

## REPORT 2005-2006 TO OUR STAKEHOLDERS







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## METHODOLOGY

Corporate social responsibility, of which CSR is the acronym, comprises:

- > economic responsibility: all the activities that have an economic or financial origin or impact;
- > environmental responsibility: the degree to which a company is able to govern the environmental variables and impact of its activities;
- > social responsibility: the company's actions with regard to individuals and communities, interest groups, and the people who work for it.

These three components and the company's ability to keep them in an efficient and virtuous balance generate the concept of "sustainability". In this Report, the terms "CSR", "sustainability", and "corporate (social) responsibility" are used as synonyms. Except as otherwise stated, the data and information contained in this document regard Enel and the consolidated companies as of December 31, 2005. The details of Enel's structure and corporate governance are available on the corporate website at [http://www.enel.it/azienda\\_en/chi\\_siamo/](http://www.enel.it/azienda_en/chi_siamo/). By "Company" or "Enel" is meant the group of companies controlled by Enel SpA, while "Parent Company" refers to Enel SpA itself.

Because the control of Terna and Wind was sold during 2005, the Report does not contain the numbers regarding these two companies.

The Sustainability Report 2005 was prepared according to the AccountAbility 1000 (AA 1000) standards, a model issued by AccountAbility - The Institute of Social and Ethical Accountability. Specifically, the Report was written in accordance with the principles of significance (inclusion of information of interest to Enel's stakeholders), response (the facts about how Enel intends to satisfy the legitimate requests of its stakeholders), and completeness (provision of information regarding all of the Company's significant activities and performances).

This commitment materialized in the discussions – reported in the chapter "The stakeholders have the floor" – through which the subjects considered most significant for the main categories of the Group's stakeholders were identified. In addition, the 2006-2010 Sustainability Plan is described – highlighting several activities planned by the Group to satisfy the requests of its stakeholders – in the chapter "An open dialogue with all stakeholders".

Finally, as far as "completeness" is concerned, as shown in the chapter "These are the numbers", the Group manages a reliable system of sustainability performance indicators. Enel in-

tends to gradually extend this system to its companies abroad, as well as to report the most important impacts on biodiversity connected with Company activities and to record data at the overall international level.

Like the previous edition, this Sustainability Report was written so as to be very informative. Enel thus continues to make it an instrument for accurate and transparent reporting that, however, can also serve as a magnifying glass for the Company's activities. The reader will find information, comments, and in-depth discussions that make it possible to acquire more specific knowledge about the Company's life and activities through the aspects of sustainability that have characterized them.

In order to give a full account, a very technical section has also been included this year. It presents the magnitudes that characterize our corporate social responsibility: the key performance indicators (KPI) of the aspects that constitute the priority factors of Enel's sustainability. These are items and magnitudes that are followed throughout the Company by about 200 operating employees and 50 heads of areas or direct activity.

Like the entire document, the tables in the appendix are constructed according to the most widely used international reporting criteria: those of the 2002 edition of Global Reporting Initiative ([www.globalreporting.org](http://www.globalreporting.org)) in Amsterdam. Beginning in 2006, the GRI G3 guidelines will be followed and will be launched in the fall.

The data are broken down into homogeneous groupings and each grouping is accompanied by a comment on several indicators to facilitate their interpretation. The data also have a sign that refers to their consistency with the principles of CSR and social commitment developed by the Ministry of Labor and Social Policies, as well as with the requirements of the SAM (Zurich) and EIRIS research institutes, which evaluate companies on behalf of, respectively, the Dow Jones (DJSI) and the Financial Times (FTSE4GOOD) international sustainability indexes.

This section allows financial analysts who are specialized in sustainability to quickly and concisely examine what the Company has achieved with regard to CSR. However, the aforesaid data can also provide non-specialist readers with additional information that will enable them to learn more about Enel.

The Internal Audit Committee and the Board of Directors of Enel SpA have approved this Sustainability Report. It has also been certified for procedural conformity by the KPMG auditing firm.

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Cover photo  
Eleuterio Baris, *September*

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## A CONTINUING COMMITMENT

Enel's fourth Sustainability Report photographs the face of a company that continues to change and evolve rapidly while it copes with several historically decisive transformations, in particular its international growth and the approach of the complete liberalization of the electricity market in Italy.

Looking at these objectives, we want to provide the growing public of people, associations, and institutions that discuss with us – our stakeholders – the opportunity to observe the complex reality of the Enel Group by telling them what we are doing to get the Company to grow in a sustainable way, that is, with the utmost respect for their legitimate expectations.

In order to talk to customers, employees, retail and professional investors, local communities, institutions, and suppliers spread out in distant and diverse countries, it was necessary to produce a Report that was at the same time simple and complex, but above all trustworthy, on the basis of shared and internationally recognized standards. Even though we don't want to relinquish the objective of constant improvement, we believe we've succeeded.

Leafing through this document, shareholders, bondholders, and institutional investors can compare financial indicators and strategies aimed at creating value with the most advanced models of corporate governance and management, geared to transparency and effectiveness through the introduction of internal procedures that in many cases go well beyond what is required by the law.

Our customers – to whom we are bound by 40 years of work and commitment at the service of the country's development – will be able to evaluate the quality of a relationship that is based more and more on listening and dialogue. We are aware of the challenge that the complete liberalization of the market will create for us when, in July 2007, all Italian families (and not only persons with a VAT registration number) will be free to choose their supplier. And it is precisely because we respect the total sovereignty of the customer that we were the first – and you will find a lot of evidence of it in this Report – to introduce into Italy not only flexible and made-to-order rates, but also IT systems such as digital meters and the network for reading them at a distance that make such flexibility possible. This great effort represents enormous investments as well as a lot of work by the women and men at Enel and requires a parallel effort in communication, which once again – whether we are talking about advertising, financial information, or communication with the media – must correspond to the highest standards of quality, transparency, and reliability, because consumer choice should be based above all on trust.

Our suppliers will find that the Sustainability Report describes reliable procedures, which have also been strengthened by the extension of the shield constituted by our Ethical Code to include the policy of Zero Tolerance for Corruption recently approved in accordance with the PACI (Pact Against Corruption Initiative), which Enel signed in January 2005 together with more than 60 other multinational companies.



**Piero Gnudi**  
Chairman

68 years old

Appointed by the Ministry for the Economy and Finance

From 1994 to 1999 director of IRI and subsequently chairman of its liquidation committee from 2000 to 2002

Member of the steering committee of Assonime and chairman of Emittenti Titoli

Member of the executive committee of Confindustria

Director of Unicredito Italiano

Member of the executive committee of the Aspen Institute

Chairman of the Mediterranean Energy Observatory (OME)

Chairman of Enel since May 2002





**Fulvio Conti**  
Chief Executive Officer

58 years old

In 1989 financial director  
of Mobil Oil Europe

From the end of 1991 head  
of accounting, finance, and  
control at Montecatini and  
then at Montedison-Compart

In 1996 general manager  
and chief financial officer  
of the Italian State Railroad  
Company

From 1998 general manager  
and chief financial officer of  
Telecom Italia

In 1999 Chief Financial  
Officer of Enel and  
subsequently also Chairman  
of Terna and Director of  
other Group companies

Chief Executive Officer  
of Enel since May 2005

Since January 2006 a  
member of the board  
of directors of Barclays

We explain to institutions, local communities, and the future generations the method that Enel uses in developing its activity, with the objective of creating not only value for the Company, but also value for Italy and the other countries where it does business, while respecting the environment. Once again the numbers of the Sustainability Report describe the high level of investment in renewable energy sources and the necessary diversification of the mix of fuels used, in order to secure the supply and contain the price of energy, conditions that are indispensable for growth. This document also tells about Enel's commitment to adopting technical solutions aimed at ensuring the sustainability of its plants, which – as the by now almost complete certification of our plants and networks demonstrates – goes well beyond EC requirements and those of Italian law.

As shown by the content of this Report, corporate social responsibility appears in many different ways: in research to increase the efficiency of our generating plants and reduce their emissions, for example, or in our constant support of culture and science, which has led Enel to become an important partner in the most important initiatives in the fields of music and art.

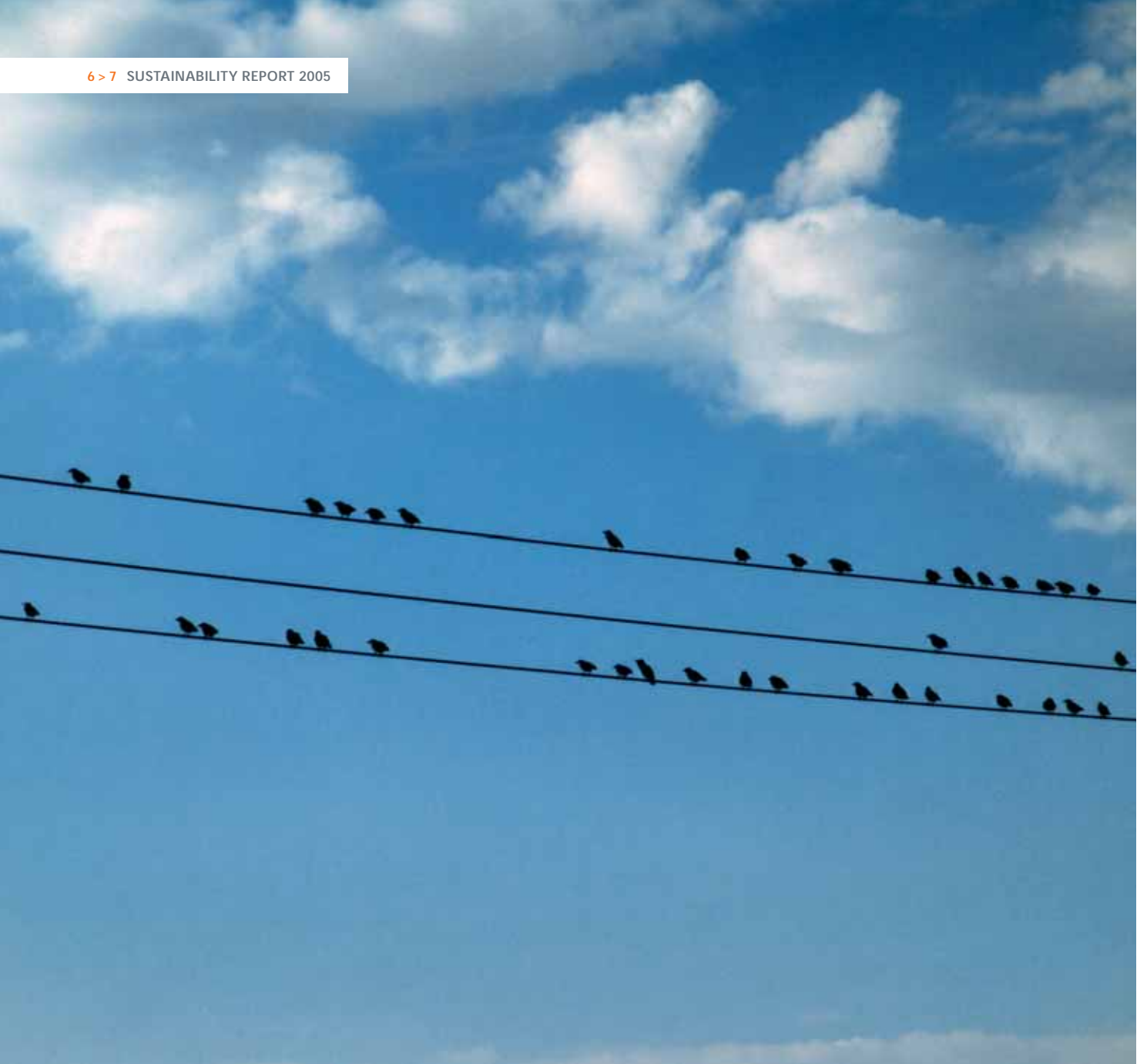
As far as our colleagues at Enel are concerned, we want to ensure that the management of people is based on the enhancement of their individual capabilities and the development of their potential in a company that is increasingly modern and oriented to the future, in Italy as well as in international markets. Characterized by in-depth professional experience capable of elaborating a clear strategic vision and a profound awareness of the importance of customers and the market, Enel's human capital is the foundation that will enable the Company to achieve further steady and balanced growth.

Last, but not least, there is Enel's commitment to social initiatives in favor of society's most needful members through an independent not-for-profit organization, Enel Cuore, which in less than two years has become one of the benchmarks for solidarity in Italy, through both several large-scale projects (mainly in favor of children, the elderly, and the ill) and smaller-scale ones widely spread all over Italy, and abroad as well, in an attempt to meet the needs expressed above all by the world of volunteer social work and associations.

Our aspiration is that this edition of the Sustainability Report will continue to reinforce our dialogue with our stakeholders and feed a virtuous circle between excellence in our core business and positive repercussions on the overall system in which we operate.

*Piero Gnudi*  
Chairman

*Fulvio Conti*  
Chief Executive Officer



Sergio Pontiroli, "Contact"

# THE STAKEHOLDERS HAVE THE FLOOR

On the basis of socio-demographic and market surveys, in its 2004 Sustainability Report, called "Report to Our Stakeholders", Enel identified the possible expectations of its stakeholders: shareholders, lenders, customers, suppliers, employees, institutions, future generations, and communities. And it drafted its Report according to those expectations and tried to give a consistent and complete response to the various requests.

In preparing this edition of the Report in February and March 2006, we went one step further. In effect, we asked Professor Renato Mannheimer, president of the ISPO (Institute for Public Opinion Studies), to coordinate a large-scale qualitative and quantitative survey on Enel's CSR. In addition to Renato

Mannerheim's technical supervision, the survey involved the Istituto Eurisko-GFK for the quantitative part (directed by Paolo Anselmi) and the Istituto Manners for the qualitative part (directed by Paola Arrigoni).

The objective of the study was to explore how Enel's different stakeholders perceive the Company's corporate social responsibility by showing the quality of their relationship with the Company and the possible areas of improvement for every specific target investigated.

The qualitative study was carried out by interviewing 18 suppliers, lenders, and institutions and through three focus groups conducted by researchers and psychologists in Milan, Rome, and



Naples with seven or eight Enel supervisors from different Divisions, to which were added 11 interviews in the rest of Italy.

The main themes: evaluation of the quality of their relationship with Enel, attitudes and opinions on corporate social responsibility (in particular, Enel's), their general and specific expectations with regard to the content of Enel's 2004 Sustainability Report, evaluation of Enel's Sustainability Report as a specific product. The quantitative survey was carried out through interviews with 4,040 Enel customers, 728 representative people between 14 and 25 years old (in order to analyze the expectations and opinions of the so-called "future generations"), and 99 retail investors. The overall sample of more than 4,800 people is also considered the stakeholder "community".

The analysis regarded: an overall evaluation of Enel, CSR and Enel's image profile; the perception of Enel's attention to the different stakeholders; expectations of the Company; and the familiarity with and credibility of Enel's payoff (the line under the Company's logo: "Energy in Tune with You").

Here, in order, are the results:

- > an overall evaluation of Enel's CSR;
- > relations with Enel: image and expectations;
- > the Sustainability Report as a product (excluding customers, shareholders, and future generations).

For each theme, the results are differentiated by target and summarized at the end of each section. ■

## Overall evaluation of Enel's sustainability

In the opinion of suppliers, lenders, and institutions, CSR is useful for protection and self-protection. In everyone's opinion, in effect, corporate responsibility represents a "protective device" that the company itself sets up to protect "the environment" (both natural and social) in order to limit any damage that might be caused by its activities and to extend to the largest number of stakeholders the advantages deriving from those activities. In this way, the company indirectly also protects itself by increasing the legitimacy of its operations.

Enel's statement of corporate social responsibility is an indication of a style that is more open and more attentive to the context in which the Company carries

out its activity and is symptomatic of the fact that Enel has started to reflect. But it is not yet entirely clear what it is aiming for, what it is prepared to give up, and what it is betting on. In effect, people definitely agree with Enel's CSR propositions, but for many of them they are still too generic.

Among those interviewed, the "defenders" maintain that this depends on the fact that CSR should express a basic ethics, bound to common sense, around which to channel the broadest agreement possible. If the propositions were "disruptive", they would produce factions, divisions, and opposing stances, so they have to be "easy" in order to produce the broadest consensus possible. ➤



Pietro Danilo Modica, *Summer is Starting*

The “detractors”, on the other hand, maintain that this depends on the fact that Enel is “obliged” to elaborate its CSR because the largest companies that produce and distribute energy do it, and the “choice” of issuing a CSR statement is dictated by a need to be competitive. At present, Enel is guided by a virtuous “intention”, but not necessarily by virtuous behavior.

For employees, CSR constitutes a good starting point, especially for communicating with the outside world. A common way of interpreting CSR emerges from the interviews, which:

- > observes that the Company's relationship with investors and the outside world in general is central;
- > emphasizes especially its role in projecting the Company's image and assigns it a secondary role with regard to internal relations.

In the spontaneous memory of the interviewees, Enel's CSR is essentially based on the values and elements that generally characterize its sustainability policy. However, they do emphatically bring up the subject of environmental responsibility, which is perceived as the one that most characterizes the Company's CSR. A reading of the basic concepts of Enel's CSR enabled them to define corporate responsibility more precisely and to provide an assessment, which in general is positive.

In effect, they recognize the Company's commitment, which in any case seems praiseworthy, regardless of the reserva-



Luciano Pezzolo, *Strength Transformed into Energy*

tions expressed. The formulation of a CSR program is experienced as a further step in the evolutionary process begun with the establishment of the Ethical Code. Albeit still partial, its implementation has begun to have positive repercussions, especially in terms of safety and environmental protection, but also with regard to institutional and internal communication. The interviewees note, however, the weakness of the monitoring system – of checks and tests of its adequacy and implementation – especially within the Company. But the public in general also and especially criticizes the role so far assigned to human resources, which is perceived as partial, especially with regard to making the most of capabilities. This is an aspect of corporate policy that perhaps goes beyond CSR, but seems central to the needs expressed by employees in their relationship with the Company. To this should be added the growing demand for involvement in the planning and implementation of CSR.

For the community (shareholders, customers, and future generations), the overall assessment of Enel is positive

(59%) and does not show significant variations in the different socio-demographic segments of the population. The critical evaluations are definitely limited (8%), whereas almost a third of the sample (29%) expresses an intermediate opinion (“so-so”), a position that may reflect a suspension of judgment or a lack of information.

Definitively more positive than average (69%) is the judgment of shareholders, a more informed segment, which has been able to come to its decision to invest on the basis of a positive representation of Enel and which – as the data on its image profile confirm – still has a positive perception of the Company.

The opinions of customers correspond to the average, whereas the future generations are less critical. A majority of the sample (51%) considers Enel very or fairly credible with regard to research, production, and promotion concerning renewable energy, while a third (33%) suspend judgment or are uncertain and 16% express a definitely negative judgment. Attitudes cut across the segments, with the highest positive peaks (67%)

being found among the shareholders. Enel's payoff ("Energy in tune with you.") turns out to be very well known, being recognized by two-thirds of the sample. The percentage rises to 85% among the shareholders and falls to 62% among the young people. The credibility of the payoff is also high (55%), with a positive peak among the shareholders (59%).

In sum, then, for employees as well as for suppliers and institutions, at present CSR mainly constitutes a by now essential instrument for communication that enhances the Company's image among the different stakeholders (especially shareholders and communities in a broad sense), attesting the adoption of an advanced corporate culture and providing a new competitive lever in an ever tougher market. Enel's CSR is certainly a good starting point, which could be further improved by establishing more precise objectives and especially by providing for a more stringent monitoring system.

Among employees there emerges in particular a widespread need for a greater sense of belonging and more involvement in the promotion of the Sustainability Report, beginning with recognition of and satisfaction with their role.

