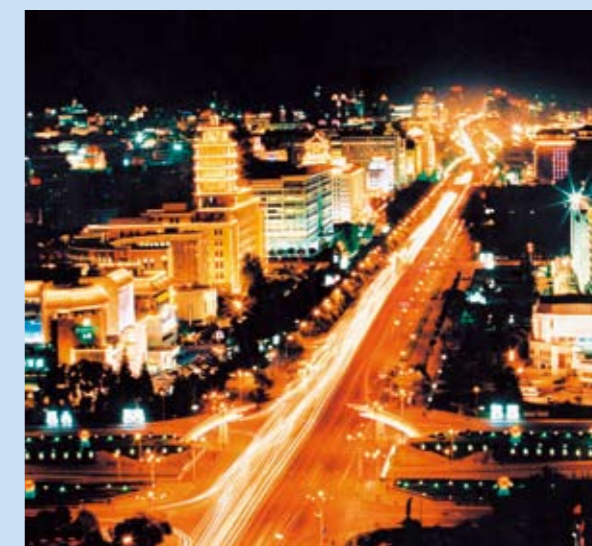


Mobilizing All Resources to Secure Power Grid



Sticking to the principle of “safety first, prevention beforehand, comprehensive management”, we follow the guiding methodology of “all-round, full participation and whole process” with full staff, full time and full effort to ensure safe operation of power grid.

With strict management, SGCC has overcome many difficulties, secured stable operation of power grid, and contributed social public security in 2006.

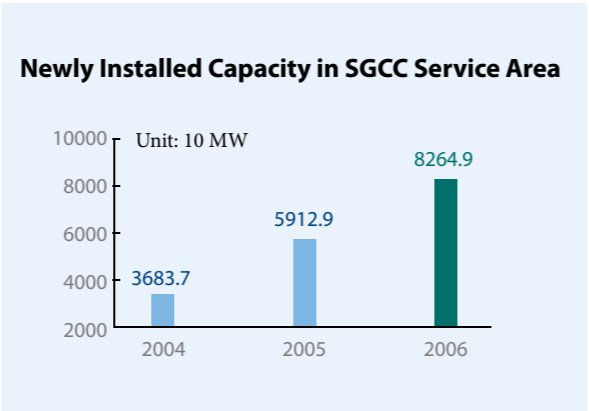
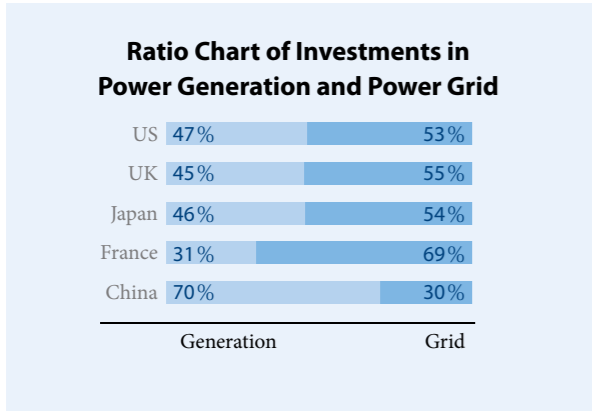


Heavy Pressure on Supplying Safe & Reliable Electricity

With fast growth of China’s economy and society, demand of electricity increased dramatically, and peak power load repeatedly setting new highs. The maximum peak power load of North China Power Grid and East China Power Grid of SGCC both recorded more than 100 GW in 2006.

The power grid development is comparatively lagging behind economic development, the power grid network structure is weak, and the investment in power grid construction is insufficient. Total investment of electric power grid in China only accounted for 30% of the total investment of electric power sector, which was far behind developed countries in which the ratio was 50% and above.

Large numbers of new generation units were put into operation while the task of power grid construction was under severe strain. In 2006, the total newly installed capacity in China was over 100 GW which was more than the total installed capacity of UK at present. It is a difficult task to perfect power transmission and accomplish the grid construction in a short period of time.



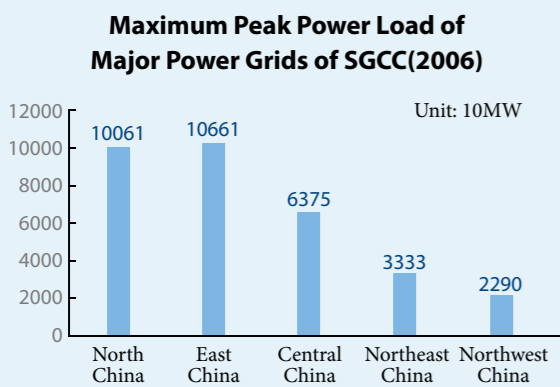
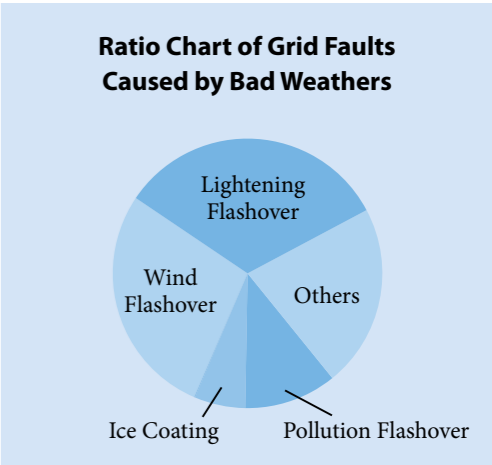
Risks Existing in Power Grid Safety

In recent years, large-scale blackouts occurred consecutively in the US, Canada and Europe, severely affecting local economies and societies. These blackouts fully showed the importance of Safe and stable operation of power grids. Under instructions of the State Council, SGCC would learn lessons from blackouts in other countries and take effective measures in time to prevent accidents.

Frequent natural disasters affect grid safety. In 2006, successive landings of Typhoon Pearl, Typhoon Bilisi, Typhoon Kaemi and the 17 degree Typhoon Saomai challenged the Stable and Safe operation of power grids.

Equipment damages caused by external factors affect grid safety. Power equipment accidents caused by external factors accounted for 20% of the total in 2006.

Grid-plant coordination was of great importance to system safety. The generation and consumption of electricity should achieve real-time balance. The power safety management is facing new challenges after the separation of power grids and power plants.



Ensure Safe and Reliable Power Supply for the “Two National Conferences”(the National People’s Congress and the Chinese People’s Political Consultative Conference)



Ensure Safe and Reliable Power Supply for the Newly Built Qinghai-Tibet Railway



Ensure Safe and Reliable Power Supply for the Beijing Summit of the Forum on China-Africa Cooperation

Ensure Grid Safety is Always under Complete Control

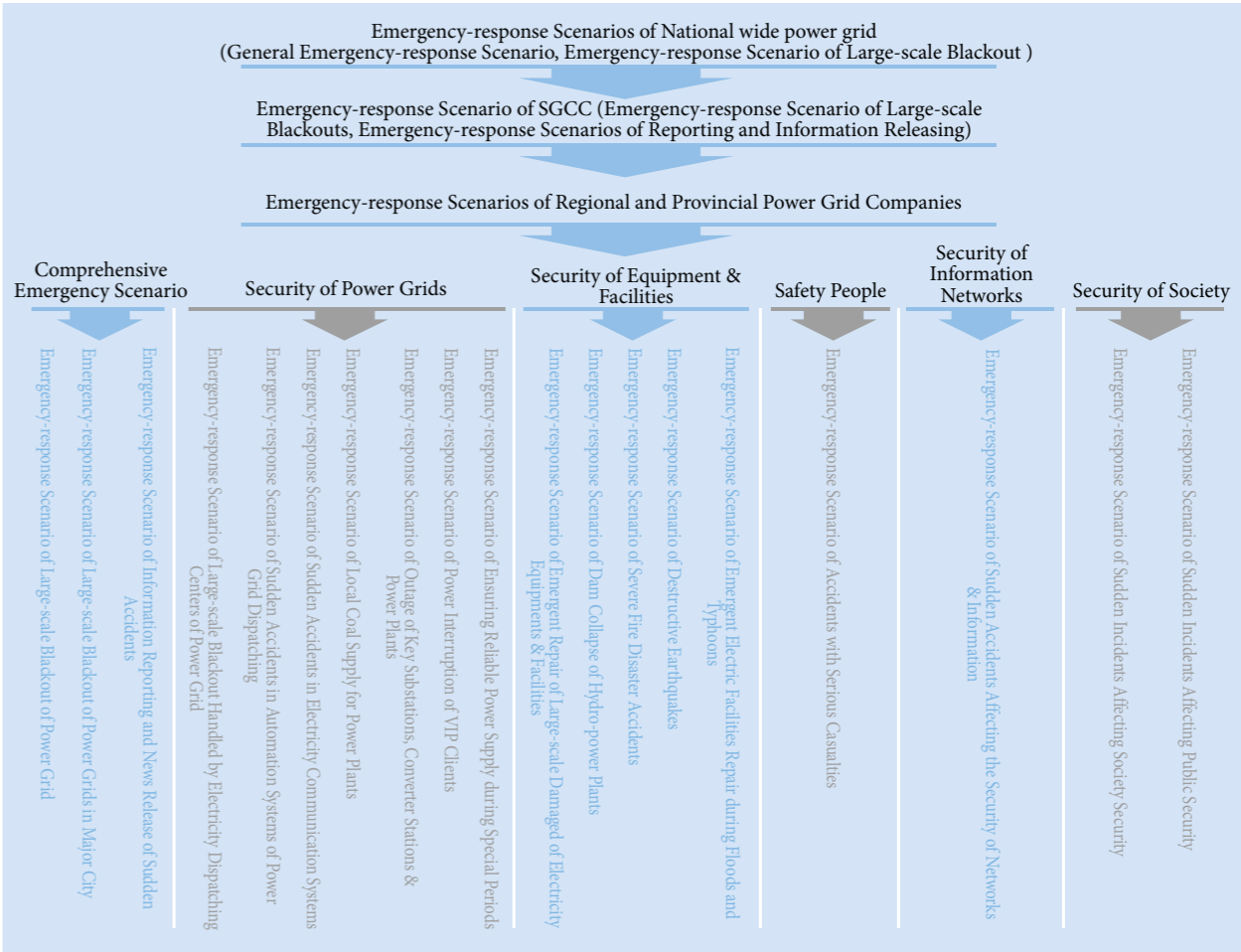
With the launch of anti-accident campaigns, SGCC formulated 25 specific anti-accident measures, carried out activities of "Security Week", examined major sections and links, and inquired relevant staff members for hidden risks in the operating equipment and power grid.