At the broader community level, Enel's reputation turned out to be good, as can be inferred from the generally positive judgment of the Group, as well as from the good credibility of the payoff and the acknowledgment of Enel's commitment to research on and promotion of renewable energy. ■

## Relations with the Company: image and expectations

The lenders (that is, the banks to which Enel turns for financial services and current borrowing) are the ones who express the most positive judgment with regard to their relationship with Enel: a sought-after, solid, stimulating, reserved, and fair client. But even though they esteem them, the lenders have aspirations with regard to some of Enel's characteristics. The Company is considered a "conservative" client. It communicates, but does not involve the lenders as advisors, and is so large that it tends to do everything itself.

With respect to the aspirations and ex-

pectations assumed for the stakeholder "lenders" and included in 2004 (volume, use, and quality of the debt; confidence of the financial and final markets; short- and long-term prospects), these are amply confirmed.

On the other hand, talking about their relationship with Enel, institutions point out that the Company is more and more focused on its core business, that it is more transparent and demanding than it used to be, and that it is determined to transform its large size into "power" and "value".

The requests of the stakeholder "institutions" that Enel included in the ➤



Luciano Bencivinni, *A Torrid Summer Day*

Sustainability Report (fairness and transparency in carrying out its activities, participatory communication, and concreteness) are generally confirmed by the institutions themselves, but they could be more specific and concrete, while the indicators that measure the relationship can be improved.

Although they show a certain degree of satisfaction and express pride in working for Enel, whose punctuality in making payments they value, the "supplier" stakeholders are the ones who emphasize most the aspects that need improvement and thus those for which there are the highest expectations. In particular, they express unease because of a bargaining policy they feel is "extenuating"

and procedures regarding disputes that are still too slow, and after the end of large investments in infrastructure see Enel as no longer interested in partnerships for growth.

With respect to the aspirations and expectations included for suppliers (an increase in orders, quality of the relationship, punctual payments, and rapid and clear procedures), they are partially confirmed by the suppliers, who, however, complain that in other ways these have been disregarded. They appreciate the indicators, but think they can be improved. What emerges from the "employee" stakeholders as the central theme of their current experience of the Company is the complex evolution of the latter from its

origins (a public and monopolistic body) to a more modern corporate culture. A new Enel identity has been establishing itself, especially for employees who are younger (in age or in seniority at Enel) and more "modern" (more connected with marketing and with work experience in other large companies). This identity is seen as more geared to the new challenges of the market and the requirements of a European and international dimension, more dynamic and proactive in reasserting the Company's role as a leader in the energy industry, and more attuned to the subjects of customer satisfaction, enhancement of the corporate image, and increased communication. An identity, finally, that is aware and attentive in



Claudio Lorenzini, *The Seasons of Energy*





Rodríguez Rivero-Almudena, *Tierra, agua, fuego y viento*

considering the social and environmental impacts of its activities and the concept of sustainability as the center of corporate culture.

There is a counterweight, though. The development and complete affirmation of this identity seem to be held back by the deep-rooted original corporate culture, which is perceived as somewhat bureaucratic, static, and not very open to innovations (evaluation of the “modernist” part of those interviewed).

Finally, the new image is not free from worries, especially for those who fear excessive conditioning by an “excessive/aggressive” market mentality and policy (evaluation of employees who are “older” in terms of age and seniority in the Company and the more “unionized” ones).

With respect to the expectations that Enel included in the Sustainability Report (management according to ethical principles and observance of the Ethical Code, equal opportunity for professional development, job satisfaction, pay proportionate to one’s job, training, a healthy and safe workplace, social institutions, fair industrial relations, and transparent, effective

and widespread internal communication), the examination of the list resulted in generally positive evaluations. In effect, the list of needs considered seems generous, varied, and to a large extent exhaustive with respect to the subjects felt to be the most important. Overall, the interviewees express the same priorities as those identified in the Report.

They do confirm, however, their request that more weight be given to “job satisfaction”, which ranked second, if not equal first with “management according to ethical principles”; to the subject of “communication”, which tends to rank in the middle of the list rather than at the end; to “professional training”, which should be considered an item by itself and ranks right behind the first three or four concerns; to a broad interpretation of “equal opportunity”, which should thus be broken down into several items (in addition to the absence of gender discrimination, the interviewees feel there is a need for opportunities based on merit and not on academic qualifications, chance, or the power of one’s “boss”); and to the guarantee of professional de-

velopment that respects individuality and different personal and family situations, especially with regard to the needs of employees who are parents (mothers, but also fathers).

The “community” stakeholders (shareholders, customers, and future generations) express a mainly positive opinion, and consider Enel’s leadership in the industry, institutional communication, financial solidity, advanced technology, and service penetration and efficiency to be particularly positive. They believe, however, that there should be improvement in the research and development of alternative energy, environmental communication – with particular regard to the communities where Enel installs its power stations – and the costs of the supply.

The shareholders are distinguished by an image profile that is definitely more positive on all the aspects investigated – they are in line with the average only with regard to information, advertising, attractiveness, and customer care – and by a higher level of expectations, especially concerning the research and development of alternative energy sources: one out of three thinks it is the top priority.

Young people are almost perfectly in line with the average evaluations of the different aspects of Enel: more positive about information and advertising, but more critical with regard to various aspects of the service, about which they are generally less informed. And they are also the ones with the lowest level of expectations: 68% do not know/do not specify. ➤

In the general perception of the "community" (a sample of more than 4,800 people), Enel in any case pays more attention to some stakeholder categories than to others: shareholders (56%), customers (42%), employees (39%), future generations (30%), residents in the areas of the Company's industrial activity (26%), and socially weak categories (24%).

The (many) lights and the (fewer) shadows of the mass public's image of Enel are identified in symmetrically similar fashion by institutions, lenders, and suppliers, who think that the average citizen's image of Enel is determined by:

- > the efficiency of the supply service (very much): its strong point. It is based on a fine-meshed network throughout Italy and problems of inefficiency rarely occur;
- > the cost of the supply for customers (a lot): the rates parameter creates a situation that is not completely favorable to Enel, mainly because of the prejudice against monopolists. But the situation should evolve positively with the liberalization of the regulated market;
- > the environmental impact of its policies (not much, but more and more in the future): the environmental-impact parameter creates a situation that is not completely favorable to Enel.

All in all, as far as image and expectations are concerned, the relationship with Enel is solid and deep at all levels: lenders, suppliers, institutions, employees, and communities. It has the status of a necessary bond that cannot be ignored. To



Antonella Fischetti, *Heat*

be sure, there are several aspects that could improve it. To Enel's lenders (the most enthusiastic group), it must continue to transmit solidity and an interest in growth. To its suppliers (who are the ones with the highest expectations of the Company), Enel must ensure a style of negotiating "on an equal footing".

To citizens in general, Enel has to show that it is doing "its best", and not just "better than before" (which, however, is acknowledged), using currently available technologies and, in particular, manag-

ing its relations with the communities that must host its plants transparently and attentively, including with the help of local or other institutions.

To its employees, Enel must ensure a closer relationship between what it says it is (the new Enel) and what it does, committing itself to improving the new internal organization and making it clearer, without forgetting the ethical commitment that should lead it to protect the rights of its employees and enable them to develop their potential. ■

## The Sustainability Report as a product

The document was not submitted to customers, shareholders, and future generations, because they were interviewed by telephone. The supplier, lender, institution, and employee categories are not very familiar with the "Sustainability Report" product, but it is unanimously valued as a product for external/institutional communication, aimed especially at retail shareholders and the well-informed public and considered useful for:

- > external people, to give Enel "a face", that is, to learn things about the Company that they didn't know;
- > giving it a "socially valued" image of a "saver", and not only a producer and distributor, of energy;
- > disseminating credibility around the Group;
- > including indicators excluded from conventional financial statements and other reports.



Everyone values in particular the esthetic and graphic level and the general style of the instrument: elegant, attractive, vivid (with a lot of pictures and colors), produced with care, and with a commendable cultural approach (appropriate for those who want to become informed consumers of energy). According to employees, the smaller format is easier to consult, has a more informal and accessible image, and thus is more suitable for internal resources. All categories consider it an instrument that has become indispensable for transmitting the image of a company in step with the times. The stakeholders appreciate Enel's effort to inform the public (more the public at



Giuseppe Macri, *Autumn Gulls*

large than specific segments) of its actions in defense of both the physical and the social environment, as well as its commitment to transparency and to increase both the Company's visibility and its credibility, by making Enel's "face" accessible to everyone.

The consideration emerges, however, that the current form of the Sustainability Report seems more appropriate for a "great institutional campaign" than for a report for the stakeholders interviewed: employees, suppliers, lenders, and institutions. In a certain sense, these interviewees take it for granted that communication between them and Enel is, or at most should be, more detailed and targeted than in a Sustainability Report that is addressed to everyone.

In sum, the Sustainability Report product is judged very positively and considered indispensable as a product for external and institutional communication. Highly regarded at the level of style and graphic form, the result is considered attractive and elegant, with a cultural slant. The content is fine for the general public, the "community", or retail shareholders, but otherwise (the point of view expressed mainly by employees) the subjects should be treated in greater depth, and those directly concerned should be involved and given more say in choosing and investigating them.

## A Master's exam

As part of its activities in support of universities that dedicate attention to the subject, Enel's CSR unit asked the students enrolled in the Master's program in Management and Corporate Social Responsibility at the Pontificia Università San Tommaso - Angelicum in Rome to carefully examine the 2004 Report to Stakeholders and make suggestions for improvement. Coordinated by two teachers, the students thoroughly studied last year's Sustainability Report and provided a number of suggestions, many of which were adopted in the preparation of this edition of the Report. Among the suggestions were the survey to measure to what extent Enel's sustainability corresponds to the expectations of its stakeholders, the description of critical situations (that emerges from the survey of the stakeholders), a more thorough treatment of the Company's presence in the press (with a precise report on the negative articles), and

extending the initial declarations to all the stakeholders. We clarified the structure of the electricity and gas rates, carefully reported the work that allows customer satisfaction, and considered the position and role of our competitors when it was relevant. We also adopted the suggestion to prioritize the expectations of the stakeholders, which can be seen in this edition in the table on page 17. On the other hand, we did not adopt the suggestion to reduce the number of indicators published at the end of this Sustainability Report, because we think they provide a very complete view of the Company, nor did we accept the proposal to integrate the indicators with the text, because the descriptive part is useful for explaining the various aspects of the reality in which the Company's carries out its work. We would like to thank the Master's students for their contribution to the improvement of the Report.



## AN OPEN DIALOGUE WITH ALL STAKEHOLDERS

Part of Enel's mission is to pursue the interest of its shareholders, but it cannot view this interest as separate from that of Italy as a whole and all the components of society. Therefore, the purpose of including the principles of corporate responsibility in its Ethical Code and its industrial strategy is neither to have at its disposal a means of communication to increase its reputation nor to perform its duty of protecting its interests with a kind of preventive defense from possible objections by its stakeholders. Enel does even intend to use its CSR to promote its initiatives and achievements through the celebration of its identity or to consider merely as useful to its interests what is a voluntary act based on a clear commitment to corporate ethics: social responsibility.

Important objectives such as reputation, enhancement, and protection are neither primary nor determinant in the commitment, but rather a consequence of the application of ethical principles to the conduct of corporate activity. Enel thus believes that its role should be more and more oriented to offering its stakeholders proposals that lead to their involvement and the greatest possible sharing of its activity, as revealed by all the surveys and by the analysis of the interests expressed, as

reported on the preceding pages. It is obvious, however, that there are numerous conflicts among the interests of the different stakeholders. What is important, or even a priority, for some is not for others.

The table on page 17 lists the stakeholders and compares them with regard to 38 areas of interest they consider of prime importance. The degree of concern (greater, lesser, inexistent) of each stakeholder for each area of interest is indicated graphically. This table highlights the opposed interests among the stakeholders.

The questions that matter to all categories, indiscriminately and at the highest level, can be summarized in four areas:

- > communication, ethics, and fiduciary relations;
- > professional competence and good governance;
- > development of research and energy efficiency;
- > responsibility with regard to economic, social, and especially environmental risks.

These areas show several basic values that, according to the surveys carried out, stakeholders attribute to Enel as a solid and important group with great potential for innovation and development, especially after its more or less recent transformations



Antonino Cirrincione, *Waiting for Spring*

(beginning with its privatization and listing on the stock exchange).

Then there are issues that are of great interest to all stakeholders:

- > health protection and safety;
- > services: quality and modernity of the service and proposals of new services to customers;
- > social and environmental sustainability of the Company's growth strategies and industrial installations, effective governance of the environment, emissions reduction, waste recovery, reduction of internal consumption of energy and water, reduction of the use of raw materials.

Other issues that interest almost everyone:

- > positive performance of Enel shares on the stock market (except for customers and communities);
- > volume, use, and quality of debt (except for customers and suppliers);
- > development of renewable energy sources (except for shareholders and lenders);
- > relations with local, national, and in-

ternational institutions (except for customers and suppliers).

To be sure, the priorities of "Communities/associations" do not include the quality of internal communication, the performance of the Company's shares, or the long-term sustainability of investment in them, and the rates customers are charged or prospects for an increase in orders for suppliers are not among the main concerns of employees, but this does not mean that Enel is not attentive to these aspirations of its stakeholders.

On the other hand, shareholders, lenders, customers, and future generations express interests that are similar and, all in all, the most universal:

- > for shareholders, lenders, and future generations, the long-term sustainability of investment in Enel's stock;
- > for customers and future generations, more equitable and transparent rates and equal opportunity for professional development for employees (here a process of identification at the sociological level is probably taking place);
- > for the future generations, training is also important.

Suppliers are obviously mainly interested in an increase in orders, punctual payments, and procurement procedures. These conclusions emerge from the interpretation of surveys and data, whose degree of precision will be verified by further research. Highlighting the conflicts, however, should lead to the determination of the real objective of corporate responsibility: agreement on the corporate

mission in order to obtain the equilibrium that constitutes the present and future sustainability of the Company.

A company that is attentive to ethics – which is by its nature not negotiable – could claim that the channels of communication and cooperation that it has established for the benefit of its stakeholders are sufficient for the management of a proper relationship. But, for example, the unit that maintains relations with retail shareholders, the numerous telephone, IT, and paper channels that reach customers regarding any transaction (or protest), and the direct contacts with suppliers are only a few aspects of the dialogue. The representative stakeholder associations, which are necessarily the most important for large companies, thus become crucial to the solution of the contrasting interests among the various groups. The stakeholder first attains self-awareness, that is, awareness of being "someone who has an interest at stake, who may be affected – directly or indirectly – by the strategic and operating decisions of a company or an institution and, precisely for this reason, feels entitled and authorized to express an opinion on the latter's conduct". The stakeholder may then decide to join associations that not only defend his interests, but also represent him by taking care to bringing his objectives into the projects of the company or institution. This process is necessary to obtain a balance among the different, more or less strong interests and to prevent the latter from clashing with each other. >

## ENEL'S MISSION

“Enel's mission is to be the most efficient producer and distributor of electricity and gas, emphasizing the market and the quality of its service, with the goal of creating value for its shareholders, satisfying its customers, and fostering the potential of all the people who work for it”

For Enel, the necessity is to interact with its stakeholders on three different levels. Furthermore, in order to create or strengthen trust between two or more parties, the relationship must be supported by two-way, transparent communication between them. “Energy in tune with you” is not only Enel's effective advertising slogan, but also a rule of conduct that is increasingly shared, useful, and necessary for the Company's growth. Enel is thus in tune on three levels.

1) The first is that of a direct, open, and transparent dialogue with individual stakeholders and is reflected in the ability to both interpret and satisfy specific needs:

- > call centers that are easily accessible and quickly provide effective answers
- > analysis of customer “feeling” through market surveys
- > Internet site with simple and complete information
- > quick responses to complaints
- > information channels that are always open for retail shareholders
- > portals dedicated to suppliers with dialogue windows on procurement procedures.

This is only a partial list of the Company's possible ways of staying in tune. On this level, Enel will maintain a high degree of availability for listening and providing quick and effective answers.

2) The second level is that of a dialogue with stakeholder associations. The procedure here provides for informing all the

interest groups of the Company's plans and objectives. Thus Enel meets consumer and environmental associations, financial analysts, and trade-union organizations both individually and in groups. During the meetings the Company explains the essential features of its business plan from the economic, environmental, and social points of view, as well as their consequences with regard to the single stakeholder categories. The communication phase is normally followed by a pause for reflection and, subsequently, one of listening to the different requests that emerge from the analyses carried out by the associations. This process should increasingly produce counter proposals, objections, closer examination, and improvements to be discussed until the highest degree of agreement possible has been reached (see page 125).

3) The third level regards the manage-

ment and – as far as possible – the reconciliation of the conflicting interests of stakeholders. The environment requires the use of cleaner, but more expensive energy. Customers demand the least expensive service possible. Shareholders want the largest possible dividend. Employees want more consideration given to fundamental rights, security, and training, but also higher pay as well. Suppliers want more orders, regardless of production requirements.

Therefore, it is necessary to strike an essential balance among all these demands without losing sight of the Company's mission. Enel is committed to participating in the search for an agreement with which everyone can identify, because they have made reciprocal concessions and established procedures for carrying out an industrial project in all the countries where the Company operates. ■



Francisco Madrid Pérez, *Luces al amanecer*



## STAKEHOLDER INTERESTS (Level of interest: ● high; ○ medium; ● nil)

	Shareholders ▽ Financial analysts	Lenders ▽ Financial analysts Rating agencies	Human Resources ▽ Union organizations	Customers ▽ Consumer associations	Suppliers ▽ Business associations	Institutions ▽ Governments (foreign, national, local)	Future Generations ▽ Environmental associations	Communities ▽ Local interest groups
Share performance on stock market	●	●	●	○	●	●	●	○
Fiduciary relationship and widespread, clear, and transparent communication	●	●	●	●	●	●	●	●
Control of economic, environmental, and social risk	●	●	●	●	●	●	●	●
Effective corporate governance	●	●	●	●	●	●	●	●
Long-term sustainability of stock investment	●	●	●	○	○	●	●	○
Volume, use, and quality of debt	●	●	●	○	○	●	●	●
Management according to ethical principles and observance of Ethical Code	●	●	●	●	●	●	●	●
Equal opportunity for professional development of employees	○	○	●	●	●	●	●	●
Employee job satisfaction	○	○	●	○	●	●	○	●
Pay raise for employees	●	●	●	○	●	●	○	●
Training	○	○	●	○	●	●	●	●
Safety and health protection	●	●	●	●	○	●	●	●
Social institutions for employees	○	○	●	○	●	●	○	●
Fair industrial relations	○	○	●	○	●	●	○	●
Transparent, effective, and widespread internal communication	○	○	●	●	●	○	○	○
Service quality and modernity	●	●	●	●	○	●	●	●
Fair (low) and transparent rates	●	●	○	●	●	●	●	●
Proposals for new services for customers	●	●	●	●	○	●	●	●
Increase in orders for suppliers	●	●	●	●	●	○	●	●
Punctuality in paying suppliers	●	●	●	●	●	●	●	●
Rapidity, clarity, and transparency of procurement procedures	○	○	●	○	●	●	●	●
Environmental and social sustainability of growth strategies	●	●	●	●	○	●	●	●
Effective environmental governance	●	●	●	●	○	●	●	●
Reduction of all emissions	●	●	●	●	○	●	●	●
Waste recovery	●	●	●	●	○	●	●	●
Reduction of internal consumption of energy and water	●	●	●	●	○	●	●	●
Reduction of use of raw materials	●	●	●	●	○	●	●	●
Development of research	●	●	●	●	●	●	●	●
Increased energy efficiency	●	●	●	●	●	●	●	●
Development of renewable energy sources	○	○	●	●	●	●	●	●
Respect for biodiversity	○	○	●	●	○	●	●	●
Social and environmental sustainability of industrial installations	●	●	●	●	○	●	●	●
Availability of channels for direct dialogue with Company	●	●	●	●	●	●	●	●
Relations with associations representing interest groups	●	●	●	●	●	●	○	●
Initiatives in favor of communities	○	○	●	●	○	●	●	●
Charity	○	○	●	○	○	●	●	●
Relations with international, national, and local institutions	●	●	●	○	○	●	●	●
Relations with the media	●	●	●	○	●	●	○	●

# SUSTAINABILITY PLAN 2006-2010

Guidelines by Division	Generation and Energy Management	Market	Infrastructure and Networks	International
Objectives	<ul style="list-style-type: none"> <li>&gt; Attain positions of international leadership in energy efficiency</li> <li>&gt; Optimize thermal power plants</li> <li>&gt; Leadership in renewable energy</li> <li>&gt; Minimize environmental and litigation risks</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Strengthen customer trust and loyalty</li> <li>&gt; Continue the promotion of informed consumption</li> <li>&gt; Personalization of service and direct communication with customers</li> <li>&gt; Complete and accurate information</li> <li>&gt; Further improvement of service standards and their assessment</li> <li>&gt; Become a European reference model</li> <li>&gt; Development of socially responsible products</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Ensure satisfaction of the demand for electricity</li> <li>&gt; Minimize network leakage</li> <li>&gt; Further reduction of supply interruptions</li> <li>&gt; Rationalize network, including in cooperation with local governments</li> <li>&gt; Continue adapting plants to preserve/enhance the environment and landscape</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Search for new opportunities for growth in renewable energy</li> <li>&gt; Bring the performance of the foreign subsidiaries up to the general Group standards</li> <li>&gt; Develop the environmental management system and complete the process of environmental certification of plants</li> <li>&gt; Bring the standards of environmental safety up to the general Group level</li> </ul>
Action areas	<ul style="list-style-type: none"> <li>&gt; Optimization of technology and fuel mix</li> <li>&gt; Continual research and development for adoption of clean technologies (clean coal and hydrogen)</li> <li>&gt; Development of renewable energy</li> <li>&gt; Environmental certification</li> <li>&gt; Protection of tangible and intangible corporate assets</li> <li>&gt; Further reduction of emissions</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Expand call center activity to assist linguistic minorities in Italy</li> <li>&gt; Dissemination of high-efficiency products for civil and industrial use</li> <li>&gt; Promotion of differentiated rates and related savings</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Improve level of service quality</li> <li>&gt; Promote energy efficiency in final uses</li> <li>&gt; Extend to the gas network the certification systems that already exist for the electricity network</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Promote the dissemination of the Ethical Code and the culture of sustainability</li> <li>&gt; Develop training plans and disseminate the instruments of knowledge management</li> <li>&gt; Ensure the safeguard of the rights of all employees</li> <li>&gt; Make the improvement of environmental safety and health standards a priority</li> <li>&gt; Implement measures of risk prevention through a system of inspections at contracting companies</li> </ul>
Commitments	<ul style="list-style-type: none"> <li>&gt; Broaden dialogue with institutions and communities in areas subject to extensive industrial conversions and restructurings</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Upgrade level of offer and services to customers in the distribution companies acquired abroad</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Maximize the synergy deriving from the integrated management of the gas and electricity networks</li> <li>&gt; Ensure constant recourse to innovation and development in the areas of efficiency recovery</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Be an engine of development in the countries in which Enel operates by contributing to the dissemination of a corporate culture respectful of the relation with stakeholders</li> </ul>
Challenges	<ul style="list-style-type: none"> <li>&gt; Put Enel's strategic decisions in appropriate perspective, sharing them with stakeholders and obtaining the necessary operating legitimization</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Transform "customer value" into "value for the customer"</li> </ul>		<ul style="list-style-type: none"> <li>&gt; Make the industrial and commercial practices in the different affiliates uniform, while respecting local specificities and observing the best practices at the Group level</li> </ul>

Also for 2006, the operating heads of the Enel Divisions received the Chief Executive Officer's "Plan Letter", which contains the guidelines for developing the sustainability plan. The Letter contains the objectives that

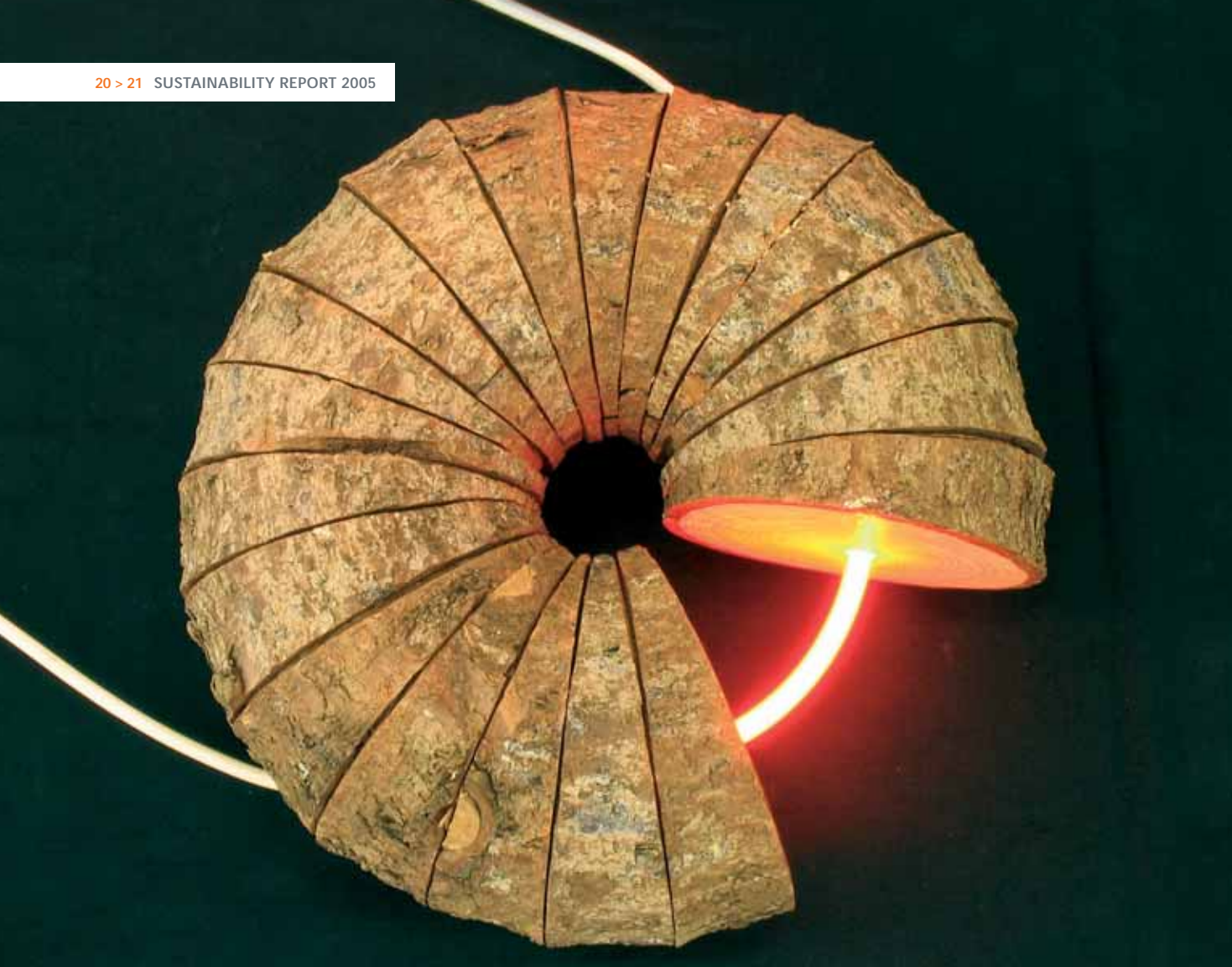
the Divisions must set for themselves individually and specifies the areas of general action. Similarly, it specifies several common assumptions that must be followed. The Letter is the basis for the specific action



Common Guidelines	Corporate Atmosphere	The Individual	Health and Safety
Objectives	<ul style="list-style-type: none"> <li>&gt; Motivation and welfare</li> <li>&gt; Attraction and retention of the most talented human resources</li> <li>&gt; Equal opportunity</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Make the most of individual capabilities</li> <li>&gt; Perception of Enel as the ideal place to work</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Maintain high standards of on-the-job health and safety</li> <li>&gt; Continue promoting safety for contracting companies and third parties</li> </ul>
Action areas	<ul style="list-style-type: none"> <li>&gt; Create a corporate atmosphere based on shared values</li> <li>&gt; Implement a policy on human rights</li> <li>&gt; Plan internal communication on the Company's values and objectives aimed at the entire Group</li> <li>&gt; Continually promote a policy of equal opportunity</li> <li>&gt; Develop systems for assessing the corporate atmosphere</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Improve and intensify training</li> <li>&gt; Disseminate systems of knowledge management</li> <li>&gt; Extend evaluation processes</li> <li>&gt; "Personalized" professional development paths</li> <li>&gt; Instill the culture of sustainability</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Expand measures for the prevention of and protection from risk</li> <li>&gt; Focus on training activities</li> <li>&gt; Certification</li> <li>&gt; Bring offices and industrial installations up to standard</li> <li>&gt; Intensify inspections</li> <li>&gt; Actions aimed at the protection of contracting firms and third parties</li> </ul>
Commitments	<ul style="list-style-type: none"> <li>&gt; Extend to all levels policies to make the most of professional expertise, respect differences, and ensure equal opportunity</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Disseminate corporate responsibility as a daily business practice and continue to include CSR goals in management by objectives</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Continue pursuing the objective of "zero accidents"</li> </ul>
Challenges	<ul style="list-style-type: none"> <li>&gt; Achieve equal quality in industrial relations in all the foreign affiliates of the Group</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Complete the preparation of the policy on human rights and equal opportunity valid for Group companies both in Italy and abroad</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Align policies regarding on-the-job health and safety for employees, whether direct or not, in all foreign affiliates</li> </ul>

plans for sustainability drawn up by the operating units. The latter are then included in Enel's sustainability auditing system. This table contains a summary of the goals for 2006. They do not differ essentially from those

for 2005, because the plan is a five-year one; that is, every year the five subsequent ones are taken into consideration. The duration of the action plans varies from a few months to the entire five-year period. ■

Stefano Zaratini, *The Woods in Winter*

## THREE INTEGRATED DIVISIONS

The following is a summary of the operating results of the three Enel divisions in 2005, together with plans for 2006.

### Generation and Energy Management Division

- > The EBITDA (earnings before interest, taxes, depreciation, and amortization) of the Generation and Energy Management Division amounted to 3,704 million euro.
- > A total of 112 billion kWh were produced, 15.3 billion more than planned in the budget.
- > The results obtained in 2005 by QUASAR (a project for operating excellence: see the details on page 97) in terms of efficiency, plant availability, operational predictability, and reduction of unbalancing led to significant

economic results: more than 50 million euro of benefits in one year.

- > In the field of renewable energy, new plants with a total capacity of 112 MW were started up in 2005 and the Division will continue to invest according to plan.
- > The 300 MW of additional capacity planned for 2006-2010 will lead to a reduction of CO<sub>2</sub> emissions, as well as to Green Certificates.
- > The new coal-fired plants represent a decisive technological improvement with respect to the old plants and will enable the Company to meet the much lower limits on emissions provided for in all current regulations and to produce electricity that is competitive even taking into account the CO<sub>2</sub> costs.
- > The market expects costs to be re-

duced more and more. Enel's response comes from operating excellence, with the total quality introduced by the QUASAR projects becoming a widespread mentality.

### Market Division

- > The Market Division closed 2005 with a sales volume that, with regard to electricity, amounted to about 20 billion kWh on the free market and 130 billion kWh on the regulated market, while as far as gas is concerned about 5.1 billion m<sup>3</sup> were sold.
- > In gas, it was the number one company in terms of 2004-2005 growth and consolidated its number two position behind Italgas, which is still the dominant company.

## 2005 economic results

- > EBITDA (earnings before interest, taxes, depreciation, and amortization): 7,745 million euro
  - GEM (Generation and Energy Management): 47.8%
  - MIR (Market, Infrastructure, and Networks): 48.3%

- > Pursuing the objective of growing on the free market in both the volume sold and the number of customers served, the Market Division is preparing to reach about 7.5 billion m<sup>3</sup> of gas and 80 billion kWh of electricity in 2010.
- > The Division maintained high levels of service to the regulated market, remaining Italy's benchmark company by introducing in 2005 important innovations in rates to foster energy saving and a more intelligent use of energy.

## Networks and Infrastructure Division

- > A consolidated presence in the electricity industry (an essentially stable 81% of the electricity distributed in Italy) and constantly growing in the gas industry (8% of the gas distributed, which will become 9.5% in 2010).
- > The cash-cost – a parameter that summarizes the expense per single electricity customer – decreased from 153 euro in 2001 to 119 in 2005, with a total annual saving of about one billion euro since 2005.
- > Scheduled for completion in 2006 is the Telegestore (Remote Manager) project, with more than 30 million electro-mechanical meters replaced by digital ones and an automated metering system without equal in the world in terms of complexity and extension.
- > In 2006, there will be more than 142 million automatic digital-meter readings and 6 million transactions at a dis-

tance such as connections, disconnections, power changes, etc.

- > Between 2001 and 2005, the cumulative length of interruptions per LV customer decreased by over 50% to about 63 minutes, one of the best performances in Europe. The figure takes into account not only the interruptions for which Enel Distribution is responsible, but also the damage caused by third parties (the so-called "external causes").
- > In the last 4 years, Enel has received bonuses amounting to over 450 million euro for having always exceeded

the quality targets set by the regulatory Authority.

- > Efficiency, innovation, and quality are the most important elements of the Division's strategy in the 2006-2010 Plan. The PEGASO project for optimizing the electricity network (PDA, work force management, automation and remote control of the network), risk-based allocation of investment, and the search for synergy between the electricity and gas networks will allow capital expenditure and operating expenses to be managed optimally and thus further improve efficiency. ■

### Enel's structure

#### Parent Company

##### Enel SpA

##### Generation and Energy Management Division Italy

- > Enel Produzione <sup>(1)</sup>
- > Enel Trade

##### Networks and Infrastructure Division Italy

- > Enel Distribuzione
- > Enel Rete Gas
- > Enel Sole
- > Deval

##### Market Division Italy

- > Enel Distribuzione
- > Enel Gas
- > Enel Energia
- > Enel.si
- > Deval

##### International Division

- > Viesgo Generación
- > Enel Unión Fenosa Renovables
- > Maritza
- > Enel North America
- > Enel Latin America

- > Viesgo Energía
- > Electrica Banat
- > Electrica Dobrogea
- > Electra de Viesgo Distribución
- > Enel Servicii
- > Enel Viesgo Servicios

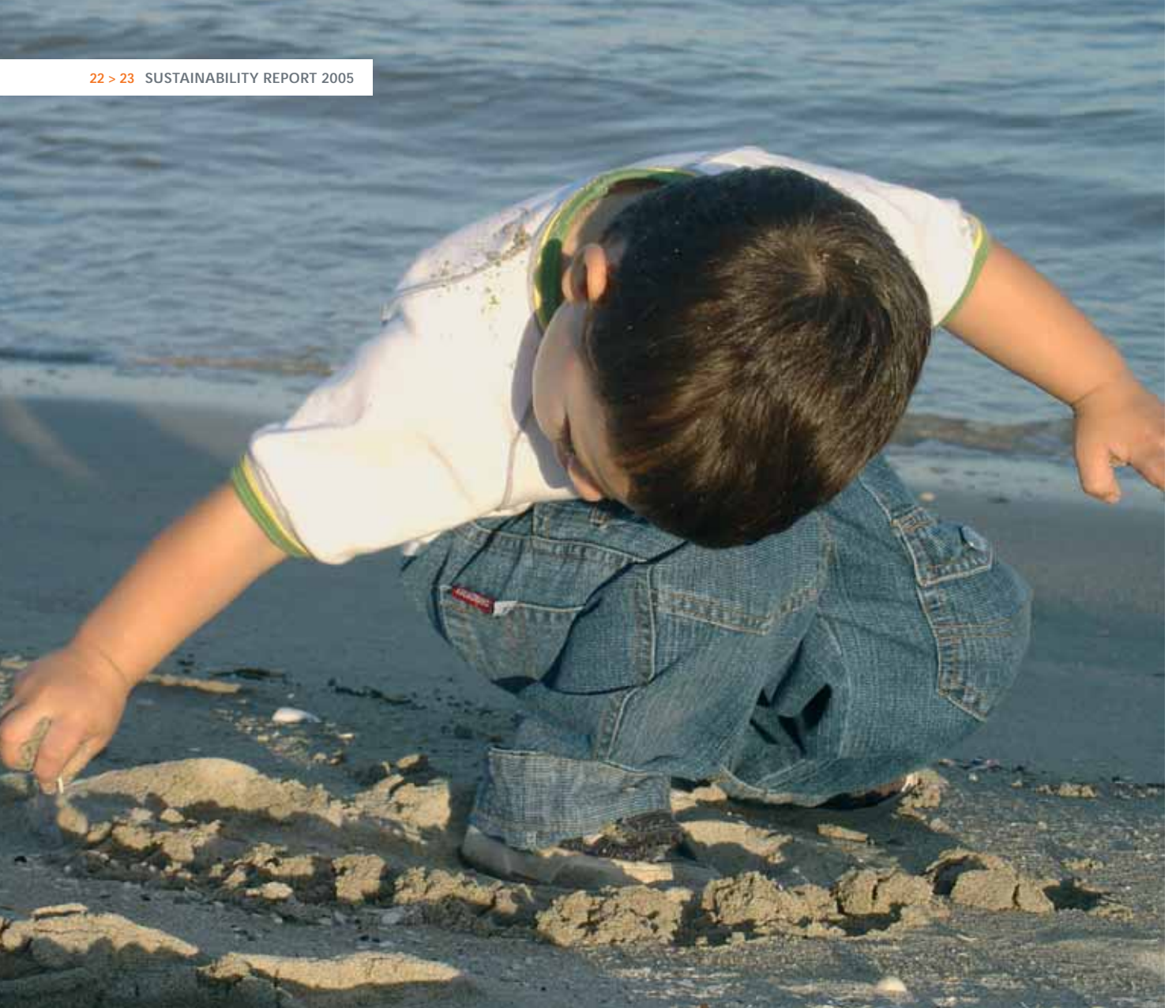
##### Services and Other Activities

- > Enel Servizi (formerly Enel Ape) <sup>(2)</sup>
- > Sfera
- > Dalmazia Trieste
- > Enelpower
- > Enel.NewHydro
- > Enel.Factor
- > Enel.Re

(1) On June 1, 2005, absorbed Enel Green Power, Enel Logistica Combustibili, and Conphoebus.

(2) On January 1, 2005, Enel Servizi (at the time Enel Ape) absorbed Enel.it and Enel Facility Management.



Riccardo Spada, *Youthful Energy*

# LOOKING AT THE FUTURE

According to the results of 2005, the picture one has of Enel is that of a solid, strong, and determined company. The briefest summary of the results shows increases in EBITDA (+10.6%), EBIT (+15.3%), and Group net income (+48%), as well as a decrease in financial debt (-49.8%).

All in all, this is a record situation, which for shareholders means a proposed dividend of 0.44 euro per share, in addition to the 0.19 euro per share paid as an interim dividend last November (Terna capital gain). All of that enables the Company's top management to express satisfaction for the excellent results achieved in 2005, which confirm a notable growth in profitability with respect to 2004.

Cost-containment actions, the continuation of the plan for converting generating plants, and the contribution of international operations point to an average increase in the gross operating margin of at least 3% a year until 2007. Additional growth could come from new acquisitions abroad.