Increase grid safety input and strengthen the technical support.

Implement the assessment of safety duties, and improving the security management mechanism according to law.

Promote the establishment of emergency-response scenarios mechanism of grid safety, and perfect organizations and the mechanism of emergency-response scenarios. We organized 2006 SGCC Anti-Accident Joint Exercise for Summer Peak Loads with more than 8,000 people from 382 local subsidiaries involved. We also organized 2006 North China-Beijing Joint Exercise for Public Emergency, which successfully tested the effectiveness of electricity joint emergency-response mechanism among utilities, governments and society.

National Power Grid Security Emergency-response Scenarios Mechanism



2006 SGCC Anti-Accident Joint Drill for Summer Peak Loads



2006 North China-Beijing Joint Drill for Public Emergency

In August of 2006, the 17 degree Typhoon Saomai attacked Fujian and Zhejiang provinces. Electricity facilities located in the area where the center of typhoon passed were totally destroyed. We actively organized workers to rebuild power grids after the disaster, Fuding Power Grid was rebuilt in over 40 days by more than 79,000 Person times from Fujian Electric Power Company, and Cangnan Power Grid was rebuilt by 13,120 person times from Zhejiang Electric Power Company in 20 days.





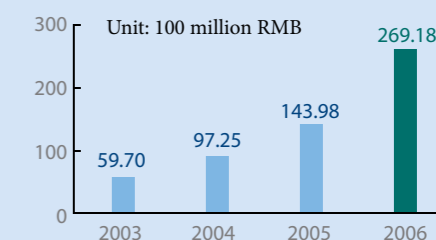
We are in search of excellence, in pursuit of out-performance, and try to gain the recognition and trust from government and society on the managerial capability and performance of SGCC.



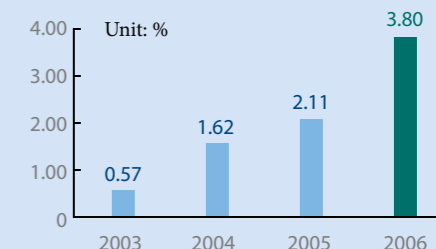
We strive to transform the development mode of SGCC, promote conglomerated operation, intensive growth, streamlined management and standardized construction; strengthen corporate governance; fully and effectively integrate resources of SGCC; and enhance operational efficiency and profitability.

- In 2006, the profit of SGCC totaled RMB 26.918 billion Yuan with an increase of 87% and the growth rate was kept at above 45% annually for 3 consecutive years.
- The SGCC's ROE (Return of Equity) was 3.8% in 2006, 1.69% higher over the previous year, steadily increasing in 3 consecutive years.
- The 62.24% debt ratio of SGCC in 2003 was reduced to 60.43% in 2006.
- SGCC achieved "Grade A" on performance evaluation for two consecutive years by State-owned Assets Supervision and Administration Commission under the State Council.

Total Profit of SGCC

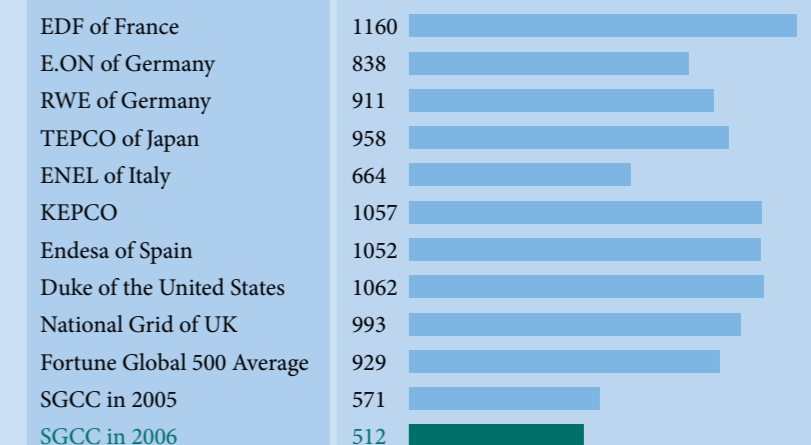


ROE of SGCC



Total Assets Turn-over Cycle in 2005

Unit: days



Note: The data is retrieved from <http://money.cnn.com/magazine/fortune>.

Fully Enhancing Corporate Governance

With complete strategic management and planning systems, SGCC guides subsidiary companies to achieve coordinated development with unified strategic management and planning systems of SGCC.

To enhance comprehensive planning management, SGCC is building a comprehensive planning management system of "complete rules & regulations, clear procedures, detailed levels, powerful regulation," to ensure complete control of targeting goals.

SGCC is to fully strengthen budget management, improve financial systems of profit and loss, capital revenue and expenditure, asset liability, cash flow and financing, and make overall planning to coordinate and balance business operations.

SGCC Pushes forward performance assessment, with complete incentive & restriction mechanism to improve asset operation, operation safety, ethics education and staff stability.

SGCC is to complete the inner-control mechanism, strengthen financial auditing & discipline surveillance to build a mechanism of Overall Management of Corporate Risk.

The First Session of the First SGCC Employee Representative Conference passed the 11th Five-year Plan of SGCC, including 6 planning programs of development of power grids, technology, information, communication and educational training.



Integrating Corporate Internal Resources Effectively

We strive to:

Integrate capital resources, establish Capital Management Center, brings the functions of financial companies and organizations into fullplay, adopt unified management and centralized supervision on capital funds. As a result, the centralization, utilization and operation efficiency of capital funds have been greatly enhanced, which brings about huge economic benefits.

Integrate procurement, build a two-level tendering system at headquarters and regional (provincial) level, organize centralized tendering of main equipment & materials of power grids, design, construction and supervision. In 2006, total successful bidding value of materials and non-materials reached RMB 119.1 billion Yuan. RMB 8.6 billion Yuan, or 7% was saved compared with the investment budget.

Integrate financial resources, restructure financial assets, utilize the financing function of finance companies, set up professional financial institutions (such as insurance companies), build a strong and unified financial operation platform, centrally manage financial asset of SGCC, promote resources-sharing among customers, power grids, information and professional teams, further tap the profit potential of financial resources of SGCC.

Integrate marketing resources, actively explore the market, build centers of tariff management, energy metering and customer service, to improve service quality and ensure timely tariff collection.



Participation in China Tendering & Bidding Forum



Opening Ceremony of Online Centralized Bid

Integrate scientific research resources, optimize organizations of scientific researches, and utilize scientific funds in an overall plan to enhance centralized utilization of scientific funds. We endeavor to utilize external scientific resources, strengthen cooperation among manufacturers, academic and research institutes, create scientific innovation groups, strengthen international cooperation, learn overseas advanced techniques, and speed up building an international scientific researching mechanism of SGCC.

Integrate brand resources, implement Olympics Cooperation Partner Plan and promote the brand of "State Grid".

Enhancing Management

We are striving to:

Strengthen the implementation of performance benchmarking, and promote performance benchmarking and share best practices of management.