## International scenarios

This is, ultimately, the key to the interpretation of these results, which are definitely oriented to new, stimulating scenarios, the most important of which – it should be recalled – is internationalization.

After the years of corporate restructuring, repositioning, re-designing, and strengthening (not only in economic terms, but also with regard to efficiency, service quality, and technological innovation), the season has arrived in which doing business on a planetary scale seems to be a decisive challenge. It is a European challenge, which will differentiate the small group of large energy companies from the rest of the competitors. This is a challenge that is destined to change the global energy scenario and that Enel does not want to, and cannot, avoid. In this context, the excellence of the approved financial statements is merely the preparation of the instruments for coping with it. But let's have a closer look at these numbers.

## Financial statements according to international standards

Enel's Consolidated Financial Statements for the year ended December 31, 2005 were prepared according to international accounting principles. The International Financial Reporting Standards (IFRS), formerly called the International Accounting Standards (IAS), establish the basic principles that, according to EC regulation number 1606 of 2002, ensure an improvement in the comparability of the financial statements and the transparency of the accounting and financial information produced by the companies listed on regulated markets in the European Union.

Sales revenue amounts to 34,059 million euro, up 9.8% with respect to 2004 (31,011 million euro). The increase is due in particular to: the start-up of the Electricity Pool and the Single Buyer having become fully operative, because as from that date electricity trading – which used to take place within the Group – has been carried out with external parties, with a consequent increase in revenue and costs, and to the revenue earned abroad in the amount of 1,427 million euro, thanks to energy trading and the generation and distribution activities carried out by the foreign subsidiaries.

EBITDA (the gross operating margin) amounts to 7,745 million euro, down by 326 million euro (-4%) with respect to 2004 (8,071 million euro). Net of the reimbursement of past stranded costs made in 2004, EBITDA in 2005 is up by 10.6% with respect to the previous year (7,003 million euro). The Generation and Energy Management Division records an increase of 438 million euro (up 13.4%), while the Market Division and the Infrastructure and Network Division show an increase of 207 million euro (up 5.9%). The EBITDA of the Parent Company and the Services and Other Activities Area is also up, recording an increase of 98 million euro.

EBIT (operating income) amounts to 5,538 million euro, down by 332 million euro with respect to 2004 (-5.7%). Net of the reimbursement of the stranded costs made in 2004, EBIT is up by 15.3% in 2005, with an increase of 736 million euro with respect to 4,802 million euro in 2004.

Group net income for the year amounts to 3,895 million euro, an increase of 1,264 million euro (+48%) with respect to the previous year.

The consolidated balance sheet as of December 31, 2005 shows total net shareholders' equity of 19,416 million euro (19,066 million euro at the end of 2004) and net financial debt of 12,312 million euro (24,514 million euro at the end of 2004), a reduction of 12,202 million euro. This reduction is due mainly to the disposal of the controlling shareholdings in Terna and Wind that took place during 2005.

All in all, the situation inspires confidence and optimism. ■

## The judgments of the analysts

**Goldman Sachs:** recognition of the results, which are marginally better than those expected by the merchant bank's analysts, who express the positive judgment of "outperform". The target price is set at 7.75 euro per share, while the total dividend yield is estimated to be among the highest in the industry.

**Intermonte:** the Montepaschi group's SIM confirms its "outperform" judgment on Enel's shares and sets a 12-month target price of 7.94 euro, emphasizing how the results correspond to expectations and how the international activities are bearing fruit. The dividend policy is also considered very good.

**Mediobanca:** this prestigious merchant bank also rates Enel's shares "outperform", while the target price is confirmed at 7.7 euro. The 2005 results are considered to be in line with expectations. Mediobanca foresees that by the end of 2007 the international activities will constitute 11% of EBITDA.

**Citigroup:** this brokerage firm's judgment on the shares is "buy" (that is, they constitute a good investment opportunity), with the target price set at 7.6 euro. Enel is considered reliable, with more certain and less volatile profits than other utilities in the industry, partly thanks to the clarity of its growth objectives and the promise of good dividends.

**Morgan Stanley:** this prestigious brokerage firm sets the target price at 8.7 euro. It has a very positive opinion of the total yield, which potentially amounts to 33%, the best in the industry. The judgment on energy sales is also positive, given – among other things – the capacity already sold for 2008 and 2009.

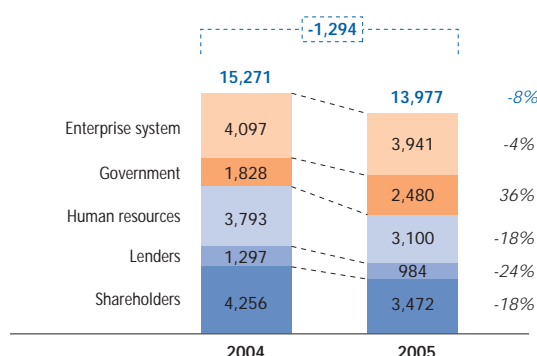
**Dresdner Kleinwort Wasserstein:** the Dresdner Bank's investment bank believes that Enel's shares are undervalued, but that investors need more visibility on the Company's international acquisitions. The judgment remains "add", with a target price of 7.3 euro.

**Centrosim:** the analysts of the Banche Popolari Italiane's Società di Intermediazione Mobiliare consider that, in a longer time frame than that of the short term and at current prices, Enel's shares are "buy". Target price: 7.6 euro.

**Banca Akros:** "Accumulate" is the judgment that the research institute of the Banca Popolare di Milano expresses on Enel's shares. Its assessments are positive with regard to growth abroad, generation performance, and the dividend policy. The target price is set at 7.6 euro.

**JP Morgan:** the shares are rated "neutral", with a target price of 7 euro. With regard to generation, this international brokerage firm believes that Enel should invest more in wind energy in Italy and recommends a "more ambitious" acquisition policy.

## 2005 Gross Total Value Added (millions of euro)







## 468,000 SHAREHOLDERS PURCHASE THE FOURTH TRANCHE

Another important stock-market transaction (after the placement of Terna and the public offering of the third tranche of Enel in 2004) was the sale of the fourth tranche of Enel shares held by the Ministry of the Economy and Finance, a transaction that the media called "Enel 4".

The definitive size of the total offering was set at 500 million shares, amounting to 8.2% of the Company's share capital, which rose to 575 million shares (about 9.4% of the share capital) with the total exercise of the green shoe, the additional shares issued for distribution to the underwriters.

The price per share was set at 7.18 euro for the institutional offering, while the price for the public offering was set at 7.07 euro per share. Thus the total value of the transaction for the Ministry of the Economy and Finance amounted to 4.101 billion euro.

The sale of the shares ended at the beginning of July, with excellent results not only from the quantitative point of view, but

also with regard to the quality of shareholders in terms of their current composition.

While the percentage of the share capital controlled directly by the government (through the Ministry of the Economy and Finance) decreased, there is now a large number not only of individual shareholders, who as a whole possess 40.5% of the total, but also and especially of both Italian and foreign institutional investors, who together hold (as of February 2006) 27.9% of the share capital. The percentage held by the Ministry of the Economy and Finance has fallen to 21.4%, also in consequence of the exercise of the bonus shares of the offering of "Enel 3", while the stake of the Cassa Depositi e Prestiti remains the same at 10.2%

Institutional investors are the shareholders that every large group wishes to have, because they represent an authoritative public from all over the world, which characteristically makes long-term investments and thus constitutes a significant, pro-





Ciro Tramonte, *The Power of 100 Legs*

fessional, and stabilizing presence in the share capital.

If we examine this large slice of institutional capital, we see that only 24.9% of it is in the hands of Italian institutional investors, while 22.8% belongs to British institutional investors and 19.2% to institutional investors in the United States. Thus, large-scale, broad-based Anglo-Saxon capital – which is considered the most professionally managed, is mainly concentrated in insurance and pensions (pension funds, large insurance companies, mutual funds), and therefore habitually makes long-term investments – now owns a significant percentage of Enel's share capital.

Institutional investors also include funds that specialize in investing in companies that are recognized as sustainable and socially responsible. At the end of 2005, there were 45 of these special funds

## Shareholder's return

- > EPS (earnings per share): 0.63 euro
- > DPS (dividend per share): 0.55 euro

among Enel's shareholders and their total of 409 million shares amounted to 22.6% of all the shares held by mutual funds.

For "Enel 4" as for the preceding "Enel 3" offering, several incentives were provided for retail shareholders. Those who keep their shares uninterrupted for at least twelve months from the date of payment will receive free of charge 5 bonus shares for every 100 shares purchased. On the other hand, "Enel shareholders" who meet certain requirements connected with their previous participation in "Enel 1", the first public offering (1999), and "Enel 3" are entitled to receive seven shares for every hundred purchased.

For Enel employees who keep – or, for the

preceding tranches, have kept – their shares uninterrupted for twelve months from the date of payment, an incentive in the amount of 5% is provided for. These shareholders, by the way, further confirm the success of "Enel 4":

- > 12,293 is the number of Enel people who subscribed shares of the Company;
- > 11,253,000 is the number of shares requested and assigned and 79,558,710 euro is the total value of the shares purchased. Of these, 57.47% were acquired with part of the TFR (retirement bonus), with an average of 1.8 lots of 500 shares each per person.

The percentages regarding the institutional float are calculated as of February 2006. ■



Antonio Zapater Fandos, *La energía nos lleva a buen puerto también en otoño*

## Enel shares on the market (changes in share ownership since the IPO)

Date	Event	Composition of the share capital	Shareholding of the Ministry of the Economy and Finance		Float	
			Shares owned	% of share capital	Number of floating shares	% of the share capital
Before the IPO (until November 1, 1999)		12,126,150,379 shares with a par value of 1,000 lire each	12,126,150,379 (directly)	100% (directly)	-	-
November 2, 1999	IPO of Enel shares. The Ministry of the Economy and Finance places 30% of the share capital, amounting to 3,637,500,000 shares, on the market	12,126,150,379 shares with a par value of 1,000 lire each	8,488,650,379 (directly)	70% (directly)	3,637,500,000	30%
December 5, 1999	Exercise of the 1st tranche greenshoe (a). The Ministry of the Economy and Finance places an additional 1.74% of the share capital, amounting to 211,302,000 shares, on the market.	12,126,150,379 shares with a par value of 1,000 lire each	8,277,348,379 (directly)	68.26% (directly)	3,848,802,000	31.74%
November 5, 2000	Assignment of the 1st tranche bonus shares (b). The Ministry of the Economy and Finance places an additional 0.68% of the share capital, amounting to 83,020,129 shares, on the market.	12,126,150,379 shares with a par value of 1,000 lire each	8,194,328,250 (directly)	67.58% (directly)	3,931,822,129	32.42%
May 25, 2001	Reverse split connected with the conversion of the share capital to euro.	6,063,075,189 shares with a par value of 1 euro each	4,097,164,124 (directly)	67.58% (directly)	1,965,911,065	32.42%
October 30, 2003	Bought Deal (c). The Ministry of the Economy and Finance sells an additional 6.6% of the share capital, amounting to 400,000,000 shares, to institutional investors	6,063,075,189 shares with a par value of 1 euro each	3,697,164,124 (directly)	60.98% (directly)	2,365,911,065	39.02%
December 12, 2003	The Ministry of the Economy and Finance sells 10.35% of the share capital to the Cassa Depositi e Prestiti (a total of 627,528,282 shares).	6,063,075,189 shares with a par value of 1 euro each	3,069,635,842 (directly) + 627,528,282 (indirectly through Cassa Depositi e Prestiti)**	50.63% (directly) + 10.35% (indirectly through Cassa Depositi e Prestiti)	2,365,911,065	39.02%
October 27, 2004	Issue of 3rd tranche of Enel SpA shares, including the green shoe. The Ministry of the Economy and Finance places an additional 18.86% of the share capital, amounting to 1,150,000,000 shares, on the market.	6,097,105,820 shares with a par value of 1 euro each	1,919,635,842 (directly) + 627,528,282 (indirectly through Cassa Depositi e Prestiti)	31.48% (directly) + 10.29% (indirectly through Cassa Depositi e Prestiti)	3,549,941,696	58.22%
July 7, 2005	Issue of 4th tranche of Enel SpA shares, including the green shoe. The Ministry of the Economy and Finance places an additional 9.35% of the share capital, amounting to 575,000,000 shares, on the market.	6,148,906,707 shares with a par value of 1 euro each	1,344,635,842 (directly) + 627,528,282 (indirectly through Cassa Depositi e Prestiti)	21.87% (directly) + 10.21% (indirectly through Cassa Depositi e Prestiti)	4,176,742,583	67.92%
October 27, 2005*	Assignment of the 3rd tranche bonus shares. The Ministry of the Economy and Finance places an additional 0.44% of the share capital, amounting to 27,173,390 shares, on the market.	6,150,542,307 shares with a par value of 1 euro each	1,317,462,452 (directly) + 627,528,282 (indirectly through Cassa Depositi e Prestiti)	21.42% (directly) + 10.2% (indirectly through Cassa Depositi e Prestiti)	4,205,551,573	68.38%

\* In consequence of the capital increases subsequent to May 24, 2004 for the various stock-option plans, as of May 24, 2006 the percentage of the shares held by the Ministry of the Economy and Finance has been further diluted to 21.363%, while the percentage held by Cassa Depositi e Prestiti SpA has been diluted to 10.175%

\*\* The mission of the Cassa Depositi e Prestiti (which is owned by the Ministry of the Economy and Finance) is to foster public investment, infrastructure for providing local public services, and large-scale national public works, while ensuring an appropriate return to the shareholders and at the same time preserving over time the equilibrium of its revenue and expenses, cash flow, and financial position.

(a) Green shoe: an option for the underwriter of a new issue of securities to buy and sell additional shares if the demand significantly exceeds the original amount offered.

(b) Bonus shares: shares that are assigned gratuitously, in proportion to the capital held, to subscribers who have kept for a pre-established period of time shares that were purchased when they were issued.

(c) Bought deal: an agreement whereby the lead underwriter of a share issue undertakes to purchase the entire amount of shares issued, thus assuming the financial risk of the public offering.



Michele Pighin, *The Taste of Summer?*

# CALCULATING THE TSR

## Shareholder return

- > TSR (total shareholder return):
  - since the IPO: 2.5%
  - last two years: 21.3%

The calculation of the TSR (total shareholder return) shows the annual internal yield rate for an investor who purchased Enel shares on day X and sold them on day Y. If we suppose that Enel shares were purchased at the time of the IPO (initial public offering) and of the third and fourth public offerings (keeping in mind that the second tranche was a bought deal and thus reserved for institutional investors) and that the aforesaid shares were sold on March 31, 2006, the percentage yield would be as shown in the following table.

### Percentage yield as of March 31, 2006

	Date Enel shares purchased		
	Nov. 2, 1999 (IPO)	Oct. 25, 2004 (III tranche)	July 4, 2005 (IV tranche)
Purchase at time of IPO	+3.24%	-	-
Purchase on market	+2.48%	-	-
Purchase at time of public offering III	-	+16.60%	-
Purchase on the market	-	+10.84%	-
Purchase at time of public offering IV	-	-	+2.11%
Purchase on the market	-	-	-0.74%

*The results are before withholding taxes and broker commissions.*

*N.B.: The calculation for public-offering purchases assumes the purchase price to be the price of the related public offering and the sale price to be the price recorded on the stock market on the date specified.*





Kevin Webb, *Spring Run*

This calculation takes into account the following considerations:

- > June 19, 2000: a dividend of 0.24 euro per share assigned;
- > November 2, 2000: a bonus share assigned amounting to 5% of the shares purchased at the public offering and held uninterruptedly for a year;
- > June 18, 2001: a dividend of 0.26 euro per share assigned;
- > June 24, 2002: a dividend of 0.36 euro per share assigned;
- > June 23, 2003: a dividend of 0.36 euro per share assigned;
- > June 21, 2004: a dividend of 0.36 euro per share assigned;
- > November 22, 2004: an interim dividend of 0.33 euro per share assigned;
- > June 20, 2005: a dividend of 0.36 euro per share assigned;
- > October 25, 2005: a bonus share assigned for shares purchased at the Enel 3 public offering (October 25, 2004) and held uninterruptedly for a year;
- > November 21, 2005: an interim dividend of 0.19 euro per share assigned.

It is assumed that the aforesaid dividends were reinvested in Enel shares on the ex dividend date of the related coupon.

This calculation also took into account the fact that:

- > the market price at which the shares are purchased is recorded at the end of the exchange session as the weighted average of the prices of the last 10% of the shares traded;
- > a reverse split (2 old shares for every new one) was carried out on the Milan Stock Exchange on July 9, 2001;
- > at the closing on Friday, July 6, 2001 Enel shares were quoted at 3.617 euro. While on July 9 they opened at 7.2 euro. ■

#### Evolution of the dividends distributed by Enel

Year	Ex date	Payment date	Dividend (euro)
2000	June 19	June 22	0.24*
2001	June 18	June 21	0.26*
2002	June 24	June 27	0.36
2003	June 23	June 26	0.36
2004	June 21	June 24	0.36
2004	November 22	November 25	0.33
2005	June 20	June 23	0.36
2005	November 21	November 24	0.19
2006	-	-	0.44

\* The calculation takes into account the reverse split (2 old shares for every new one) carried out on July 9, 2001 at the Milan Stock Exchange.





Mauro Catelli, *Infinite Energy*

# A QUESTION OF CONSENSUS

There are around twenty financial analysts who periodically write about Enel. Strategies, takeovers, divestments, extraordinary financial transactions, dividend policy, and everything else that can have a significant effect on the shares

listed on the stock exchange are subjected to examination under a microscope and – taking into account the conclusions that each analyst draws independently – a report is issued, which, among other things, includes a rating and a target price expressing the analyst's assessment.

The Investor Relations Unit of Enel's Finance and Control Department – which is dedicated to institutional investors, such as banks, mutual funds, pension funds, etc. – collects the most recently published studies and prepares a monthly report ("Analysis of the Market Consensus") that provides the management with a summary of the "feeling" of the financial markets with regard to Enel. Among other things, the report contains the average of the target prices. These prices reflect forecasts based on the analysts' evaluations of Enel.

## Communication with shareholders

> Meetings with investors: 260

> Meetings on CSR: 31

The ratings expressed can be summed up in three basic recommendations: buy, neutral, and sell.

In addition, one section of the report shows the analysts' estimates of the main financial indicators (EBITDA, EBIT, net income, net

debt, DPS) for three years subsequent to the publication of the study. Finally, the "Analysis of the Market Consensus" report contains a section that periodically monitors the assumptions – regarding the price of oil, gas, and coal, as well as changes in installed power, etc. – made by the analyst in determining Enel's value and thus the target price of its shares.