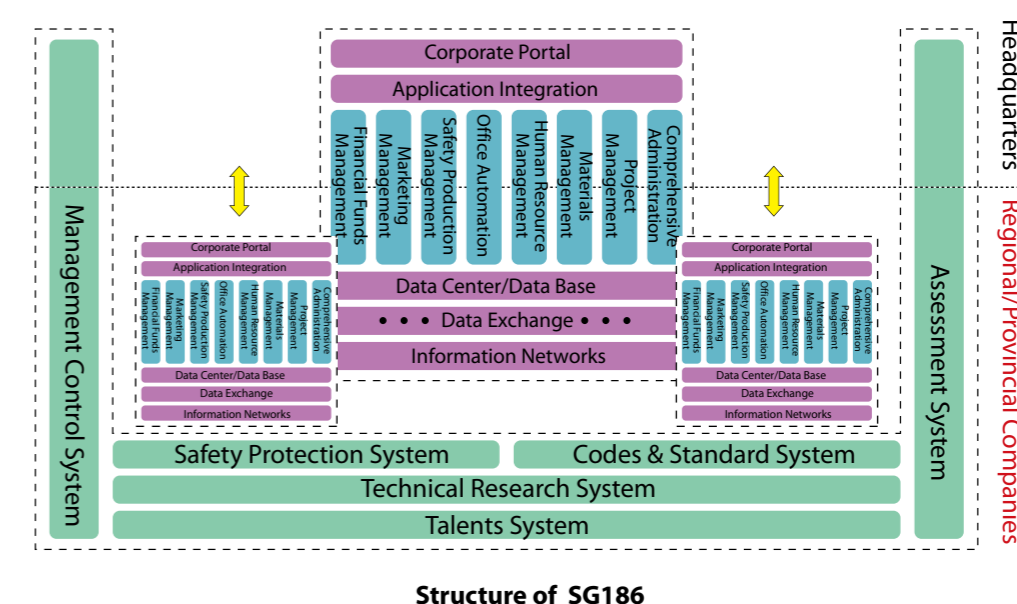
Promote standardization, formulate and improve standards and regulations of power grid equipment, techniques, construction, operation and maintenance, promote model design, cost and general equipment of transmission & transformation projects, speed up standardization, and heighten the core competitiveness of SGCC.

Carry out specialized management, set up Ultra High Voltage Department, Construction and Operation Department, Financial Asset Management Department and specialized operation companies of pumped-storage energy and new energy.

Strictly tighten cost control, and the increase of "3 expenditures" (on materials, maintenance and other items) in SGCC's total cost are 6.5% lower than the increase of income.

Optimize corporate asset structure, clear non-core business investment, settle up pending issues and reinforce bad asset treatment disposal.

Fully implement the project "SG186", build a unified and integrated corporate information platform, develop eight business application systems and six information supporting systems, and build digital power grids and information utilities.



Briefing of Model Design and Model Cost-Evaluation of Transmission & Transformation Project



Sketch of Model Design of Substation (Main Control Building)

Shanghai Electric Power Company fully promoted the work of benchmarking, carrying out lean production model, optimizing operation process. Its average design time of new projects decreased by 32%, customer satisfaction rate increased by 3.4%, repeated power interruption ratio decreased to 5% from 16%, recovery time shortened by 50% and emergency repairing time of line fault decreased by 48%.





Pursuing quality service, building first-class service brand and continuously creating value for customers.



- In 2006, the fulfillment rate of Ten Promises on Power Supply Service was 99.99%, an increase of 0.04 percentage point higher than the previous year. The number of calls received via 95598 Customer Service Hotline exceeded 36 million.
- The comprehensive urban voltage qualification rate reached 99.228%. The power supply reliability rate reached 99.9%, 0.028 percentage point higher than the previous year, which is equivalent to a reduction of 2.5 hours/household in power outage time.
- We have implemented 424 demand-side management demonstration projects, with 1.8 TWh electricity saved annually.
- The market share came up to 87.1%, an increase of 0.91 percentage point compared with the previous year. The number of directly served households all year round rose by 17 million. The new household interconnection capacity was 135,000 MVA.

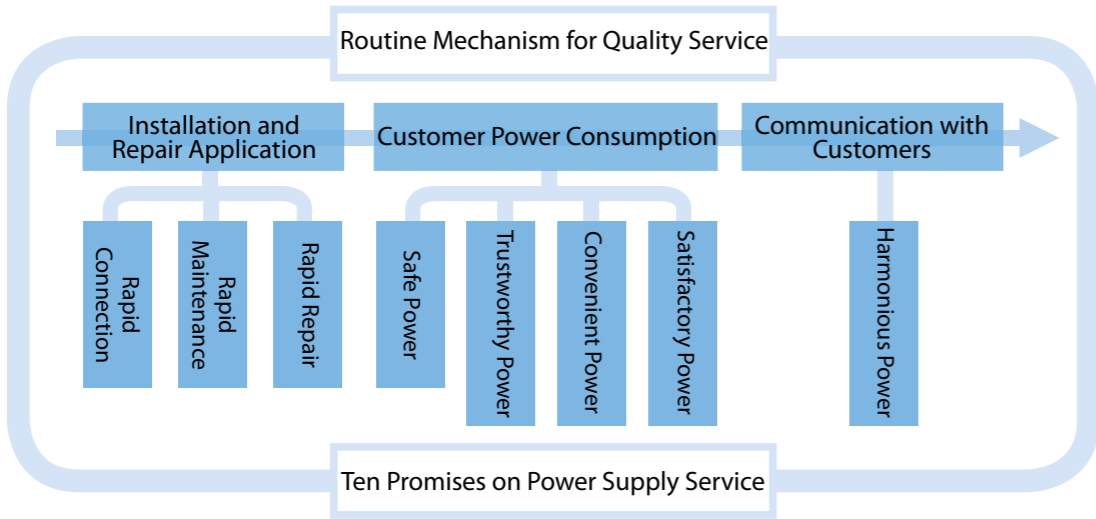
Sticking to sincere, standardized and efficient service, perfecting routine mechanism of quality service, constantly increasing customer's satisfaction so as to realize the corporate value along with creating value for customers.

Fulfilling Ten Promises on Power Supply Service and widely promoting the activities of "Quality Service to Clients". The electric power companies of Shandong, Liaoning, Shanghai, Shanxi, Hebei and Gansu ranked among the top rankings or appraisal-free ones in local appraisals for professional ethics.



Ensure Power Supply by Bringing the Strengths of a Large Power Grid into Full Play

- After analyzing the situation of power supply and demand, SGCC has promoted the demand-side management, encourage customers to use power in a more efficient way, reasonably shift and avoid power use at peak time. We also work with relevant government agencies to publicize the order for load shedding, improve various emergency response measures, satisfying the power demand to the maximum.
- In the summer of 2006, when Sichuan Province and Chongqing Municipality were stricken by the most serious drought disaster in the past six decades, SGCC made full use of the overall advantage of the nationwide grids to actively organize neighboring provincial companies of Jiangxi, Hunan and Henan to support Sichuan-Chongqing Power Grid by means of scientific dispatching and modifying operation mode, which effectively alleviated power shortage.



Rapid Power Supply for Customers

- We have optimized the application process for power installation and connection, and shortened the waiting time. SGCC promises that electricity will be supplied within 3 and 5 workdays after the power receiving devices are checked up to standard and relevant formalities are completed for residential and non-residential clients' application respectively.
- Customers are notified 7 days in advance if power supply equipment is scheduled to be disconnected for maintenance. SGCC makes efforts to optimize maintenance arrangement, promote live-line operation and strengthen the operation management to shorten the planned power disconnection time.
- Clients are provided with round-the-clock and all-weather services for failure repair application. The repairing staff shall arrive at the site within 45 minutes in urban areas, 90 minutes in rural areas and 2 hours in remote areas.

Supplying Safe Electricity for Clients

- We provide customers with consultation, guidance and technical support for safe power consumption. Symposiums on safe power consumption are held to help corporate clients get rid of hidden risks on power use and help train electricians and employees for the need of corporate clients.
- We make efforts to enhance the publicity of safe power consumption. A number of activities are organized to promote the safe power consumption on campus and in communities. Exhibitions are held on safe power consumption.



Emergency Repair



Propaganda of Safe Power Consumption



Supplying Convenient Electricity to Customers

- We endeavor to:**

 - Standardize the service logos at all customer service centers; publicize service procedures; and standardize service process.
 - Carry out 7-days-a-week service in all customer service centers, put first-call responsibility system and one-stop service into practice.
 - Launch activities of "Service in Communities, in Supermarkets and on Streets".
 - Provide various tariff collection services, including collection through financial instituties, on the internet, by telephone or tariff rechargeable cards, making tariff collection more convenient.

Supplying Trust-worthy Electricity for Customers

- Principle of Openness and Transparency: we publicize tariff catalogue information in power supply service centers and strictly implement the state tariff policies.
- Principle of Honesty, Sincerity, Fairness and Justness: we ensure the accuracy of energy metering.

Customer Tariff Composition

Power sales tariff for end users consists of grid-connection tariff, funds levied for the government, grid tariff, power supply loss and taxes.