The financial estimates and the hypothetical scenarios on which they are based are taken into account in the elaboration of Enel's growth plan. ■

Link to a summary of the "Consensus" report on the Enel website:  
[http://www.enel.it/azienda/investor\\_relations/consensus\\_mercato/](http://www.enel.it/azienda/investor_relations/consensus_mercato/)

Link to the estimates of the analysts on Enel's website:  
[http://www.enel.it/azienda/investor\\_relations/stime\\_analisti/](http://www.enel.it/azienda/investor_relations/stime_analisti/)

Positive	Neutral	Negative
Buy	Neutral	Sell
Add	Hold	Reduce
Outperform <i>(better than expected)</i>	Market Performing <i>(in line with the market)</i>	Underperform <i>(worse than expected)</i>
Overweight <i>(invest more than the average allocated to the sector in your portfolio)</i>	Equal Weight <i>(invest the average allocated to this sector in your portfolio)</i>	Underweight <i>(invest less than the average allocated to the sector in your portfolio)</i>
Accumulate	In Line <i>(in line with the market)</i>	
Selected list <i>(include on the list of the best securities in your portfolio)</i>	Mantener <i>(jargon term, derived from Spanish, recommending that you keep the security on the list of the best ones in your portfolio)</i>	

## Basic financial indicators

EBITDA (earnings before interests, taxes, depreciation, and amortization)

EBIT (earnings before interest and taxes)

Net income

Net debt

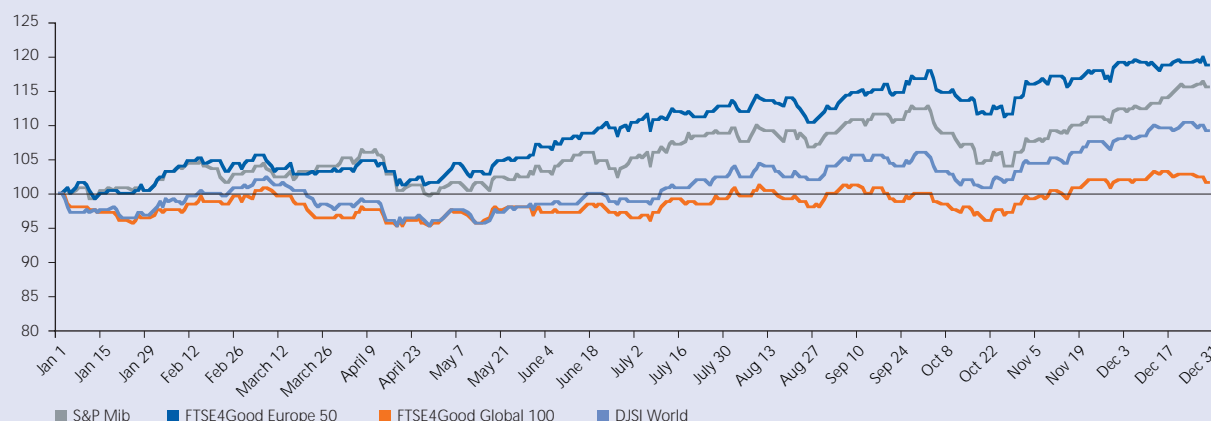
DPS (dividend per share)



## Indexes compared

Performance of the index of the Milan Stock Exchange (S&P Mib) with respect to the principal sustainability indexes (January-December 2005 - *Source: Bloomberg*)

The graph compares the performance of the Standard & Poor's Mib (the Italian market's benchmark stock index) with the most important sustainability indexes; the DJSI stoxx (Dow Jones Sustainability Index, which includes 167 companies in 13 countries that are leaders in sustainability), the FTSE4GOOD Global 100 (the sustainability index of the Financial Times Stock Exchange, which contains the 100 largest companies in the world in terms of capitalization), and the FTSE4GOOD 50 Europe (which includes the 50 largest European companies that combine business with plans and principles regarding social and environmental sustainability).







Gionata Turrini, *Cold Matter*

# QUALITY DEBTS

The quality of Enel's debt is constantly monitored at the international level. The current rating level expressed by the most important international agencies that measure the credit-worthiness of companies – Aa3 with a stable outlook for Moody's and A+ with a negative outlook for Standard & Poor's – is consistent with the objectives established by Enel's management, which intends to keep the Company at the strong-A level, an A-level company solidly positioned in the segment of firms that request loans from the banking system and bond buyers.

In particular, in June 2005 Moody's raised its rating of Enel from "A1" to "Aa3". On the other hand, Standard & Poor's recently lowered its outlook from "stable" to "negative". These decisions stem from the method of assessing the credit-worthiness of a company in which the government has a shareholding or that is of national strategic importance.

## Well-managed risks

In the management of its corporate financial risks, Enel has adopted a series of procedures in accordance with precise guidelines that are based on the international banking standards established by the Basel Committee. The guidelines specifically regard:

- > hedging of financial risk at the different companies of the Group;
- > centralized management of financial risks;

- > constant monitoring of real or potential financial risks for the Group;
- > division of duties between those who carry out analyses and comparisons of financial risks and those who carry out transactions hedging financial risk;
- > optimization of market transactions in order to improve the management of financial variables and risks.

## Rating of the debt

### S&P long-term outlook

Maximum	▶▶▶ AAA	▶▶▶ BB+
	▶▶▶ AA+	▶▶▶ BB
	▶▶▶ AA	▶▶▶ BB-
	▶▶▶ AA-	▶▶▶ B+
	▶▶▶ A+	▶▶▶ B
	▶▶▶ A	▶▶▶ B-
	▶▶▶ A-	▶▶▶ CCC+
	▶▶▶ BBB+	▶▶▶ CCC
	▶▶▶ BBB	▶▶▶ CCC-
	▶▶▶ BBB-	▶▶▶ CC
		▶▶▶ C
		▶▶▶ D Minimum

### S&P and Moody's short-term outlook

Maximum	▶▶▶▶▶	Positive
	▶▶▶▶▶	Stable
Minimum	▶▶▶▶▶	Negative

### Moody's long-term outlook

Maximum	▶▶▶ Aaa	▶▶▶ Ba1
	▶▶▶ Aa1	▶▶▶ Ba2
	▶▶▶ Aa2	▶▶▶ Ba3
	▶▶▶ Aa3	▶▶▶ B1
	▶▶▶ A1	▶▶▶ B2
	▶▶▶ A2	▶▶▶ B3
	▶▶▶ A3	▶▶▶ Caa1
	▶▶▶ Baa1	▶▶▶ Caa2
	▶▶▶ Baa2	▶▶▶ Caa3
	▶▶▶ Baa3	▶▶▶ Ca
		▶▶▶ C
		▶▶▶ WR Minimum



## IN THE DRIVER'S SEAT

The governing bodies of Enel that have the task of formulating its strategy and supervising its activity are the Board of Directors, which sees to the management of the Company; the Board of Statutory Auditors, which sees that the law and the deed of incorporation are observed and checks the adequacy of the internal auditing system and the accounting and book-keeping system; and Shareholders' Meetings, which are entrusted with resolving on the approval of the Financial Statements and the allocation of earnings, the election of the Board of Directors and the Board of Statutory Auditors, transactions involving the share capital, amendments to the by-laws, the choice of the external auditing firm (the one that certifies that the financial statements present a clear, truthful, and fair

account of the Company's financial position, cash flow, and operating results), as well as other matters reserved to it by current provisions of the law.

In 2005, the Board of Directors held 21 meetings (the same number as in 2004), which were regularly attended by all the Directors and Statutory Auditors, as well as by the representative of the Court of Accounts.

The Board – whose activities are coordinated by the Chairman – currently consists of nine members, after the increase from seven approved by the shareholders' meeting on May 26, 2005, as proposed by the majority shareholder, the Ministry of the Economy and Finance. This decision led to an increase in the number of Directors chosen by the minority shareholders from





Lara Pellegrinotti, *At the Bottom of Summer*

## Board of Directors of Enel SpA

- > Board members: 9
- > Board meetings: 21

### Dedicated to our retail shareholders

Enel's retail shareholders and investors in general who have questions or doubts can apply to: Fabio Bonomo, Head of Relations with Individual Shareholders, Viale Regina Margherita 137, 00198 Rome, Italy. They can also send an e-mail to: [azionisti.retail@enel.it](mailto:azionisti.retail@enel.it) or phone +39 06 8305 2081.

Enel has also complied with the Preda Code by instituting two committees within the Board of Directors: the Internal Audit Committee and the Compensation Committee. Both of them are entrusted with proactive and advisory duties with regard to the Board. Specifically, the Internal Audit Committee assists the Board in setting the guidelines for the internal auditing system and in periodically checking its adequacy and actual functioning, evaluates the work plan drawn up by the Company's head of auditing and the appropriateness of the accounting principles used and their uniformity for the purposes of preparing the consolidated financial statements, and handles relations with the external auditor with regard to the activities carried out by the latter concerning Enel's financial statements. Its duties also include seeing that the various corporate processes (including the implementation of the Ethical Code) are effective, efficient, and cost-effective.

The Compensation Committee, on the other hand, is entrusted with the supervision of the remuneration policy re-

garding the Company's principal executives, as well as the preparation of the stock-option plans. The latter provide incentives for executives based on the assignment of options for the purchase of Enel shares at a predetermined price, in line with tax law, which can be exercised on the condition that the Company achieves certain financial objectives. By aligning the interests of the participants with those of the shareholders, these plans can positively influence the share price.

It should also be noted that, in order to ensure the utmost compliance with the regulations in force, as early as 2004 Enel promptly adopted the innovations introduced by the reform of company law (the so-called Vietti reform) and aimed at allowing subsidiaries to be managed according to streamlined and transparent procedures.

Enel considers this constant attention to the improvement of its corporate governance system an essential factor in obtaining and keeping the trust of investors and the market. ■

### Who owns Enel?

The Ministry of the Economy and Finance currently owns 21.36% of the share capital of Enel SpA and the Cassa Depositi e Prestiti (a corporation controlled by the aforesaid Ministry) 10.18%, while the remaining 68.46% is in the hands of the market. At the end of 2005, more than 460 million shares were in the portfolios of mutual funds or pension funds specialized in socially responsible investments.

two to three. With the exception of the Chief Executive Officer, all members of the Board, including the Chairman, are non-executive Directors in that they perform their role without being vested with powers regarding management or executive functions in the Company.

The eight non-executive Directors also fulfill the requirements of independence as defined by the Preda Code, in that none of them have financial relations with the Company, its subsidiaries, its Chief Executive Officer, or the shareholders or groups of shareholders who control the Company of such importance as to condition their autonomy of judgment.

# Board of Directors and Board of Statutory Auditors

## Board of Directors

**Piero Gnudi**  
Chairman

**Fulvio Conti**  
Chief Executive  
Officer



**Giulio Ballio**

66 years old

Designated by the institutional investors. President of the Milan Polytechnic and a professor of engineering there. On the Board since May 2005.



**Augusto Fantozzi**

65 years old

Designated by the institutional investors. Professor of tax law at Rome University "La Sapienza" and Guido Carli University (LUISS). Proprietor of a law firm with offices in Rome, Milan, Bologna, and Lugano.

On the Board since May 2005.



**Alessandro Luciano**

54 years old

Designated by the Ministry of the Economy and Finance. Chairman of Centostazioni SpA (Ferrovie dello Stato group).

On the Board since May 2005.



**Fernando Napolitano**

41 years old

Designated by the Ministry of the Economy and Finance. Chief executive officer of Booz Allen Hamilton Italia. Member of the committee on terrestrial digital television at the Communications Ministry and a director of the CIRA (Italian Aerospace Research Center).

On the Board since May 2002.



**Francesco Taranto**

66 years old

Designated by the institutional investors. A director of Pioneer Global Asset Management (Unicredit Group), Kedrios, Alto Partners SGR, and Banca Carige.

On the Board since October 2000.



**Gianfranco Tosi**

58 years old

Designated by the Ministry of the Economy and Finance. Professor of iron and steel metallurgy and the technology of metal materials.

On the Board since May 2002.



**Francesco Valsecchi**

41 years old

Designated by the Ministry of the Economy and Finance. Chairman of BancoPosta Fondi SGR (Poste Italiane group).

On the Board since May 2005.

## Board of Statutory Auditors

**Eugenio Pinto**

Chairman

46 years old

Professor of economics at the Guido Carli University (LUISS). Member of the executive committee of the Organismo Italiano di Contabilità and of the scientific committee of the "Cirsfid" at the University of Bologna. Regular statutory auditor at Mediobanca, Alleanza Assicurazioni (Assicurazioni Generali group), and Sofid (ENI group), as well as chairman of the board of statutory auditors of Astaldi.

**Carlo Conte**

Regular Statutory Auditor

58 years old

Professor of public accounting at the Advanced School of the Civil Service and the LUISS Management School and of administration and accounting at Bocconi University. General executive at the Government Accounting Office.

**Franco Fontana**

Regular Statutory Auditor

62 years old

Professor of economics. Dean of the Economics Faculty and director of the Management School of the LUISS.





Gennaro Zaino, *Seasons on the Way*

# SARBANES-OXLEY & COMPANY

Hundreds of Enel's employees are currently engaged in re-assessing and recording a large number of corporate practices (mainly regarding accounting and financial matters) with the objective of ensuring that the Company's internal auditing system fully corresponds to the provisions of the Sarbanes-Oxley Act (SOA), a law that was enacted in the United States in 2002 following the financial scandals that induced Congress to rad-

ically reform the existing regulations and now applies to all the companies listed on the New York stock exchange, and thus to Enel.

Among other things, the regulations contained in the SOA require Enel to certify the effectiveness of its internal auditing system and verify the auditing activities whose purpose is to guarantee the processes that generate data for the finan- ➤

cial statements and the attached information. As early as the end of 2004, therefore, Enel started to work according to an auditing method developed on the basis of internationally recognized benchmark models and the best practices of auditing firms.

Thus several processes were chosen as samples and analyzed to see if they presented any risks. Then the effectiveness of the auditing system was assessed and a remediation plan was elaborated. The project plan was established on the basis of the results obtained and in October 2005 the operative phase begun, with 150 persons checking and assessing the more than 200 significant processes and the involvement of almost all of Enel's subsidiaries, all of the corporate departments, and the Business Areas of the Divisions.

There are 25 groups, 21 in Rome and 4 in Milan, working on the project. They have been entrusted with the task of assessing the accounting processes of the Italian companies, while other groups are preparing to perform the same tasks for Enel's foreign companies.

The work groups generally consist of people from the Accounting, Planning, and Control and the ICT (Information and Communication Technology) Departments from all over Italy, as well as consultants who provide the Company with advice concerning methodology. In addition, bright, young graduates have also been included in the groups in order to offer them a unique and very educational experience as interns. The entire

Project team has participated in numerous training days dedicated to the fundamental concepts of the internal auditing system and the SOA regulations, the methods of revising the processes, and the procedures of gap analysis and the consequent plans for remediation.

The people involved are putting to work not only their technical expertise, but also their ability to venture into new global issues. The on-the-job experience they acquire constitutes a very important investment, aimed above all at fostering the dissemination throughout the Company of a new auditing culture.

The next steps are the following. For every process assessed, the Departments and the Business Areas will put the remediation plan into effect, after which

tests will be carried out on the audits, first by the Project team and then by the auditing firm. It is expected that the assessment of all the processes, the implementation of the remediation plan, and the tests on the audits will be finished by the end of September 2006, while the auditing firm will complete its assignment by the end of April 2007.

However, the conclusion of the Project will not mean the end of the activities. On the contrary, it will represent the point of departure of a new way of working, which – together with the ethical values that have always distinguished Enel – will enable the Company to better safeguard its achievements and ensure its correctness and transparency with regard to financial markets. ■

### The SOA in 8 points

Approved in 2002, this U.S. law takes its name from the Congressmen who sponsored the bill, Senator Paul Sarbanes and Representative Michael Oxley. The Sarbanes-Oxley Act introduces a series of regulations regarding corporate governance with the aim of ensuring the certainty and trustworthiness of market information regarding the performance of companies and promoting the correctness of all the persons who – as directors, consultants, or auditors of corporate activity – operate in financial markets. In particular, the Sarbanes-Oxley Act features several significant points.

1. Introduction of a supervisory entity for auditors, the Public Company Accounting Oversight Board (PCAOB).
2. Establishment of rules to ensure the independence of auditors, limiting – among

other things – the possibility of providing services other than auditing to the company from which they receive the assignment.

3. Requirement of an audit committee made up of independent directors.
4. Obligation for the management to certify financial statements and internal controls over financial reporting (ICFR).
5. Stricter regulation of insider trading, requiring prompter information to the public and forbidding transactions in certain periods.
6. Prohibition of loans from a company to the executives who constitute its top management.
7. Harsher civil and criminal sanctions in case of fraud against investors.
8. More resources granted to the Securities and Exchange Commission (SEC).



Daniele Cianchi, *Sunrise at the End of Summer*

# AGAINST CORRUPTION, ZERO TOLERANCE

On March 14, 2006, Enel's Internal Audit Committee formally approved a specific provision specifying the anti-corruption measures adopted by the Company: the Zero Tolerance against Corruption Plan (ZTC Plan).

The Plan was elaborated in 2005 by an inter-departmental study group headed by the Corporate Social Responsibility Unit and

consisting of representatives of Enel SpA's Communication, Audit, Legal, Procurement and Services, and Personnel and Organization Departments, with the additional contribution of more technical operating colleagues during the final phase of the project.

The ZTC Plan neither replaces nor overlaps the Ethical Code. ➤



It constitutes an in-depth analysis regarding the subject of "corruption" that is aimed at honoring the sustainability commitments assumed by Enel to seek out and promote social actions, such as educating its employees about legality and making them aware of their responsibilities, and to give substance to Enel's membership in the Global Compact (which dates from March 2004), in addition to fulfilling the commitment undertaken at the Davos Forum (in January 2005), when – together with more than

60 multinational companies – Enel signed the Pact Against Corruption Initiative (PACI), an agreement for action against corruption.

The study group also availed itself of the expertise of Transparency International, the most reliable independent, supranational organization in this field, adopting and including in the plan its Business Principles for Countering Bribery ([www.transparency.org](http://www.transparency.org)) on the subject of bribes, contributions to political parties and charitable organizations, sponsorships,

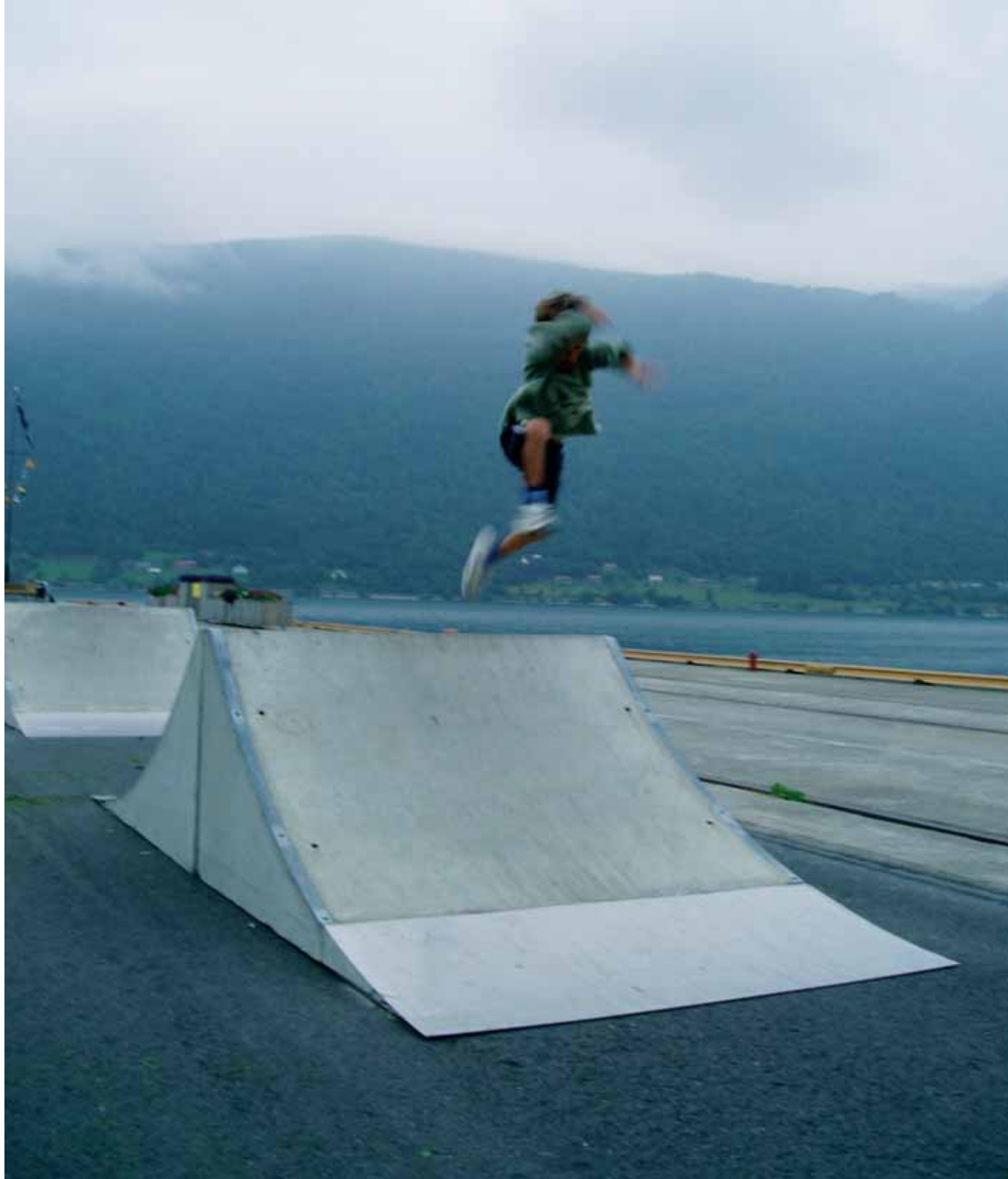
facilitation, gifts, hospitality, and expenses. In addition to drawing up the ZTC Plan, the work group devoted itself to specifying the activities necessary for its actual application. After the top management approved the activities, all the departments involved began to implement them.