In 2005, the average sales tariff in SGCC's service

areas was RMB 0.497 Yuan/kWh, of which grid tariff was 0.124 Yuan/kWh, accounting for 25%.

For grid tariff, the tax-excluded income reached RMB 0.106 Yuan/kWh, and value-added tax was RMB 0.018 Yuan/kWh for grid companies.

Supplying Satisfactory Electricity to Customers

- We strive to:**

 - Provide customer-oriented power supply, customized and streamlined services based on different needs. Regular inquiry is made about customer's satisfaction degree.
 - Provide special access for key projects and large power supply projects. Project managers are appointed for Beijing 2008 Olympic Games Power Supply Projects involving 76 stadiums and 6 affiliated facilities.
 - Develop and apply the state-of-the-art techniques and provide electricity with specified quality.
 - Help customers optimize the mode of power consumption and save electricity expenditure.
 - Provide human-oriented services by launching "Loving Care" activities for residents at communities.

Prompt Electricity Delivery

Beijing Electric Power Company provides special delivery of 50kWh emergency electricity card for resident customers, helping them solve the temporary and emergency electricity use at night.

Tariff Payment over Mobile

Zhoukou Power Supply Company, Henan Province offers a service of tariff payment over mobile. Customers only need to bundle the mobile number, power consumption number and bank account number, and then can easily proceed tariff inquiry and payment by text message.



Answering Customers' Inquires



Calibration of Energy Metering Facilities



Service in Sign Language



Service for Other Industries

Supplying Harmonious Electricity to Customers

- We invite customers to visit power companies and experience the power supply service in person.
- We set up customer service hotlines, interview customers, hold symposiums with customers and extensively inquire about the demands of customers.
- We formulate a number of rules and regulations to process customer's complaints for possible poor service and misbehavior. We set up special funds to reward complaints and are active to accept social surveillance. We also make full use of professional ethics supervisors, customer's appraisal and surveillance of mass media.

Shandong Electric Power Company has implemented Rainbow Project for 7 consecutive years, launching special reward fund of RMB 10 million Yuan to encourage those who make constructive advices.

In April of 2006, the "95598" Customer Service Center in Jiangsu Electric Power Company was titled as China's Best Call Center in 2006 by Customer Relation Management Committee of China Information Development Union.

Jointly Building the Service Brand of SGCC

We strive to:

- Unify the service brand. Establish the unified "95598" customer service hotline, and unify logos on the service centers, the meaning of services provided and the service brand specification.
- Launch various activities to build unique service brands in local subsidiaries of SGCC, such as "The Rainbow Project" of Shandong Electric Power Company, "The Heart to Heart Project" of Tianjin Electric Power Company, and other unique service brands in Fujian Electric Power Company, Hebei Electric Power Company, and Jilin Electric Power Company, etc.
- Teams of Excellent Service emerge among service staff, such as "Team led by Mr. Li Qingchang" in Heilongjiang, "Two Guarantees Emergency Service Team" in Shaanxi, "Abin Service Team" in Zhejiang and "Mobile Team for Failure Repair" in Shanxi, etc.
- Numerous front-line service stars work passionately and diligently, such as Peng Jing from Shandong Electric Power Company, Liu Ping from Jiangsu Electric Power Company, and Li Liena from Hunan Electric Power Company.



Telephone Hotline Service



Customer Interview



"Rainbow Project" Service Team in Shandong



"Two Guarantees" Service Team in Shaanxi



Following the development trends of power industry, SGCC strives to bring about opportunities for development and increases the overall benefits of power industry.



Cherishing its excellent traditions, SGCC makes joint efforts to manage the power grid; sticks to the principles of sincere cooperation, mutual benefits, common growth; guarantees the safety of grid and generators and coordinated development; makes full use of the advantages of power companies, equipment manufacturers and scientific and research Institutes for common advancement. SGCC stresses the cooperation between utilities and banks for common development.

- In 2006, SGCC witnessed 1784.1 TWh of power supply volume in its service areas, up 14.6% over 2005, and 626 new generating units were connected, with total capacity of 82,649 MW.
- SGCC actively promotes the application of domestically manufactured equipments. For 750kV transmission and transformation projects, the ratio of China-made equipment is 90%. The renovation project of DC control and protection systems from Gezhouba to Shanghai has been successfully put into operation, demonstrating the significant breakthrough in China's DC control and protection technique. The main equipment of Lingbao DC Back-to-Back Project is all manufactured domestically, achieving a substantial leap in China's DC equipment localization. Three-Gorges to Shanghai ± 500 kV DC Project was put into operation on Dec. 9th, 2006, 70% of all the equipments are homemade, up from 30% in Three-Gorges to Changzhou DC project and 50% in Three-Gorges to Guangdong DC project.
- SGCC strengthened the management of engineering projects, with common efforts of designing, supervisory and construction institutions, so as to improve the project quality and realize the aim of being 100% up to standard and operational. SGCC was awarded with 6 Silver Awards for the national quality projects and one Luban Award—the highest construction award in China.
- SGCC enhanced the cooperation with relevant financial institutions, setup funds for enterprise development, increased the degree of fund centralization so as to reinforce its supervision, risk-control and utilization efficiency.

SGCC implemented the Regulations of Electricity Regulation, enhanced liaison mechanism between power grids and power plants and make efforts to guarantee the security and stability of power systems. SGCC consciously accepts social supervision to maintain the power market order and promote the harmonious development of grids and power plants.



The Signing Ceremony of Power Purchase Agreement for Three-Gorges Project

Coordinated Development of Grids and Power Generation Plants

SGCC strictly implements the power dispatching principles of being open, fair and transparent, regulates the disclosure of dispatching information. SGCC has established the mechanism of liaison meetings, symposiums, inquiry-and-response between grids and power plants and recruited supervisors to monitor the implementation of power dispatching principles.

SGCC is committed to provide best services of power plant interconnection, formulating the rules of synchronization, and defining responsibilities between grids and plants and standardizing the work process. SGCC arranges the construction of transmission projects in rational ways so as to guarantee timely power transmission.

SGCC strives to optimize the unit dispatching and accelerate the energy efficiency improvement and loss reduction from power plants. SGCC meticulously arranges the operational modes of Three-Gorges Power Plant. From 2004~2006, the incremental power generation amount hit 5 TWh, with the annual hydro power utilization rate reaching 4%. Economical power dispatching is promoted in Jiangsu and Henan Electric Power Companies, by means of power market transaction platform. The power generation planning is accomplished with the high-loss small units replaced by highly-efficient large units, which has saved 600,000 tons of standard coal, and reduced the cost thereby.

Sincere Cooperation, Common Growth

We provide fund for UHV and other advanced technique and equipments. A number of key equipments have been developed by relevant organizations, including China's first 1,000 kV test transformer, fittings, compound insulators, bushings, 500 kV controllable reactors and series compensation equipment, which propelled China's grid construction, renovation of equipment and technical upgrades.

We endeavor to:

Cooperate with research institutions and universities on various researches.

Work with joint efforts of engineering, supervisory and construction companies to promote new equipments, technologies, processing techniques, improve project quality and reduce project investment.

Cooperate with banks, to obtain total credit ceiling exceeding RMB 200 billion Yuan. Based on commercial banks' internet system, SGCC has raised degree of fund concentration and carried out real-time fund control. At present, the rate of fund concentration and on-line supervision rate reach 88% and 98% respectively in regional and provincial power companies. SGCC has established cooperative relations with most of commercial banks for tariff collection.



Coordinated Development between Grids and Power Plants



Domestically Manufactured 1,000 kV Testing Transformer



Fittings for UHV Transmission Lines

We intend to be pragmatic, make full use of overall advantages, and contribute to the economic prosperity of the countryside, the development of agriculture and the lives of farmers.



In 2006, SGCC provided electricity for 545,000 rural households who had no access to electricity, approximately 1.88 million people. The corporation also added 12 business areas and accomplished the target of Power for All in 18 provinces.

By 2010, we plan to invest RMB 23.6 billion Yuan, with maximum extension of the state grid, to provide electricity for 1.2 million rural households who have no access to electricity, approximately 4.5 million people.

We invested RMB 14.8 billion Yuan into the refurbishment of the rural power grid in 2006. The comprehensive qualification rate of voltage in rural areas is up to 96.64%, and the reliability rate of the rural power supply is 99.491%, 1.09% up compared with that of the previous year. In other words, the outage time is reduced by 9.55 hours per household.

We strive to implement the development strategy of New Countryside, New Power and New Service, transform development mode, construct a new type of rural power grid, unify the service brand, benefit every household, boost the Project of Power for All and serve the construction of a new socialist countryside.

Under the strong support of the governments at various levels, SGCC unifies the strength from all walks of life, actively boosts the Project of Power for All, and strives to ensure that everybody can enjoy the electricity service.



Propelling All-round Development of the Rural Power Industry

We are always striving to:

Accelerate the construction of the rural power grid

SGCC actively implements the construction and refurbishment of the rural power grid and speeds up refurbishment of county-level power grid and refinement of the rural power grid in the western region of China.

Enhance the quality of services and management of rural power enterprises

The accomplishment rate of the Ten Promises on Power Supply Service in rural areas is up to 99.99%. Power supply stations at county level which have opened the "95598" electric power service hotline account for over 90% of the total. The percentage of the power supply stations which can meet quality service standard is above 95%. SGCC initiates the performance benchmarking program in rural power grid and carries forward standardized management and operation. The company also promotes advanced applicable technologies, by which 520,000 low-efficiency distribution transformers have been replaced, and the line losses rate in rural areas was generally lowered to 12% or below.

Boost electrification in rural areas

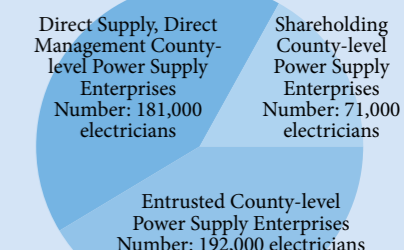
SGCC plans to establish 100 electrified counties, 1,000 electrified towns and 10,000 electrified villages by the end of the 11th Five-year Plan period. A total of 19 electrified counties, 144 electrified towns and 1,614 electrified villages were established in 2006.

Strengthening Rural Electrician Team

Improving the quality of rural electricians. SGCC enhances job training, organizes vocational knowledge and skill contest among rural electricians and implements *Outline Plan for the Quality Improvement of Rural Electrician Teams and Improvement Program for the Quality and Capability of Rural Electricians*. SGCC invested RMB 267 million Yuan in the above-mentioned training and over 50% of the rural electricians have received the training.

Caring about the life of rural electricians. SGCC observes the Contracts of Labor with them, promotes Licensee-Only system, develops Zero Violation activities and ensures the safety and health of rural electricians. The company granted RMB 27 million Yuan of allowance to rural electricians.

444,000 Rural Electricians



Accelerating the Realization of Same Grid, Same Tariff

By the end of 2006, the goal mentioned above had been achieved between urban and rural residents in the regions where rural power grid has finished refurbishment, 972 counties in 14 provinces in total, within the whole boundary of SGCC's business areas.



"We can conquer any difficulties in order to deliver electricity (to villagers)."



"Finally I can read and study in bright lamplight."



"We've got electricity supply, and our life has more to expect."



Service to the Fields





“China is such a vast country that power consumption is tremendous. Therefore, advanced technologies should be researched, developed and applied.”



We always stick to the policy of *Self-innovation, Resolving key problems, Promoting the development and Shaping the future*, push forward the scientific development strategy of carrying out key scientific researches, producing key researches findings and fostering key industry, exert the principal role of State-Owned-Enterprises (SOEs) in terms of technological innovation and serve the construction of innovation-oriented nation.

We published *Ultra-high Voltage Grid*, which fills the gap of specialized works in the world UHV technological research. The corporation has accomplished a series of significant findings in UHV key transmission technological research with independent intellectual property rights. 20 UHV technical standards have been listed into the technical standard program in the industry.

In 2006, We gained 2 silver prizes of China Science and Technology Progress Award, 1 China Patent Award, 4 Contribution Awards of China Standard Innovation and 42 China Electric Power Science and Technology Progress Awards. The company was granted altogether 100 patents in the whole year.

We invested RMB 6.48 billion Yuan in scientific R&D, which increased by 34.4% compared with the previous year. We has mastered the world advanced technologies in FACTs, DC transmission, power system automation and construction of test bases.

We expedite knowledge-to-product transfer, promote and adopt advanced applicable technologies. The company has made great breakthrough in technologies regarding multi-circuit in one tower, compact lines and large-section conductors. In addition, We propel the industrialization of high and new technologies and have possessed a batch of world-class products that are manufactured with these technologies.

In 2006, SGCC was selected as one of the first batch of pilot SOEs by the Ministry of Science and Technology, State-owned Assets Supervision and Administration Commission of the State Council, and All China Federation of Trade Unions.



Constructing World-class Test Bases

We intend to:

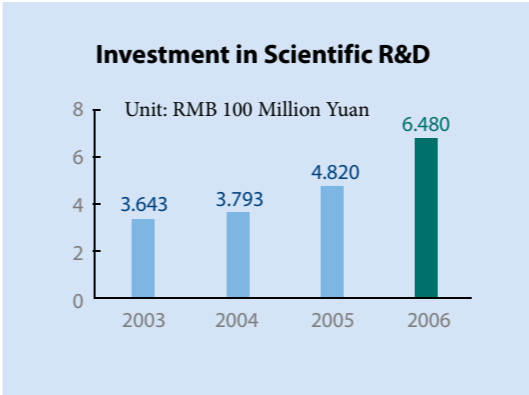
Construct world-class state grid simulation centres. SGCC takes the lead in simulation technology, scale of the simulation system, capacity of simulation test and dynamic simulation performance, with hyper-scale power grid analysis, large-capacity dynamic simulation of physical equipment and large-scale parallel computation in power system as the core.

Construct world-class UHV AC test bases with top comprehensive test capacity. 12 research achievements rank the best in the world in terms of the all-weather electromagnetic environment supervision system, outer insulation tests simulating high altitude environments, insulator string full-size pollution tests, operation, maintenance and repair of equipment as well as live-line jobs, etc.

Construct the first-class UHV DC test base in the world with top comprehensive test capacities. 12 research achievements rank the best in the world in terms of the length of UHV DC test lines, voltage level of double-circuit in one tower, comprehensive performance of in-hall test equipment, artificial ice coating, lightning arrest, live-line tests, etc.

The successful completion of 1 simulation center and 2 test bases will provide efficient means for the research in stability of large power grids. They will remarkably improve the research and test capability in UHV transmission technology and make active contribution to getting an upper hand in the world’s power technology and mastering the advanced core technology in power industry.

Increasing Investment in Scientific R&D



SGCC owns 33 major laboratories, including 2 state engineering research centers and 6 key laboratories under SGCC. There are 374 labs, stations and centers under regional and provincial power companies. There are 5 scientific research institutions directly under SGCC, 50 experimental, research and design institutions under regional and provincial power companies, with 106,000 technicians, 20,000 research personnel and 6 academicians.

Adhering to Self-innovation

With self-innovation as the core development forces, SGCC faces the front field of production and service, strengthens key development areas of the company and the world advanced power technologies, and promoting technological innovation, SGCC planed to improve its comprehensive technological capability to the international advanced level and to lower the rate of dependence on foreign technologies to 10% by the end of the 11th Five-year Plan period.

SGCC strives to carry out the *Outline of the National Long- and Medium- Term Program for Scientific and Technological Development*, promote the research into 9 state-level scientific projects.

SGCC organized personnel to tackle key problems of 12 significant research projects in technological innovation such as UHV transmission, safety operation of the large power grid and electric power market.



UHV AC Test Base



UHV DC Test Base



Insulator Cleaned with the Application of Helicopter



A Patrol Robot Invented Independently by SGCC



SGCC firmly sets up the value that talents are the top resource of an enterprise. The company fosters a highly qualified team, and supports the development of the corporation and realize the value of the staff.



- In 2006, we invested RMB 954 million Yuan in the staff training, and 88.1% of the employees received training.
- We were awarded the title of *National Model Company with Democratic Management*. 22 SGCC units were awarded National May Day Labor Certificates, 32 individuals awarded the National May Day Labor Medal, 17 employees entered into the Talent Project for China's Development in the New Century and 142 employees were granted special allowance from the State Council.
- Our employees made a clean sweep of the top 3 ranks in the computer programming final, as part of the skill contest organized among the staff of SOEs in 2006. In the year, 61 employees in total were awarded various honorable titles in the power industry. In addition, 86 squads and 84 employees were awarded the titles of Model Squad and Model individual respectively by the State-owned Assets Supervision and Administration Commission of the State Council.

SGCC adheres to the human-oriented concept, develops the corporation depending on the staff whole-heartedly, pushes forward democratic management, carries out the strategy of reinvigorating the corporation through human resources development, enhances the training of the staff, and realizes the mutual development of the staff and the corporation.

"It is a good means for enhancing the democratic management and supervision of the staff in the course of establishing modern corporate system to organize Employee Representative Congress."



The 1st Session of the 1st Employee Representative Congress

Strengthening Democratic Management and Supervision

SGCC takes the lead in establishing the system of Employee Representative Congress in extra-large SOEs and carries out multi-level democratic management from the corporation to grass-roots subsidiaries. Major decisions such as enterprise planning, comprehensive programs and financial budget must be deliberated and approved by the Employee Representative Congress.

Human-oriented and caring about the staff

Show great concern for the health and safety of the staff. SGCC launches Loving Care activities, implements Safety Project, strengthens training on safety, perfects self-management and self-restriction mechanism on safety among all the staff, improves the awareness of safety, betters labor protection, ensures personal safety, publicizes ideas of health, advocates healthy activities, establishes files regarding the health conditions of the employees and systematizes the regular medical check-up of the staff.