The Zero Tolerance against Corruption Plan is in effect in both Italy and abroad. Like the Ethical Code, it has been adopted by all the companies of the Group and formally approved by the board of directors of every Enel subsidiary. ■



Sandro Giangreco, *Summer Storm*





Sabrina Cerboneschi, Youth

# OBEDIENCE TO ETHICS

Adopted in 2002 and revised in 2004, the Ethical Code is an essential component of the Company's corporate governance system, because it expresses the ethical commitments and responsibilities to which all employees are bound. In effect, the principles set forth therein constitute the guidelines and benchmarks for evaluating the choices to be made in

pursuing the corporate mission.

The Ethical Code has been widely disseminated within the Company through an appropriate information and training plan. All newly hired employees are given a copy and it can be consulted and downloaded through the intranet portal and the Company's website ([www.enel.it](http://www.enel.it)). As part of the program of institution- ➤

## Implementation of the Ethical Code

- Reports received: 28
- Violations of the Ethical Code: 2

Juan Ramon Fernandez Calvet, *Líneas calientes*

al training for both newly hired and newly promoted personnel, sessions are dedicated to the content of the Code and its application. The catalogue of on-line courses – which all Enel employees can access both from their computers while at work and from home – contains a course dedicated to the Ethical Code, which is periodically updated.

Applied in Italy and abroad and translated into five languages, the Code is inspired by an ideal of cooperation in view of a reciprocal advantage for the parties involved, each within their own role.

The Ethical Code contributes to the maintenance and development of the fiduciary relationship between Enel and all its stakeholders: shareholders, employees, customers, suppliers, business partners, and in general all those whose interests are influenced, directly or indirectly, by Enel's activities. Consequently, all stakeholders are given the possibility of reporting violations of it to Enel's Audit Department by:

- > writing to:  
Ethical Code

Audit Department - Enel SpA  
Viale Regina Margherita, 137  
00198 Rome, Italy

- > sending an e-mail to the following address: [audit.enel.codice.etico@enel.it](mailto:audit.enel.codice.etico@enel.it)
- > filling out the specially provided form available via Internet at the following site: [http://www.enel.it/azienda/chi\\_siamo/codice\\_etico\\_3/segnalazione\\_responsabile/](http://www.enel.it/azienda/chi_siamo/codice_etico_3/segnalazione_responsabile/).

The management of reports is regulated by a corporate procedure and every re-

port received is subjected to examination. The investigation is conducted in each case in the way that is considered most appropriate in order to protect the person making the report from any form of discrimination or penalization.

In March 2006, the Audit Department officially set up a special unit dedicated to ethics and fraud audits, whose task – in cooperation with the other Audit units – is to ensure the utmost efficiency and effectiveness in auditing the observance and implementation of the Code.

As in previous years, during 2005 the actions of ethical auditing were included in the annual Audit Plan and approved by the Internal Audit Committee. ■

During 2005 there were a total of 83 audit actions that contributed significantly to verify the dissemination and application of the Ethical Code and Organizational Model 231.

Fabio Purisoli, *Birth of Spring*

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## A model for everyone

Confirming its constant commitment to combating breaches of the law, Enel was the first company to implement – in July 2002 – “Organizational Model 231”, which is aimed at preventing criminal acts in the interest of a company, in compliance with Legislative Decree no. 231/2001. This decree adapted Italian regulations to several international agreements by introducing corporate administrative (but actually criminal) liability for crimes committed in relations with the Civil Service.

The Model was adopted by all the subsidiaries whose registered offices are in Italy, and its adoption is also promoted in the other companies in which Enel has an equity interest.

The application of the Model is continually monitored by the Compliance Officers, the persons entrusted with supervising the functioning, effectiveness, and observance of the Model.

The six current Compliance Officers of the Group all belong to the Audit Department to ensure the coordination and verification of the application of the Model, both in ordinary auditing actions and in those specifically provided for by the supervisory activity regarding the Model. At the end of every audit an action plan must be elaborated to improve the existent system of checks and prevent the commission of the crimes provided for by the decree.

In addition to the ascertainment of com-

pliance with the protocols provided for in the single special parts of the Model, the actions carried out in 2005 also regarded audits in the Procurement, Accounting and Control, Finance, and Personnel Departments of the main processes that may be exposed to the risk of an improper management of the Company's financial resources.

The Model is currently being updated to include the crimes provided for by the new articles of Legislative Decree no. 231/2001, regarding crimes of terrorism, against individual personality, and regarding market abuse.

Educational activities are carried out every year to disseminate the content of

the Model, as are initiatives aimed at strengthening the related audit system. Specifically, during 2005 the Model was introduced in training sessions for newly hired employees and newly appointed Supervisors as part of the institutional courses. Meetings were held in the departments most sensitive to its application in order to examine the matter in depth.

Finally, in 2006 an initiative was begun to provide periodical specific information to all employees – numbering about 1,000 – with positions of responsibility at Enel, in order to maintain a high degree of attention to the issues connected with the Model and to ensure prompt updating on regulatory and legal developments with significant effects on corporate procedures. ■



Alfredo Martinelli, *Energy is Life, in Every Season and Place*





Luigi Saviano, *The colors of the sea – transported by the wind – protagonist lights*

# THE SUPPLIER IS WORTH THREE BILLION

In the last few years, Enel's Procurement Department has gradually undergone a thorough reorganization that has allowed its activities to be centralized and rationalized. The objective is to achieve focalization, efficiency, transparency, and uniformity in the procurement process. An especially great effort was made in this direction during the second half of last year and additional significant results were obtained. During the year, 115,000 purchase contracts were entered into with more than 17,000 suppliers for a total value of three billion euro. (This figure does not include fuels and telecommunications.)

The new information system for purchasing was started up and e-procurement – a procurement system based on Internet technologies – became Enel's main channel of purchasing. Automation, absolute transparency, and rapidity form the basis of the new way of purchasing at Enel and the new system allows all that in a flexible environment quickly adaptable to organizational requirements.

The new information system was created with the objective of

building a community through the involvement, on the one hand, of qualified suppliers and, on the other, of Enel buyers, assisted by adequate information and instruments. Enel created an advanced environment of supply-chain management completely integrated with the e-procurement system and the community of suppliers and buyers. Thanks to the new system, it was possible to:

- > create a single contact point (Procurement Portal) between

### Suppliers and order values in 2005

Value of order (euro)	Number of suppliers	% of total suppliers
up to 50 thousand	14,706	83.1%
from 50 to 100 thousand	833	4.7%
from 100 to 500 thousand	1,286	7.3%
from 500 thousand to 1 million	352	2.0%
from 1 to 5 million	438	2.5%
more than 5 million	92	0.5%
<b>Total suppliers</b>	<b>17,707</b>	<b>100.0%</b>



## Suppliers

- > Number of suppliers awarded contracts: 17,707
- > On-line tenders: 92%
- > Total proceedings: 590

Enel and suppliers;

- > create a single, centrally managed producer data file;
- > support the use of the new Enel procurement regulations, making it possible for the procurement community to act uniformly;
- > use a single IT platform for on-line tenders;
- > establish a single managerial control system at the Group level.

In 2005, Enel strongly emphasized the process of qualifying companies, with about one thousand qualification proceedings being approved (making the cumulative total 2,500) and about 200 merchandise groups qualified.

Furthermore, the quality of the performances of individual suppliers was checked through the instrument of vendor rating. Vendor rating was adopted in some of the merchandise groups in 2005 and in 2006 will be extended to all the principal merchandise groups subject to qualification.

Vendor rating is a periodically updated grade impartially and objectively assigned to the quality of the performance of individual suppliers. The objective of the process is to contribute to thorough knowledge about suppliers with an a posteriori evaluation of the quality of the supplies and services furnished and their correspondence to what was requested at the time of the tender, as well as to contribute to the optimization of the quality-price ratio in subsequent purchasing.

## On-line procurement

E-procurement, the procurement system based on Internet technologies, is an essential instrument for making the process and chain of purchasing the goods and services Enel needs more transparent and efficient. In effect, the Procurement Portal ([www.acquisti.enel.it/acquisti/it/html/index.asp](http://www.acquisti.enel.it/acquisti/it/html/index.asp)) allows many activities to be handled electronically, including the qualification of suppliers, on-line tenders, and the technical and administrative management of contracts. At the end of 2005, for the purposes of qualification, 206 merchandise groups were active, with about 1,550 firms qualified through RFQ (Request For Qualification), an application that – in addition to enabling companies to furnish on-line all the information necessary for the qualification process – allows Enel to update the register of qualified companies for the different merchandise categories of interest to it and to have at its disposal a selection of firms whose suitability (legal, technological, etc.)

has already been evaluated.

Another important aspect of e-procurement regards on-line auctions and tenders. Enel has managed around 1,900 tenders, with a total value of about 1.2 billion euro, on-line. In particular, the adoption of on-line tenders has contributed to the streamlining of the calls for tenders, making them more transparent, and lowering award prices. Another way in which Enel has exploited technological innovation is the introduction of the new procurement information system: an environment of supply-chain management that acts as a single interface for all the Company and allows the entire procurement process to be managed, from the registration of the requirements of the different companies and the tender (both traditional and on-line) to the subsequent award and the issuing of the contractual data. It also provides a valid data-storage system for operating and managerial control.

The guiding principle that Enel follows in procurement management is to ensure the utmost transparency of the process and to improve it through the traditional actions of reducing purchase prices, procurement via Internet, vendor rating, and design-to-cost initiatives (see the box on the lower right), of which there were 24 in 2005.

During 2005, the first steps were taken with the foreign companies of the Group to coordinate procurement activities and make them uniform. A single procurement reporting and control system for all the companies was put into place and several comparisons allowed differences in functional specifications or supply prices to be identified that can provide opportunities for value creation in the future.

The Procurement Department continued to work intensely in 2005 to ensure transparency and fairness in all phases of the activities entrusted to it, consolidating the practice of providing in all its contracts for the inclusion of an informative

note on the Group's Ethical Code and where it is available. Furthermore, with suppliers that carry out even a part of their activity in countries at risk, special care is taken to ensure that they respect their workers' basic rights with regard to such matters as child labor, discrimination, safety, and health. ■

## Design to cost

The purpose of design to cost is to find technical and functional solutions that allow a given level of performance to be obtained at a lower cost and will also be valid in the future. It is a process that sees the people in charge of procurement seated around a virtual table together with the heads of the Company's various operating and technical areas. Their objective is, on the one hand, to optimize and standardize the technical solutions for the functionality in question, including by taking advantage of opportunities deriving from a constant search on the market for innovative solutions proposed by suppliers themselves, and, on the other, to improve the commercial effectiveness of the purchase of single products or services.



## WHEN RATES ARE TAILOR-MADE

The closer we get to the complete liberalization of the electricity market (July 1, 2007), the greater our customers' expectations become. And such expectations are becoming more and more widespread, as confirmed by a survey that Enel's Sales Division commissioned from Eurisko. However, the survey also revealed another significant fact: 73% of our household customers are already "very or rather" satisfied with Enel, a result that exceeds by almost 20% those obtained by other service providers, for which the corresponding figure was at best more or less 50%. One wonders how much the achievement of this result owes to the strategy of anticipating in fact the liberalization of the Italian market by being the first company in the

world to offer families a rate plan they can adapt to their particular consumption habits and requirements.

Listening to our customers' needs and the recommendations of the Electricity and Gas Authority and consumer associations on the one hand and the diffusion of the new electronic meter on the other, led Enel to think about and plan not only new rate offers differentiated according to the time of day, but also weekly and seasonal ones: a range of offers for a public that for the first time can play an active role in an industry that up to now considered them only "users".

In 2005, Enel offered its customers rates characterized by simplicity, security, and saving.



Stefano Guarnieri, *Technological Seasons*

## Customer portfolio

- > Electricity customers: 30,029,600
- > Market share: 48%

of customers. In effect, attention to the use of the main electrical appliances is all it takes to save and at the same time contribute to the better functioning of the entire national power system by reducing consumption during peak hours and thus helping to avoid overloading the system (see the box "A tour of Italy..." on page 69). As part of the promotional initiatives, low-consumption light bulbs were distributed free of charge to the first thousand customers to choose the "Una" rate and another ten thousand were distributed during the summer initiatives.

In 2006, "Conti fatti" and "Mari e Monti" will join the 2005 options, thus completing the range available to all household customers. For example, with "Sera" customers can save up to 90 euro (as of February 2006) by concentrating their consumption during the hours between 7 p.m. and 1 a.m.; with "Weekend", the discounted times include all weekends and all holidays, with a saving of up to 90 euro; and with "Due", customers can save up to 50 euro by concentrating consumption between 8 p.m. and 7 a.m. from Monday through Friday and on weekends and holidays.

Customers who may opt for the new 2005-2006 rates are those for whom the digital meter has already been installed and who have been informed on the first page of their bill that remote reading has been started (that is, that the meter is being read electronically at a distance).

There are by now (2006) more than 20 million families that – thanks to the fact that the digital meter is able to distinguish the time of day, the week, and the month of consumption – can choose among a number of rate options allowing up to 8% a year to be saved on bills. That's a significant advantage, if you consider that the recent increases (as of April 1, 2006) approved by the Electricity and Gas Authority were on the order of 5.7% following a rise in the price of oil in dollars, which in the first quarter of 2006 increased by about 30% with respect to the same quarter of 2005.

To choose the offer that is the most appropriate for their style of life and thus their consumption, all customers have to do is phone the toll-free number 800 900 800 (from cell phones: 199 505055, which is not toll-free), go to the website [www.prontoenel.it](http://www.prontoenel.it), or visit the nearest QuiEnel (a list of QuiEnels is available on the aforesaid website).

After subscribing to one of the new rates, it is also possible for customers to be informed of its activation by an sms directly on their cell phone or by e-mail to their address.




Enel is the only electricity company in Italy to offer this opportunity to its customers. And this is only the first step in the intelligent use of the integrated remote-management system made possible by the digital meter. The market potential of this technological innovation will soon provide significant advan- >

In February 2005, the "Sera" and "Weekend" rates and in April "Una-forfait" and "Agosto" were added to "Due", which had been introduced experimentally in July 2004 and renewed in January 2005.

Many customers who chose the new rates have been able to save more than the minimum provided for during the discounted time, thus demonstrating that the options proposed were easy to implement and did not require radical changes in consumption habits.

But that's not all. During the year, Enel started up campaigns to promote the new rates, as well as initiatives to bring intelligent consumption to the attention



2006	Who it's for	What it offers	How to do it	Saving (per year)
<b>sera</b> 19.00 - 01.00	<ul style="list-style-type: none"> <li>Contract for 3 kW 1st home</li> <li>Average consumption (2,640 kWh a year, about 60 euro per bill) Families with 3-4 people</li> </ul>	<b>Blue time:</b> average discount of <b>16%</b> from 7 p.m. to 1 a.m. + all holidays	<b>26% of consumption in blue time</b> 	Up to 90 euro
<b>weekend+</b> FESTIVI	<ul style="list-style-type: none"> <li>Contract for 3 kW 1st home</li> <li>Average consumption (2,640 kWh a year, about 60 euro per bill) Working couples and single people</li> </ul>	<b>Blue time:</b> average discount of <b>22%</b> on weekends + all holidays	<b>26% of consumption in blue time</b> 	Up to 90 euro
<b>conti fatti</b>	<ul style="list-style-type: none"> <li>Contract for up to 3 kW 1st home</li> <li>Average-low consumption (more than 1,000 kWh a year, more than 25 euro per bill)</li> <li>Customers with bank, post-office or credit-card domiciliation</li> <li>All families</li> </ul>	<b>Set-amount bi-monthly bill</b> <ul style="list-style-type: none"> <li>Amount set according to past consumption, beginning from a minimum of 26 euro per bill</li> <li>Annual adjustment verifiable every two months on bill</li> </ul>	<b>Keep consumption within the plan chosen</b>	Up to 7 days of free electricity a year
<b>una+</b> BOLLETTA A FORFAIT	<ul style="list-style-type: none"> <li>Contract for 3 kW</li> <li>Low consumption (up to 1,000 kWh a year, less than 20 euro per bill)</li> </ul>	<b>1 flat-rate bill</b> from 57.68 euro for 400 kWh + 100 kWh free of charge (from 153.91 euro for 2nd home)	<b>Preferably consume 500 kWh</b> Any consumption exceeding 500 kWh will be billed as per contract for 3 kW 1st/2nd home	Up to 13 euro Plus post-office or bank charges for the payment of bills (about 3-4 euros)
<b>Otto sette</b> & WEEKEND	<ul style="list-style-type: none"> <li>Contract for 3 kW 1st home</li> <li>Average-high consumption (over 3,000 kWh a year, about 80 euro per bill) Large families, 4-5 or more people</li> </ul>	<b>Blue time:</b> average discount of <b>6%</b> from 8 p.m. to 7 a.m. and on weekends +all holidays	<b>57% of consumption in blue time</b> 	Up to 90 euro Available from June
<b>due</b> TARIFFA BIORARIA	<ul style="list-style-type: none"> <li>Contract for 3 kW 2nd home</li> <li>Contract for from 4.5 kW to 15 kW 1st and 2nd home</li> <li>High consumption or 2nd home Single people and average-sized families with frequently used 2nd home or with high consumption</li> </ul>	<b>Blue time:</b> discount of <b>10%</b> from 8 p.m. to 7 a.m. Monday through Friday, weekends +all holidays	<b>57% of consumption in blue time</b>	Up to 50 euro
<b>mari e monti</b> WEEKEND+AGOSTO	<ul style="list-style-type: none"> <li>Contract for from 3 kW to 15 kW 2nd home</li> </ul>	<b>Blue time:</b> discount of <b>15%</b> on weekends, in the month of August + all holidays	<b>26% of consumption in blue time</b>	Up to 30 euro Available from May

Rates available for customers with remote-read digital meter from January 2006.

## One by one, the rates for everyone

Here they are: the important new options – in the forefront internationally – offered in 2005-2006 by Enel:

**Sera and Weekend:** the new rates established for customers with a contract for 3 kW for their first home and average consumption – from 2.64 kilowatt-hours a year – amounting roughly to more than 55 euro per bill. These are mainly working couples and single people.

**Due:** the new Due is dedicated to customers with a contract for 3 kilowatts for their second home and those with contracts for 4.5 kW for both their first and their second home.

The innovations with respect to the one launched in July 2004 consist in a higher percentage of saving and advantageousness regardless of the level of consumption.

**Una-forfait:** dedicated to resident and non-resident customers with a contract for 3

kilowatts whose consumption is particularly low – less than 500 kilowatt-hours a year.

**Agosto:** a rate that saves on the bill for vacation homes, with a contract for from 3 to 15 kilowatts. Advantageous for those who also use a second home in July and for a few weekends in addition to in August.

These were the offers available in 2005. During 2006, Conti Fatti and Mari e Monti will join them. The Sera, Weekend, and Due rates are available immediately. As of March 2006, more than 600,000 customers had chosen one of them.

**Una+bolletta forfait:** this is also immediately available and doubles everything: consumption bracket (up to 1,000 kilowatt-hours a year instead of 500), the related bonus (which increases from 50 to 100 free kilowatt-hours a year), and the number of customers with low consumption potentially concerned

(retirees, single people, owners of second homes).

**Conti fatti:** this will be the new offer that once again rewards customers who choose to domicile the payment of their bills at a bank or post office or on a credit card. With Conti Fatti, customers can plan their electricity expense by paying a flat rate every two months and also obtain a saving amounting to even a week of electricity free of charge.

**Mari e Monti and Ottosette:** these will be available in May or June. The former – which was expressly created for second homes – enables customers to save on all weekends of the year and during the entire month of August, while the latter combines the advantages of Sera and Weekend in a single rate for large families that concentrate their consumption in the evening and during the entire weekend.

## The price of electricity

What makes up the price of the electricity for which customers pay? The graphs show the percentage composition of the average electricity rate in Italy for the first quarter of 2005 and the first quarter of 2006 according to the data released by the Electricity and Gas Authority. A few explanations are in order. Production costs include fuel, generation (fixed costs), green certificates, productive capacity and service interruption (suspension of supply to customers with very high consumption if need be), and the 2001 electricity reconciliation expense. The system charges include all the A components (the costs incurred for the dismantlement of the nuclear power plants, promotion of the production of electricity from renewable energy sources, funding of special rates provided for by the law in favor of specific customers or categories of customers, funding

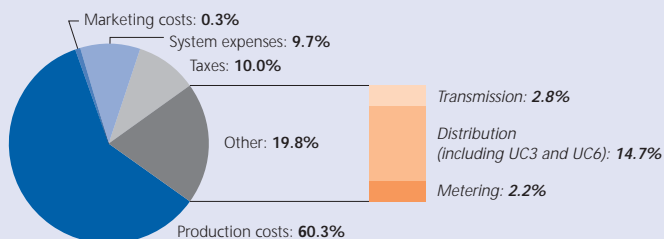
of research and development of general interest to the electricity system, and, finally, so-called stranded costs (costs borne by electricity companies for the generation of electricity that would not be recoverable in the liberalized market and for which they will be reimbursed during a transition period.) Then there are "additional components", which include different expenses such as the UC1 (coverage of the imbalances of the system that equalizes the costs of purchasing electricity for the regulated market), UC4 (coverage of the rate supplements for smaller electricity companies), UC5 (funding of research and development activities of general interest to the electricity system), and MCT (compensatory measures in favor of sites that host nuclear plants until the definitive dismantlement of the latter). The "additional components" also include the

costs of covering the imbalances of the system of equalizing the costs of the transmission and the distribution of electricity (UC3) and the expense for rewarding improvements in service continuity (UC6). On the other hand, taxes are calculated pro forma in the amount of 10% of the average national rate. A comparison of the data of the first quarter of 2006 with those of the first quarter of 2005 shows a price increase of 10.1%, which is due mainly to the costs of production. Finally, the histogram graph highlights how the costs of transmission, distribution, and metering slowly decreased from 2003 to the end of 2005 in consequence of the rates policy of the Authority, while from mid-2004 generation costs have constantly increased because of the continual rise of oil prices on the international market.

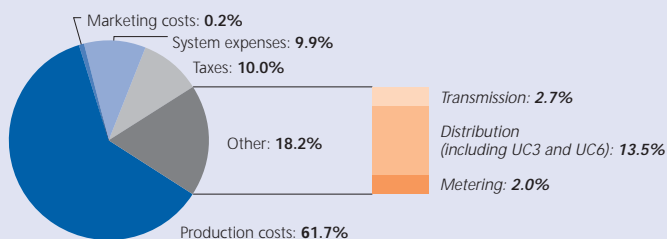
tages for business customers, too. Once again, it was technological innovation that enabled Enel to offer such a varied range of options, one that has no rival in the world. This is just one among other advantages made possible by one of the largest investments in infrastructure in Italy in recent years.

Indeed, it should not be forgotten that the digital meter also allows customers to keep a closer eye on their consumption and – thanks to remote management and reading – to carry out at a distance transactions regarding their contract and meter reading. Because Enel does not have to send its personnel to do these jobs on the spot, there is not only less disturbance for customers, but also less use of vehicles by such personnel and a consequent reduction in CO<sub>2</sub> emissions on the order of 7,500 tons a year.

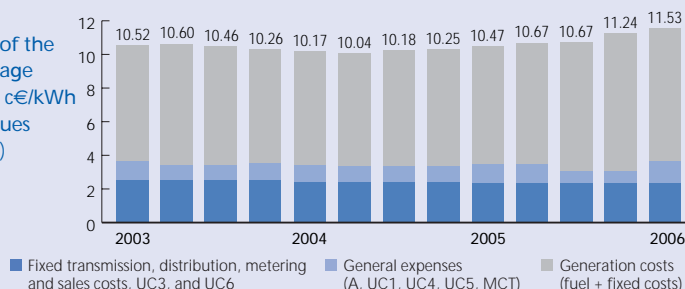
**First quarter 2005**  
Gross rate =  
11.63 c€/kWh  
(up 4% from  
first quarter 2004)



**First quarter 2006**  
Gross rate =  
12.81 c€/kWh  
(up 10.1% from  
first quarter 2005)



**Composition of the national average after-tax rate c€/kWh at current values (quarterly data)**





Paola Moscioni, *Human Energy*

## 2,200,000 CUSTOMERS STEPPING ON THE GAS

In 2005 Enel Gas confirmed its role as a promoter of the liberalization of the gas market by stimulating competition in large areas of Italy through innovative customer-acquisition campaigns. In the mass family market, the Company achieved its objective of 150,000 new customers in cities (such as Rome, Milan, Turin, and Florence) traditionally served by other firms and in 300 other municipalities (see table on this page). The average price charged to "family" customers was 0.60 €/m<sup>3</sup>. These values regard the volume actually billed during 2005 and include all the cost items (see the "The price of gas" box on page 49).

The consolidation of Enel Gas's strategy during 2005 also involved changes in the services and channels offered to customers, with constant concern for quality en-

### Contracts per region

Region	Number of contracts as of January 31, 2006
ABRUZZO	163,978
BASILICATA	37,174
CALABRIA	31,400
CAMPANIA	115,946
EMILIA ROMAGNA	112,079
FRIULI VENEZIA GIULIA	8,473
LATIUM	73,559
LIGURIA	59,351
LOMBARDY	595,105
MARCHES	1,602
MOLISE	2,648
PIEDMONT	201,531
APULIA	237,408
SICILY	51,232
TUSCANY	116,960
TRENTINO ALTO ADIGE	7,331
UMBRIA	149,218
VENETO	217,813
<b>TOTAL</b>	<b>2,182,808</b>



## Customer portfolio

- > Customers: 2,142,000
- > Market share: 9.7%

### The price of gas

The graphs show the composition of the national average rate for a consumption of less than 200,000 cubic meters of natural gas a year as of April 1, 2004, April 1, 2005, and October 1, 2005 (source: Electricity and Gas Authority). With respect to the previous year – during which the raw-material component decreased to 12.83 c€/m³ in the first half,

which was followed by two quarters without any change and a rise to 13.68 c€/m³ at the end – 2005 began with a significant rate increase caused by an enduring rise in the price of oil on international markets and higher gas taxes. Taxes include the consumption tax, the regional tax, and VAT. Fixed costs include wholesale and retail

marketing and infrastructure costs. The value of the first quarter of 2005 was recalculated (according to the method provided for by decision 195 of 2002) and retroactively modified when the rates were updated for the second quarter.

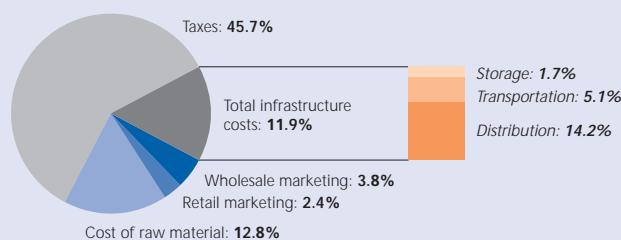
sured by the Company. Consequently, the strategic objectives include customer retention as well as customer acquisition.

2005 was an important year for the growth of Enel Gas, which exploited factors such as innovation, advantageousness, quality, and technology in its successful market strategy, which was concerned to promote competition as well as to consolidate its position as the second-largest company in the Italian gas market, with about 2,200,000 customers served.

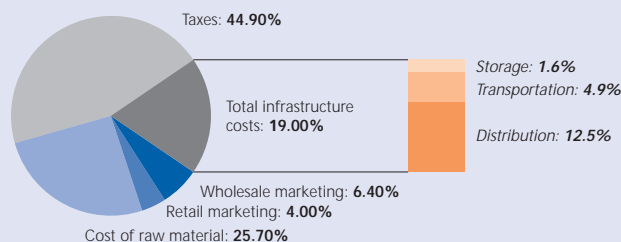


Luca Lazzaroni, Brrrr... if only I had gas!

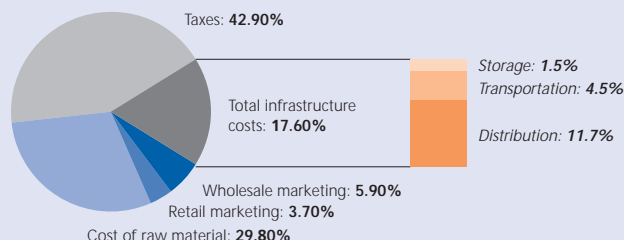
Rate for consumption of less than 200,000 m³ of natural gas a year as of April 1, 2004



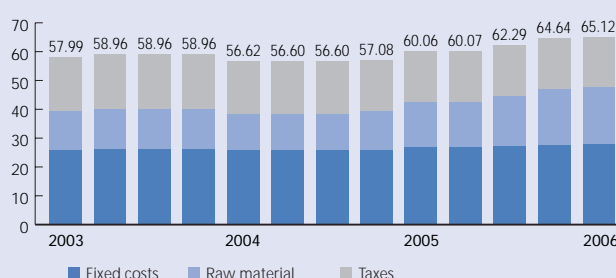
Rate for consumption of less than 200,000 m³ of natural gas a year as of April 1, 2005



Rate for consumption of less than 200,000 m³ of natural gas a year as of October 1, 2005



Historical series of the average rate for consumption of less than 200,000 m³ of natural gas a year c€/m³ at current values (quarterly data)



Maurizio Aquiloni, *Explosion*

# ELECTRICITY AND GAS MEET HERE

It's called "Due in Uno" ("Two in One") and it's the revolutionary offer that has allowed customers like condominiums and firms with an annual consumption of up to 100,000 cubic meters of gas and of up to 100,000 kilowatt-hours of electricity to have a single integrated electricity and gas service: precisely, 'two energies in one', an offer that Enel Gas was the first to launch on a national scale.

Enel has always worked to develop quality and looked for solutions that produce integrated offers of electricity and gas, of products and services, while maintaining excellent levels of quality. Thus was born the idea of one bill for two services and a series of advantages as well.

"Due in Uno" was one of the most important projects of 2005 and was the result of a great organizational effort and the cooperation of different kinds of expertise and professional capabilities. It was necessary to carry out a careful analysis of customers' needs (confirmed by a survey of thousands of potential customers), processes, and the regulatory aspects, as well as the IT infrastructure, which is indispensable for integrating the different corporate systems supporting customer management.

"Due in Uno" was a great commercial success, a challenge that Enel won thanks to, among other things, an efficient network of agencies spread all over Italy, which had the task of not only 'selling' the new 'dual-energy' offer, but also of extending the awareness of the freedom to choose, while ensuring innovation and reliability.

With "Due in Uno", Enel not only offers the joint supply of

methane gas and electricity, but also the simplicity of a single monthly bill (which clearly shows the charges for the accessory and network services regarding transportation, dispatching, and energy balancing) and a single, dedicated Customer Service thanks to which customers can conveniently manage their electricity and gas contracts and obtain all the information they need from their homes simply by dialing the toll-free number 800 069 844 Monday through Friday from 9 a.m. to 6 p.m. Enel customers have welcomed the new offer, especially because of its simplicity, clarity, and transparency. For example, already during the launch period in the first five cities – Rome, Milan, Turin, Vicenza, and Leghorn – very satisfactory results were recorded. More than eight thousand customers chose to accept the offer and to enjoy the advantages of "Due in Uno". It was precisely this response that led Enel Gas to extend the new proposal to more than 2,300 municipalities all over Italy. By signing up for "Due in Uno", the new customers (professionals with a VAT registration number, firms and condominiums with a consumption of up to 100,000 cubic meters of gas and up to 100,000 kilowatt-hours of electricity a year) obtain a bonus of 50 cubic meters of gas for every 1,000 consumed and 50 kilowatt-hours of electricity for every 2,000 consumed. From 2006 it will be the turn of "Due in Uno Plus", which is distinguished by additional elements of simplicity and transparency. In effect, the rate takes the prices of electricity and gas guaranteed by the Electricity and Gas Authority and offers customers a discount of 3% on the former and one of 5% on the latter. ■





Giacomo Ragusa, *Means of Transportation*

# BEING ON THE CUSTOMER'S SIDE

Today Enel faces a rapidly changing market, in which customers expect ever more transparency, as well as simple and precise answers. The standardization of corporate processes and the determination to treat customers uniformly and provide the service in accordance with the Ethical Code, have led to the introduction of new technologies that make the contact channels more effective.

An important instrument for contact and dialogue are the websites dedicated to the market ([http://www.enel.it/sportello\\_online/elettricita](http://www.enel.it/sportello_online/elettricita) and <http://www.enel.it/EnelGas>), where customers can find the information they need and can carry out many very useful activities without having to go anywhere. But the most important instrument for working efficiently in both the electricity and gas markets is the adoption of a system of customer relationship management, or CRM.

In addition to covering all the electricity-market business processes of the multi-channel contact center (telephone, fax, e-mail, correspondence) for customer services, CRM has been extended to the PuntoEnels, account managers (persons who follow determined groups of customers), and other units of the business area to facilitate the integration and sharing of knowledge about customers through the collection every day of thousands of pieces of information on market trends and expectations.

The achievement of these objectives entails constant innovation in the technolo- ➤

## Electricity market – Italy

### > Regulated-market call center:

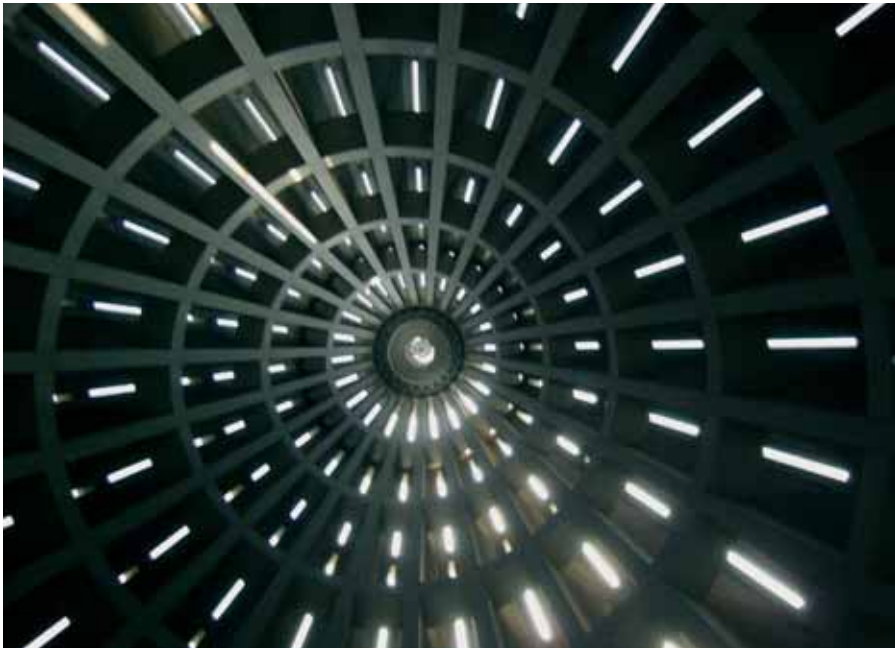
- average waiting time: 139 seconds
- call center effectiveness: 84%

## Gas market

### > Call center:

- average waiting time: 127 seconds
- call center effectiveness: 98%



Francesca Cantale, *Rays of Light*

gies used to manage customer relations, which must satisfy the requirements of dynamism and flexibility demanded by the market. The year 2005 saw the introduction of the new version of ClarifyCRM, the IT instrument used to manage customer relations promptly and effectively. This version has allowed Enel to improve the results of the application, thanks to the updating of the technical infrastructure. It also enables larger amounts of data to be managed, increases the speed and flexibility of operating processes, and facilitates the use of new contact channels. Finally, the new instrument will allow offers for the different customer segments to be differentiated in order to satisfy their needs more precisely.

As part of the initiatives, totally free of charge, dedicated to families that have chosen domiciliation (that is, the convenience of paying bills by direct debit to their bank or postal account or by credit card), Enel created Enel Club, the club with bargains within reach.

Thanks to agreements with prestigious firms and major chains of shops, Enel Club takes a world of privileges conceived for the entire family and a new

way of communicating with the Company directly into the homes of customers who are members. It's an opportunity to improve the quality of life at home, in the family, and during leisure time.

An essential element of customer relations is the structure of the contact center, whose automatic services (meter readings, information) are available around the clock seven days a week and where Enel consultants are available Monday through Friday from 8 a.m. to 10 p.m. and on Saturdays from 8 a.m. to 2 p.m.

The contact center employs two thousand people, who emphasize customer service, courtesy, and professional competence: qualities that customer satisfaction surveys have confirmed. Characterized by a high level of versatility and flexibility, this facility is able to fully handle all the customer requests and complaints from the different entrance channels: by phone (through the toll-free number 800 900 800), correspondence (addressed to Casella Postale Enel 1100 in Potenza), fax, and e-mail. It also has the ability to update its own work methods whenever Enel introduces new customer services such as, for example, the promotion of

the new 2005 rates options (80% of the agreements were handled by the contact center), which was supported by a significant TV advertising campaign. In spite of the increase in activity deriving mainly from the launch of the new time-differentiated rates, during 2005 Enel improved its customer service with respect to the previous year. Finally, during 2005 the contact center's consultants were involved several times by the operating centers of the electricity network to help them in the emergency management of calls reporting failures.

Enel Gas also introduced a number of instruments for implementing a CRM policy for its customers. First of all, there is the "Accendipremi" loyalty program, thanks to which all Enel Gas household customers can collect prize points in different ways (when they join the promotion and according to their actual consumption of gas, how long they remain part of the customer base of Enel Gas, the number of times they perform their own meter reading, whether or not they use bank domiciliation, and their use of the Enel Gas web services).

The points they accumulate in these ways may then be used to collect the prizes presented to customers in a specially provided catalogue. There are various kinds of prizes (items for the house, family, and leisure; vouchers; subscriptions to periodicals; points for other well-known loyalty programs; etc.) and they can be converted into discounts on gas that are credited directly to the customer's bill.

The program has been a big success, with about 410,000 household customers retained, and beginning in 2006 has been extended to small business customers, whose consumption profile is very similar to that of households.