Enrich the life of the staff. SGCC organizes entertainment and sports events in various forms like sports games, creates opportunities through which the staff can show their versatility and make their life more colorful. The Huagu Opera play named *Lan Yue* (literally embracing the moon) performed by Shaanxi Electric Power Company employees was shown on China Central Television (CCTV).

Care about the retired employees. SGCC pays much attention to their life and concerns. The company has established 1,481 centers and 45 community schools for the elderly.

Inspire the Creativity of the Staff

Open up suitable paths of career development for management, engineering and technical personnel respectively. SGCC intends to foster talents, establishes an executive team with professional competence, team spirit and good work style. SGCC management team is made with high vocational capability and executive force, who self-consciously practice development strategy of the company. SGCC engineering team of personnel with high awareness of technological innovation and ability of tackling tough scientific problems. SGCC technical teams made of personnel, who are dedicated to their career, as experts in one area and good at many areas.

Establish a mechanism for human resources management and recruitment with the policy of Openness, Equality, Competitiveness, and Best Qualification. SGCC extends the exchange of executives. In 2006, 19 senior executives and 36 employees were selected for job-replacement in the headquarters. SGCC initiates the Development Program of Excellent Young Talents for West China's Power Enterprises, and selects 45 management and technical elites from the West China's power companies to practice in 13 regional and provincial power companies. The company openly recruited over 50 senior and high-level management talents.

Maintaining communication between the staff and the corporation. SGCC draws on the wisdom of the staff and motivates them to put forward reasonable proposals so as to propel the sound development of the company.



Gala Show Performed by the Staff



Organizing Activities for Retired Employees



Technique Contest



Open Recruitment of Management Executives

We are committed to building a resource-saving and environment-friendly society.



Environmental Protection and Energy Conservation

- We endeavor to develop UHV hybrid AC/DC power system. By 2020, a strong synchronized UHV power system consisting of North China, Central China and East China Power Grids will be built up, hence 22,000 MW installed capacity can be deferred. Those results to with an annual coal consumption of 20 million tons be saved and 6 billion kWh incremental hydro generation power because of spilled water reduction.
- Transmission line loss was 6.4% in 2006, 0.1% lower than that of the previous year, 1.7 billion kWh electricity was saved thereby.
- Total installed capacity for new energy reached 1665.7 MW, with the aggregate generation of 2.559 billion kWh in the whole year.
- We develop power grid projects strictly following environmental evaluation procedures and actively perform environmental restoration projects. In 2006, we achieved the annual goals set by National Bureau of Environmental Protection, of which 4 desulphurization units have been installed with the total capacity of 860 MW.

We fully devote ourselves to satisfy the requirements of resource conservation and environmental protection in the whole process from development strategy, engineering planning, construction, production and customer service, by enhancing all-staff awareness on environmental protection and energy conservation.

The first national bio-generation pilot project, SGCC Guoneng Shanxian Bio-generation Project commenced its operation on December 1st, 2006. This project burns cotton straws and forest residue, with installed capacity of 25 MW and an annual generation of 160 million kWh, which avoids CO₂ emission by 100,000 tons and adds annually RMB 40 million Yuan to local farmer's revenue.



Focusing on Environmental Protection and Resource-saving in Strategic Development Planning

We strive for UHV power grid, to reduce transmission losses and transmission circuits. Moreover, to increase energy development and utilization efficiency by saving land resources and capital costs. By fully considering overall environmental constraints of pollution, to realize interconnection benefits substantially by saving system back-up capacity, shifted load capacity, a more rational hydro- and thermal generation mix as well as stronger trans-regional capacity compensation.

We strive for development of pumped storage projects, to optimize load characteristics, hence to make the system more reliable and economical, further to facilitate energy conservation and consumption reduction to mitigate environmental pressures, and realize green energy as the end.

We strive for energy-saving and high-efficiency energy technology, to encourage research and application of new technologies and facilities including grid energy storage, new sodium sulfur battery, electrical cars as well as clean coal combustion technology. The first pilot circularized fluidizing bed project, Baima 300 MW Power Plant in Sichuan province has been constructed successfully, which can burn poor-quality coal with high-sulfur content, with the desulphurization efficiency over 95%, dust SO₂ emission lower than 400 mg. per standard cubic meters, and NO_x emission lower than 100 mg. per standard cubic meters.

Attaching Importance to Environmental Protection and Resource-saving in Planning & Design

Promoting Typical Design. Modularized design measures have been applied in transmission and transformation projects and a large amount of advanced and applicable technologies have been integrated. The new design for substations of 35~500 kV level can reduce land area and floor space by about 5%~10% , hence saving static

investment by about 2%~9%, while typical design for transmission lines of 35~500 kV grade can reduce steel consumption by about 5%~10% and save static investment by about 5%.

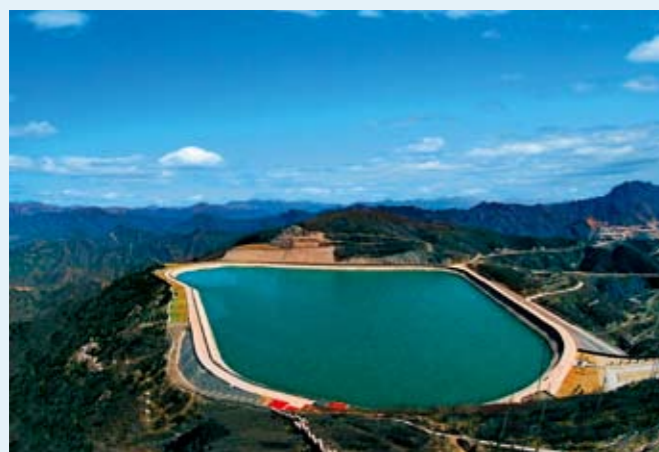
Utilizing Energy-conservation & Environmental-protection Equipment. Energy-conservation & environmental-protection power equipments and technologies have been widely promoted, such as amorphous-core transformer (AMT), so as to enhance energy, land, water and material conservation.

Highlighting the harmony between engineering design and landscape. Routings of transmission lines and locations of substations have been reasonably selected so as to minimize the influences on environmental and urban landscape.

Maintaining the Harmony between Humanbeings and Nature during Construction Process

Applying Green Construction Process. When selecting routings of transmission lines and substation location, we try our utmost to bypass nature reserve, scenery, basic farmland, and other similar targets. For transmission lines in forest area, high crossing towers would be adopted to reduce the felling of woods. By using unequal-leg tower-pole, slope protection, tension stringing, separate piling for surface soil and other processes, we endeavor to minimize the influence on environment by excavation avoidance, vegetation protection and restoration.

Launching Environmental Impact Assessment (EIA) for Power Grid Construction. We formulate measures to standardize environmental protection management, such as environmental impact assessment and environmental protection acceptance after completion of power grid projects, etc. UHV transmission lines of 1,000 kV grade follow the same electromagnetic environment standard as 500 kV transmission lines.



Pumped Storage Power Plant, a Green Energy Resource



Sichuan Baima Power Plant

Helava is an advanced full-digital geographical surveying technology. Its application in the design of transmission lines can optimize work mode for line routing, enhance engineering quality and efficiency, shorten the transmission line by 1%~2%, reduce housing resettlement and felling of woods, hence to reduce construction cost and protect the eco-environment.



Incorporating Requirements of Energy-saving and Environmental Protection into Production and Operation

We are dedicated to implementing the “three-year plan on energy conservation & consumption reduction”, to eliminate high energy-consuming technology, process and equipment, hence constantly reduce line losses and coal consumption in power generation.

We are dedicated to optimizing our dispatching in principle of energy-saving and environment-friendly, hence to decrease coal consumption in power generation and reduce SO₂ emission.

We are dedicated to minimizing noise pollution, by widely applying low-noise equipment and low-noise conductor, and installing soundproof facility for converting transformers and smoothing reactors.

We are dedicated to reducing pollutants and castoff discharge, specifically, to control SO₂ emission and recycle SF₆, and have stringent management on polychlorinated biphenyl (PCB) facilities.

Consuming Electricity in a Scientific, Conservative and Efficient Way

Implementing national energy-saving policy vigorously. We strictly perform mandatory energy efficiency and market access standards for those highly consumed equipment, civil construction industry and domestic electrical appliances, actively assist related authorities in promoting mandatory elimination of poor-efficiency equipment and facilities.

Performing strictly differential tariff policy stipulated by government. We actively utilize tariff as an economic leverage to restrict out-of-order development of high electricity-consuming industries.

Encouraging energy-conservation technologies in customers. We attach great importance to launching demand side management demonstrative programs to improve customer-side efficiency.

Enhancing publicity on energy-saving. We have released 6 million energy-efficiency brochures and power utilization booklets to raise the public awareness.

Supporting Development of Renewable Energy

Implementing national laws and policies such as The Renewable Energy Law of PRC. We stipulated supporting measures and mechanism, to fully support development of new energies or sustainable energies such as hydro, wind, bio-, solar and geothermic resources.

Facilitating development of renewable energy. We established Guoneng Bio Generation Co., and currently, 28 projects propose by this company were verified with total installed capacity of 903 MW, while other 15 projects are under construction, a capacity of 310 MW.

Supporting wind power development. We assisted the government in planning 1,000 MW wind power bases, and have an in-depth study on large-scaled wind power filed for key issues such as adaptability, dispatching, control, reactive power compensation and reserve capacity.

Promoting “Green Power”. We encourage customers to use green power, so as to support the renewable energy development. In 2006, green power purchased in Shanghai was recorded as 8,500 MWh.



Energy Conservation Publicity in Communities



Soundproof-wall of Converter Substation



Wind Power



Solar Power



Geothermic Power



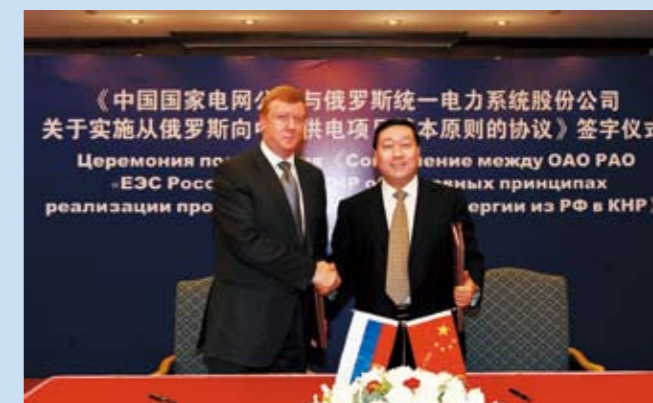
We strive to have a global vision and carry out benchmarking initiatives, to build up a world-class utility with a strong power grid.



- Our international energy cooperation is fruitful. SGCC has signed cooperation agreements or letters of intent with utility companies in Russia, Mongolia respectively, and enters phase I power purchase agreement with Unified Electricity System Co. in Russia.
- We jointly develop bio-energy with our Swedish partner, and also signed a "Letter of Intent on Clean Development Cooperation Mechanism" with a French power company so as to promote international cooperation in this field.
- In 2006, we sponsored International Conference of UHV Transmission Technology, organized Beijing International Conference on Power Supply, the Technical Seminar on Power System and the International Workshop on Network Planning, etc. Furthermore, we participated in International Conference on Large Power Grid, International Conference on Bio-energy, Forum on Global Economy, the Annual Meeting of Extra-big Grid Operation. We actively extended technical and managerial exchanges with world-renowned utility companies such as EDF, TEPCO, Endesa, ESKOM, etc.

Following our internationalization strategy, we aggressively expand business globally; jointly develop energy resources with our neighboring countries. We also promote internationalization on key corporate elements, to train talents, develop innovative technology and raise fund by fully utilizing global resources. We are dedicated to internationalization on management as well, to perform best-practice benchmarking and improve our corporate performance.

Sino-Russia cooperation plan on electricity will be implemented through 3 phases, with annual electricity supply around 60 billion kWh. For the first phase project, electricity will be transmitted from far-east region in Russia to Heilongjiang Province in China.





Participating in International Competition & Cooperation—— Internationalization of Business.

Under the full support and assistance of the Chinese government, we strive to push forward the process of cross-boundary interconnections and accelerate energy resource development with neighboring countries, which can improve employment, local economy and social development in those countries. Meanwhile, we can import electricity into receiving areas at affordable tariff, so as to ensure a stable, economic and clean energy supply.

We focus on international cooperation on renewable resources, to introduce, absorb and renovate renewable energy technology with multinational corporations.

We also actively participate in international competitions of engineering projects, and so far 75 overseas projects have been developed with total contractual value around 2.04 billion dollars.

Last but not least, we actively participate in international competitions of high-tech products. Market shares for products such as relay protection, security and stability control etc., are on the rise.

Extensive Utilization of Global Resources —— Internationalization of Corporate Elements

We have always been cultivating corporate talents by utilizing global resources, solicit international applicants for senior positions. We train our own internationalized talents by enhancing cooperation with world-renowned companies.

We also push forward the technical progress of utilizing global resources, enhance international technical exchanges, and participate in stipulation and promotion of international technical standards.

Learning from International Managerial Expertise——Internationalization of Management.

Improving managerial modernization by benchmarking initiatives.

Strengthening exchanges with world-renowned companies and learning their advanced managerial experience.

Organizing international consulting activities on urban grid planning and information technology.



Joint Development on CDM Project



Successful Project Completion in Sudan



We plan to organize 6 delegations of senior executives for managerial exchanges with world-renowned multinational corporations. In 2006, the first delegation visited SIEMENS in Germany for managerial studies and exchanges.



A company shall be responsible for society and consciously accept public surveillance or supervision.



- We released our CSR Report on March 10th, 2006, the first one among the SOEs directly under the Central Government. Because of its significance, it was described by *China WTO Tribune* as one of the Top Ten Events concerning Chinese Enterprises' Social Responsibility.
- We are open to suggestions and proposals from various circles of society before making our important decisions on power grid. Rough statistics shows that around 2,000 people are directly involved in UHV study and consulting programs, among whom we find over 30 academicians, over 1,100 professors and senior engineers.
- We have established a mechanism of regular news release to welcome governmental regulation and social surveillance.
- We timely report important information to governmental authorities and put forward our suggestions on industry policies.
- We have been enhancing the construction of our corporate website to guarantee timely information disclosure.

We deeply understand our stakeholders' expectations and requirements, by insisting on openness and transparency of business operation. We would further enhance communications, to set up a harmonious relationship with stakeholders, hence to realize sustainable development of our corporation and society in a coordinated way.

SGCC held meetings with 24 provincial (regional and municipal) governments, had intensive discussions and exchanged views on local power demands, the 11th Five-year Plan of power grid, urban network reinforcement and the progress of various projects such as "Power for All". Minutes of Meeting were jointly signed by SGCC and governments respectively.



Active Communication with Stakeholders

Strengthening good communication with stakeholders and establishing a harmonious relationship with them are regarded as essence of corporate value and been integrated into our conscious behavior.

We established a special functional department of public affairs administration to further enhance communication and exchanges with stakeholders.

We are dedicated to building a pragmatic CSR statistics system according to international practice so as to address stakeholders' concerns over our development and service in an open, transparent and standard manner.

We have strengthened training on CSR and communication, to establish an all-staff awareness and develop related communication skills, ensuring credibility, responsibility and communication to be the core essences of our values and qualities.

An Interactive Interrelationship with Stakeholders

	Information Output	Information Feedback	Major Events
Government	Reporting on important subjects Regular information Conference participation Statistics and table sheets Policy proposal	Laws & statutes Policy & decree Leaders' instructions Allocations on important tasks Instructions & monitoring	Verification on UHV projects Meetings with 24 local government Legislation proposal Study on energy strategy
Regulatory authorities	Policy proposal Subject report Information submittal Conference participation Periodical report	Laws and regulations Regulatory decree Inspection on important subjects Operation suggestion Information disclosure	Workshop on legislation & regulation Safety inspection Disclosure of regulatory information
Customers	Customer symposiums Regular interview Service notice Knowledge promotion Service hot-line	Survey on service Consultation & complaints Feedback on complaints	Customer information analysis Service survey analysis Solicitation for good suggestions Demand Side Management
Partners	Information disclosure Resource sharing Technical standards Liaison meetings Public bidding	Participating in tendering Product renovation Service feedback Comments & suggestions Contract implementation	Trading information disclosure PPA Centralized bidding Joint R & D
Employee	Corporate culture Vocational training Corporate media Internal meetings Solicitation for suggestions	Suggestions & proposals Proposals to Employee Conference Post dedication Article Contributions	Employee Code of Conduct System of SGCC employee conference Cultivation of a corporate culture Communication with the general president "Loving Care Project"
Media	News release Interview Publications Advertisement & publicity Welcoming visits to me Corporate website	Interview & report Image publicity Suggestion and proposals Public opinion supervision	System of news release Publication of CSR Communication with media Evaluation of the most responsible enterprise
Community	Community construction Activities for public welfare Conference participation Environmental protection	Corporate brand building Support corporate development Harmonious relationship Public survey	Beijing Olympic official partner Donation fund Voluntary activity Participation of related associations



CSR Release



Work Shop with Customers



SGCC Portal



Solicitation for the Newspaper Masthead of State Grid News



Jointly Establishing a Harmonious Community



“We organize activities to enhance social harmony and to raise the awareness of social responsibility among citizens, enterprises, and various organizations.”



- Creating wealth and serving society. From 2003 to 2006, SGCC accumulatively paid RMB 189.89 billion Yuan in tax and offered employment to 11,473 demobilized servicemen and 34,819 new graduates.
- Repaying the society with loving care. SGCC spent RMB 240 million Yuan of "Loving Care" Fund in supporting education, the handicapped and elderly citizens. SGCC donated over RMB 36 million Yuan for project of "Power for All". SGCC staff donated over RMB 20 million Yuan for helping the disasters-stricken regions in Fujian, Zhejiang, Sichuan and Chongqing.
- From 2003 to 2006, SGCC employees' participation in voluntary service activities totaled more 2 million/person-times. Two of China's Top Ten Youth Volunteer Teams were from SGCC.
- SGCC ranked highly in China's first CSR evaluation — The Most Responsible Corporation Appraisal, in which the corporation was granted the Award of 2006 CSR Construction and Contribution and chosen to be one of The Ten Favorite Brands of Chinese Netizens.

We deeply understand the responsibility of SGCC and mission in economic and social development, adhere to the codes of conduct, promote public morals, fulfill a corporate citizen's responsibilities and serve the construction of a harmonious socialist society.

SGCC donated RMB 120 million Yuan to China Youth Development Foundation as SGCC "Loving Care" Fund for Hope Project, RMB 60 million Yuan to China Welfare Fund as SGCC "Loving Care" Fund for the handicapped, and RMB 60 million Yuan to Ministry of Civil Affairs as SGCC "Loving Care" Fund for elderly.



Actively Participating in Public Affairs

SGCC "Loving Care" Fund. We annually donate RMB 100 million Yuan as the "Loving Care" Fund, which consists of corporate and staff donations. Moreover, we have established a committee and an administrative office, and stipulated regulations for donation activities.

Playing an active role in poverty alleviation. We play an active role in poverty alleviation programs initiated by the Chinese central authorities. We participated in poverty alleviation in four counties, namely Zigui, Changyang, Badong and Shennongjia in Hubei province. In 2006, SGCC invested RMB 8.1 million Yuan on 22 poverty alleviation projects, prompted local governments to raise RMB 17.83 million Yuan for poverty alleviation.

Steadily boosting Tibet-aiding program. We provide Tibet Autonomous Region with talents and financial aids. So far, the corporation has allocated more than RMB 60 million Yuan for the power construction in Tibet; provided Cuoqin County in Ali prefecture with a financial aid of RMB 45 million Yuan on 22 projects for local infrastructure construction and development in science, education, culture, hygiene, agriculture and animal husbandry; sent 90 technical and managerial talents to Tibet.

Credible Operation under Legal Framework

We strictly comply with laws and regulations. At the mean time, we play a positive role in disseminating knowledge about laws and regulations among the public.

We maintain good credibility and integrity, promotes public morals and business ethics, and are the official electricity supply partner for Beijing 2008 Olympic Games and Paralympics Games.

We have over 20,000 financial specialists, over 2,500 auditors, over 2,800 discipline inspectors and over 600 legal specialists. With strict disciplines and regulations and effective inspecting procedures, SGCC assures that its business operation is in line with national laws and regulations.

We uphold the socialist concepts of honors and disgraces, intensify education on employee honesty, and combat corruption and bribery in business.



Young Volunteers



Powering Tibet



Supporting Beijing 2008 Olympic Games



Guided by the Central Government, in 2007, SGCC will implement the concept of scientific development, fulfill its social responsibility, make unremitting efforts to build a harmonious enterprise, and accelerate the construction of a modernized power grid company with a strong grid and excellent assets, service and performance. SGCC will play a more active role in serving China's energy strategy and facilitating the sustainable development of Chinese economy and society.

Our main objectives are as follows:

Ensure secure, reliable power supply and quality service. We are to assure that no accident regarding grid instability or serious outage will occur, and that the fulfillment of the "Ten Promises on Electricity Supply" will be better. The supply voltage qualification rates in urban and rural areas are to rise by 0.071% and 0.06% respectively, while power supply reliability rates are to rise by 0.02% and 0.039% respectively.

Accelerate power grid construction and renovation. We are to propel the successful construction of the UHV AC pilot project and commence the construction of UHV DC projects. According to our plan, RMB 202.5 billion Yuan is to be invested in grid construction and renovation; 110 (66) kV and above DC transmission lines of 48,000 km in length will be put into operation with a transformation capacity of 190,000 MVA.

Establish a unified and open electricity market applicable to Chinese conditions. We plan to sell 1891 TWh of electricity and realize a total electricity transaction of 196.5 TWh through the national market.

Pursue business out-performance. We plan to achieve core business revenue of RMB 952.5 billion Yuan, a total profit of RMB 35.08 billion Yuan, a return on net assets rate of 4.5% and a total asset return rate of 4.22%, keeping the debt ratio below 61.7% and paying RMB 94.3 billion Yuan in tax.

Ensure human security and social stability. We endeavor to avoid occurrence of serious accidents involving human casualties and that of incidents affecting stability of society.

Fulfill corporate responsibility of environmental protection and energy saving. We carry out our plan of saving energy and reducing losses. The line loss rate was to be lowered by 0.1%, and over 1.9 TWh of electricity were be saved. We are to take measures to handle environmental protection issues: the desulphurization of 5 generating units with a total capacity 1,620 MW is to be completed, and the desulphurization of another 4 generating units with a total capacity of 1,620 MW was commenced.

Boost the project of "Power for All". Power companies in Northeast China, Henan, Jiangxi, Sichuan, Gansu and Xinjiang basically achieved the goal of bringing electricity to every rural household. Power is supplied to 360,000 rural households and 1.65 million people without access to electricity.

Accelerate the corporate renovations. According to *SGCC 11th Five-year Plan on Science and Technology*, the company is to establish UHV AC and DC testing and research bases and preliminarily build up an integrated corporate information platform.



Review on 2006 CSR Report of SGCC

I. Content and Methodology

Led by president Liu Zhenya, SGCC accepted suggestions of specialists from different departments in headquarters and subordinate companies on its 2005 CSR report, and completed a pragmatic and innovative 2006 CSR report of SGCC, which is officially released on January 18th, 2007.

When drafting 2006 CSR Report of SGCC, SGCC took suggestions of experts from State-owned Assets Supervision and Administration Commission of the State Council, China Enterprise Confederation, Ministry of Labor and Social Security of PRC, Multi-national Corporate Research Institute of Ministry of Commerce of PRC, Peking University, China WTO Tribune, China CSR Research Center, Corporate Citizenship Committee and DET Norke Veritas, etc. , learned from international leading companies' CSRs, and adhered to the essence of Global Reporting Initiative's latest G3 Edition.

The content of 2006 CSR report of SGCC includes message from president, corporate profile, corporate value, corporate social responsibility and corporate practice of fulfilling social responsibility, etc. A remarkable contribution of this report is that it has established a pragmatic CSR theory model, which not only systematically expounds SGCC's outlook on CSR but also helps clarify relevant prejudice and misunderstandings about CSR.

II. Features and Innovations

Executives' participation. SGCC held meetings of senior executives to discuss and exchange views about the revisions in the 2006 CSR report of SGCC draft.

Accurate definition. 2006 CSR report of SGCC uses a theoretical model to demonstrate its definition of CSR, which is accurate and complete and in accordance with the reality of the Chinese corporation, setting an example for other companies.

Integration of theory with practice. Guided by international social responsibility criteria, 2006 CSR report of SGCC presents a CSR framework that involves 12 parts and in accordance with a Chinese enterprise practice.

Farsightedness and insightfulness. SGCC deeply understands the relations between corporate social responsibility and corporate development strategy, performing corporate social responsibility and promoting social harmony. While fulfilling social responsibilities, SGCC also improves its innovation capability and competitiveness, and strives to develop in a scientific way, which indicates its active participation in the construction of a harmonious society.

III. Conclusion

Compared with 2005 CSR report of SGCC, 2006 CSR report of SGCC shows impressive improvement and innovation, and presents a complete, objective statement of a responsible SOE's mission and role in socio-economic development. Realistic and brief, the report takes into consideration the reality of Chinese society and that of the power grid company, and creates a model of state-owned corporations' social responsibility. The publication of SGCC CSR reports makes great contribution to Chinese corporations' correct understanding and effective performance of their social responsibilities.

Officials from Global Compact Promotion Office of China Enterprise Confederation believe that this report has reached the related standard set up by UN Global Compact Promotion Office.

SGCC is expected to further improve the international comparability and the index system of its CSR report, and further summarize methods of corporate services and construction of a harmonious society.

The business of SGCC is closely related to socio-economic development and people's life and of great impact in society. We hope SGCC will inspire more enterprises to get involved in conscious, efficient and scientific promotion of corporate social responsibility.

Chen Ying

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Director of UN Global Compact Promotion Council

Frederick C. Dubee

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May 24th, 2007

Code of Conduct

Self disciplined

Loyal to company

Dedicated to duties

Cooperative and innovative

Human-oriented and responsible

Committed to quality

Thrifty and cost efficient

Towards a world-class utility