Thanks to the promotion, the Company has been able to learn more about its customers and to carry out a thorough micro-segmentation, an effective instrument for offering services and channels that are more and more aimed at the specific requirements of the different customer segments. This is the spirit that led to the "Spesa Chiara" offer, which was initially dedicated to household customers and subsequently extended to condominiums and to small and medium-sized businesses. Customers with at least a year of active supply are offered the possibility of making fixed payments

– calculated on the basis of their past consumption – during the year, obviously with a final settlement that takes into account their actual consumption.

In order to publicize all the new offers and support its strategy, Enel Gas has invested in sophisticated sales channels, integrating the management tasks of the contact center and the local PACs (customer reception centers) with specialist sales expertise. The door-to-door sales network, an extremely effective channel in the policy of expansion pursued in the mass-market segment, was also enlarged.

From 8 a.m. to 6 p.m., Monday through Friday, the Enel Gas contact center enables customers to satisfy their needs and resolve their problems with a level of satisfaction that surveys show to be high.

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## The incubator of a new service

The creation of a new service is always preceded by a phase dedicated to ascertaining the needs of customers through market research and the analysis of available information with a database management system that memorizes all the contacts that take place between customers and the Company: an enormous computerized file into which all information regarding customers flows and which enables Enel to create a detailed profile of its customers, identifying their basic needs, possible requirements, future necessities, and specific characteristics. Thus each group of similar customers – a so-called >



cluster – is provided with an almost personalized treatment: a range of offers, communications, and interactions suitable for their characteristics, thus increasing their level of satisfaction.

Enel's database system contains information concerning not only the supplies, but also normal customers. This allows the Company to manage knowledge about and analyses of current, new, and prospective customers and – for decision-making and operating purposes – to have such knowledge at its disposal for use in targeted sales actions and relations. The main activities handled by the system regard the analysis and enhancement of the customer base, the management and monitoring of campaigns, and the management of personal data. This is how the process works, step by step.

1. After the information has been collected, we carry out a study on what

other companies have done with regard to this kind of service and examine the possibility of a strategic partner to create it.

2. With an initial idea for the service in mind, we test how well the service corresponds to the needs of the target customers by organizing focus groups, to which different possibilities are proposed. We also assess the positioning of the service with respect to similar ones in the market. Finally, we examine the legal and regulatory impacts.
3. Once the details of the service have been worked out, we decide how to implement the service on the IT systems and examine the legal and regulatory impacts again.
4. Thanks to the research carried out and the experiences of others, we assess the potential of the service and prepare the draft of an economic account.

5. After the preparation of the detailed specifications, we move on to the actual implementation of the service. At the same time, we establish the systems of reporting and analysis that will allow the acquisitions to be monitored.
6. We then plan the campaigns that will accompany the launch of the service and the materials that will be distributed.
7. After the trials have been carried out and the channels have been formed, the actual launch takes place, accompanied by promotional campaigns and press conferences or releases.
8. Once the service has been launched, we monitor it carefully with internal instruments and market surveys that measure customer satisfaction.

On the basis of this monitoring, we evaluate the usefulness of acquisitive and promotional campaigns. ■







Fabio Di Gennaro, *Refreshing Energy*

# IF THE CUSTOMER IS SATISFIED

The level of expectations of customers changes continually. For this reason, Enel's Market Division annually measures customer satisfaction by surveying the perceived quality of the service the Company provides its customers, both household and business, according to a logic of continuity with respect to the model adopted in the past.

Therefore, periodical surveys are carried out on significant customer samples to understand the reasons for dissatisfaction or to note discrepancies between the value customers expect from the service and the value actually provided by the Company and then to change corporate practices to focus as much as possible on customers.

The objective is to have a complete picture of the judgments and evaluations expressed by customers regarding all the most significant quality parameters in order to isolate strong and weak points and to know precisely how judgments have evolved over time and then use all the data available according to their trend and development.

## Electricity market – Italy

### > Customer satisfaction:

- reply time for written complaints: 21.6 days

## Gas market

### > Customer satisfaction:

- reply time for written complaints: 17.7 days

Parallel to this objective is another one, which regards the analysis of competitors, both the largest and the smallest, which sometimes are quite aggressive in their approach to the market and are capable of offering competitive scenarios. In this case, too, a comparative analysis is carried out to identify weak points with respect to the same quality parameters evaluated for the competitor, with the objective of taking the most appropriate actions to improve.

Customer-satisfaction projects are developed through several major phases:

- > establishment of the content of the investigation and planning of the questionnaire;

- > establishment of the objective concerned and elaboration of an analytical sampling plan;
- > telephone survey according to the pre-established time brackets;
- > processing and analysis of the data;
- > drafting of the research report;
- > presentation of the results.

The main research topics regard both relations with the customer and the technical aspects of the service. For example, among the aspects measured in the latest surveys are the professional competence of the telephone personnel; the courtesy and helpfulness of the telephone personnel and their ability to resolve problems over the phone; the clarity and comprehensibility of bills; the accuracy of estimates of consumption; bill delivery time; the evaluation of meter reading by customers; the clarity and completeness of replies regarding complaints; the evaluation of satisfaction with marketing offers; the evaluation of satisfaction with the website; and the overall evaluation of the service provided. ■

Luca Bonalumi, *Summer Lights and Shadows*

# AN EFFICIENT NETWORK

Since January 1, 2000, all electricity distributors have been subject to a regulatory system that establishes the objectives of service quality, the indicators to monitor, and the method of monitoring them, as well as a system of bonuses and penalties based on specific targets for each of the approximately 300 areas into which Italy is divided. The aims of regulation are the following:

- > to eliminate the quality differences between Italy and the best European practices and to attain the "national benchmark level" established;
- > to reduce the differences among the geographical areas of Italy, especially those between the North and the South.

The most important service-quality indicator, on which the system of bonuses and penalties is based, is the "cumulative duration of interruptions per customer" index. The measurement rules and verification procedures were established by the Electricity and Gas Authority, which also supervises their application by auditing a statistical sample of areas. The service-quality objectives and the clear rules for their determination provided an opportunity for Enel to establish transparent relations with its stakeholders and a new short-term policy on improvements in quality. In accordance with the new regulatory system,

Enel radically changed its strategy for improving the quality of the service, based on technology and network management.

The main actions to reduce the number of interruptions are:

- > the application of new criteria for planning maintenance work on medium-voltage lines, based on the monitoring of "weak signals", such as the frequency of interruptions of less than 3 minutes;
- > the adoption of more reliable configurations for medium-voltage plants, thanks to the addition of new primary substations, thus reducing the average length of medium-voltage lines;
- > the renovation of the overhead medium-voltage network by substituting insulators (anti-salt and suspended) and conductors;
- > the adoption of overhead cables in woodlands and underground cables in rural areas;
- > equipping medium-voltage bus bars with Petersen coils in primary substations.

Among the technical measures to reduce the average duration of a given interruption, the key project is constituted by the widespread use of the remote control of secondary substations and the automation of medium-voltage lines. As far as man-

## Length of power lines

- > Low-voltage: 736,000 kilometers
- > Medium-voltage: 335,200 kilometers
- > High-voltage: 19,000 kilometers

agement is concerned, there has been a clear separation of responsibilities between network monitoring and decision-making processes on the one hand and operating activities on the other. This strategy has led to service-quality levels corresponding to the best European practices, with annual capital expenditure in line with the previous years (about 410 million euro). The objective of the renovation and upgrading of the distribution network is to increase the efficiency of the network, with the effect of reducing electricity losses and improving the quality of the service.

It is very complicated and laborious to calculate the losses from a network as complex as Enel's. The project to reduce network losses is essentially based on two different kinds of measures, which aim respectively at:

- > making the distribution of electricity more efficient (a managerial measure);
- > reducing electricity losses in several components (a plant-engineering measure).

The phenomenon of electricity losses is intrinsic in electricity distribution and the only parameters on which it is technically possible to act to reduce them are the currents and electric resistance.

The first kind of action, which involves the construction of new primary and secondary substations, acts on the paths of the higher-value currents. In effect, bringing the transformation points closer to the center of the demand for electricity means – all things equal and in very simplistic terms – limiting the length of

the lower-voltage or higher-current distribution circuits.

The second kind of action, which involves the renovation of existing sections of power lines, acts on the electric resistance of the conductors.

All of Enel's plants are designed, constructed, and used in accordance with the respective Italian and international regulations and according to specific corporate techniques that standardize their construction, testing, and supply. In this case, loss reduction is more directly linked to the physical characteristics of the conductors. Low- and medium-voltage lines are generally renovated by replacing the existing conductors with others that have a larger section. The reduc-

tion of network losses corresponds to a decrease in the consumption of the fuel needed to produce electricity and thus indirectly to a decrease in the CO<sub>2</sub> emitted. ■

## Behind the Olympic torch

Turin 2006: the Winter Olympics. An extraordinary festival of sports and entertainment, competition and fair play, landscape and nature, and lights and color that made Italy the protagonist of the global stage for the entire duration of the games. >

### Quality always rewarded

Electricity companies are rewarded, too, if they improve the quality of their services. On December 1, 2005, the Electricity and Gas Authority paid out 66 million euro of incentives to all the electricity companies in Italy for improvement of the continuity of the Italian service. Sixty-three million euro of the award went to Enel as a financial acknowledgment of the quality of its service. Thanks to the considerable investment in network enhancement (more than 1.5 billion euro), in 2004 the average duration of interruptions for Enel customers for which the Company was responsible fell by about 17%, to 60 minutes from the 72 minutes recorded in 2003, and the historical gap between the regions of the North and those of the South was further reduced. The results obtained in some regions of the South were even better than the national average: for example, Apulia with 53 minutes, Basilicata

with 45, and Molise with about 36. In other regions, the average duration of interruptions decreased markedly: Sicily went from 119 minutes in 2003 to 80 in 2004, Calabria from 104 to 85, and Campania from 115 to 92. In the North, the Trentino-Alto Adige region halved interruptions, from the 102 minutes of 2003 (which were due to exceptional weather conditions) to 51 minutes. Lombardy lowered the average duration of interruptions to 30 minutes, about half the national average. Friuli-Venezia Giulia, which started from a very low average of 56 minutes, reduced the time to 36 minutes. In Central Italy, finally, Umbria and the Marches recorded averages of 44 minutes. In 2005, Enel expects to achieve the objectives set by the Electricity and Gas Authority in the few areas where it failed to do so in the previous year, because of exceptional weather conditions.



As always, a great event is such thanks to the work that is done behind the scenes. Behind these Olympics there was also the contribution of Enel, which engaged in a gripping race against time, working within strict technical constraints and in extreme weather conditions, while respecting an extraordinarily beautiful natural heritage.

The integration of the electricity plants installed with the mountain environment contributed to the creation of a more solid bond between city and mountain, technological innovation and respect for the environment. This was a great project that began in 2001 and engaged 20 engineers and 130 workers on renovating a total of 5 medium- and high-voltage plants; one new medium- and high-voltage plant at Pragelato high up in the mountains; 35 new medium- and low-voltage substations; the outfitting of 50 existing substations for remote control; 45 kilometers of medium-voltage lines entirely in underground cables; and numerous low-voltage works and line transfers.

The location of the plants was influenced by the restrictions imposed by the very nature of the games: doubling of the load, temporary supplies at high altitudes, permanent supplies, and not only lighting for slopes, tracks, rinks, and indoor stadiums, but also lighting to enhance the towns of the Susa and Chisone valleys. The work done raised the level of service quality in an area where the level

was already excellent by national standards.

In addition to concern for the environment, great importance was also attributed to the security of network operation through a precise evaluation of the risks and providing main and secondary plants with the appropriate degrees of

security. This commitment was also ensured while the games were taking place by the round-the-clock presence of our engineers and workers. Especially important was Enel's cooperation with the local authorities and police to ensure the smooth functioning and success of the event. ■

### Enel's main works at the Olympic locations

#### Bardonecchia

- > MV/LV substation at Melezet for ski lift and snow plant;
- > MV/LV substation at Chesal for ski lift and snow plant;
- > substation for LV delivery at Les Arnauds for snow plant;
- > MV/LV substation at Pian del Sole for snow plant.

#### Cesana Torinese

- > MV/LV substation at Sansicario – Lago Biathlon for snow pumping plant;
- > MV/LV substation at Sansicario for new cable car;
- > LV supply substation at Sansicario – Pariol for upper cable-car station;
- > LV supply substation at Sansicario Alto for ski lodge ski lift;
- > MV/LV substation at Sansicario – Zona Champlas Seguin for snow plant;
- > LV supply substation at Roccia Rotonda – Gros for ski lift and snow plant;
- > MV/LV substation at Sansicario – Pariol for bobsled, luge, and skeleton facilities;
- > LV supply at Sansicario for baby ski lift;
- > LV supply substation at Rafuyel for snow plant;
- > MV/LV substation at Sagnalonga for snow pumping plant;
- > MV/LV substation at Serra Granet for ski lift and snow plant;
- > MV/LV substation at Sauze di Cesana for snow plant.

#### Oulx

- > MV substation at Cappella Ponte Ventoso for snow pumping plant;
- > MV/LV substation at Sauze d'Oulx for snow pumping plant;
- > MV/LV substation at Jovenceaux for ski lift, lighting, and snow plant.

#### Pragelato

- > MV/LV substation for ski-jump;
- > MV/LV substation at Pattermouche for supplying residential village;
- > MV/LV substation at Plan for cross-country stadium.

#### Sestriere

- > MV/LV substation at Trebial for ski lift;
- > MV/LV substation at Monte Alpette for ski lift;
- > LV supply at Sestriere for chair lift;
- > pole substation at Elp;
- > MV/LV substation in Zona Anfiteatro for snow plant.

In addition, the overhead lines along the Turin-Pinerolo and Fréjus expressways, the three most important regional highways, and other roads were moved to underground cables.



Giuseppe Airoidi, *An Aroma of Energy*

## SAFE GAS

The safety of the gas distribution network is described by a long series of regulations and parameters that Enel scrupulously observes. In particular, the regulation on technical quality, which was introduced by the Electricity and Gas Authority as early as 2000, provides for strict parameters. Among these are the ones regarding managing the network and keeping it safe: the preventive search for leaks, the measurement of the concentration of the odorant – a substance that also enables customers to detect the so-called odor of gas; in effect, without the latter it would be impossible to realize that a burner has inadvertently been left on without a flame, because gas in its natural state is odorless – and the measurement of cathode protection.

The preventive search for leaks consists in an inspection carried out with special equipment that can detect even extremely small leaks in the underground pipes. The regulation establishes that every year companies must perform this inspection on from 20% to 30% of the network managed, depending on the kind of pipes, and must complete the inspection of every section (100%) of the network every 4 years.

Enel considers this inspection particularly important for the safety of its customers. For this reason, ever since the very first year of application of the regulation it has maintained higher standards than the minimum ones required, inspecting between 45% and 50% of its pipes every year and, in any case, establishing in its own technical guidelines that 100% must be completed in 2 years. In 2005, in effect, about 15,000 of the 30,000 kilometers managed were inspected, a percentage of about 50%.

Enel also considers the measurement of odorant concentration to be an essential element for maintaining a high level of safety of

the plants and of attention to the safety of end customers. The activity consists in using a gas chromatograph to check the actual concentration of the odorant present in the networks at certain points or under different conditions (low flow, high flow) in order to maintain an appropriate odorous level of the methane gas.

Enel carries out a number of checks that is markedly higher than the number established by the regulation, performing an average of about 5,000 positive analyses a year in the last few years. In effect, in 2005 the number of positive analyses performed was 5,325.

In accordance with regulatory provisions, the networks with steel pipes managed by Enel, totaling about 25,000 kilometers, are equipped with cathode protection systems that prevent corrosion. The systems are constantly checked through 18,000 measurements a year at various points of the network.

In addition, Enel is developing automated monitoring systems that further increase the safety level of the plants managed and of the customers who are served by them. Indeed, a system for monitoring cathode protection with equipment that can be read at a distance is currently being tested and will be extended to the entire network during 2006.

Likewise, Enel has begun distance monitoring of the gas network, which will allow the continuous monitoring of all the primary substations (about 600) and about 500 secondary substations chosen according to their importance in the network. If the pre-alarm threshold set for each parameter monitored is exceeded, moreover, the system will automatically activate the maintenance teams, who are ready to intervene day and night every day of the year. ■



# ENERGY AS A FRIEND

Beginning in July 2004, the customer area of Enel Energia (the Enel company that sells electricity, energy services, and innovative products to firms) was extended to all non-household customers, such as the holders of a VAT registration number, professional offices, shopkeepers, small and medium-sized businesses, etc. There are seven million of these customers and together they account for 75% of the energy consumed in Italy. It is to them that Enel Energia offers risk-management services that enable them to reduce or eliminate unforeseen surcharges



## Promotion of energy efficiency

> Energy efficiency certificates: 51,408

able from investment in the systems.

Enel Energy operates with a fine-meshed sales network throughout Italy that can count on account managers with solid technical and managerial expertise for large industrial customers, consortiums, and purchasing groups with diversified product portfolios; a contact center dedicated to business customers, which is open Monday through Friday from 9 a.m. to 5 p.m.; and a network of promoters, who manage Enel Energy's offer from identifying the best commercial proposal and handling negotiations to assisting with invoicing.

Enel Energia's product line is large and colored.

Green energy is energy produced exclusively from renewable sources. It is supplied by Enel Energia and attested by RECS (Renewable Energy Certificate System) certificates. The use of green energy is testified by the "100% Green Energy" logo owned by the REEF Onlus, which can be used on all their commercial material by all firms that sign up for the offer. Enel Energia was the first Italian company authorized as a wholesaler to use the "100% Green Energy" logo, which distinguishes a program of voluntary support for energy from renewable sources to ensure environmental quality and promote sustainable growth.

Since Green Energy was launched on the market, many companies have embraced the principle of environmental protection by favoring energy produced from renewable sources. As from 2004 there are

### Enel.si: a complete franchising system for energy

Enel's presence in the market is also ensured by the indirect channel Enel.si, which consists of a qualified network of affiliated firms that operate all over Italy. The Enel.si network promotes the Enel offer for electricity and gas by acquiring new contracts and managing relations with customers through the sales contact points Qui Enel and Qui Gas.

As ESCo, Enel.si carries out initiatives for energy efficiency and constructs plants that use renewable energy sources, such as photovoltaic and thermal solar ones. It also offers – through the network of affiliates – complementary electricity and gas services. Here are some relevant numbers:

- > Enel.si caters to a market of 250,000 industrial, service, and government-owned companies both directly and indirectly, through its affiliates, as well as to about 30 million smaller customers (households, small service businesses, artisans, farmers);
- > as of December 31, 2005, there were 400 Enel.si shops throughout Italy: 32 in Piedmont, 49 in Lombardy, 2 in Trentino Alto Adige, 6 in Friuli Venezia Giulia, 5 in Liguria, 28 in Emilia Romagna, 15 in Tuscany, 12 in Umbria, 5 in the Marches, 31 in Latium, 10 in Sardinia, 10 in Abruzzo, 2 in Molise, 40 in Campania, 4 in Basilicata, 46 in Apulia, 18 in Calabria, and 54 in Sicily;
- > 150 photovoltaic plants have been constructed, amounting to a peak capacity of 2,500 kilowatts;
- > 16,860 EECs (Energy Efficiency Certificates, or White Certificates) matured in 2005, with the distribution of 1.1 million high-efficiency light bulbs to customers of Enel.si shops.

about 40 companies in Italy that use green energy, which has increased from the 140,000 megawatt-hours certified during 2005 to the 215,000 megawatt-hours of the first months of 2006. Many major companies and institutions use >

Saverio Barchiesi, *Energy of Nature*

on energy and thus protect their profit margins. It also offers them the possibility of keeping track of their consumption online, managing their electricity loads and withdrawal forecasts, and – for firms that are particularly concerned about energy efficiency – optimizing their auxiliary systems through energy audits and financial analyses to estimate the saving obtain-

the Enel Energy logo and 100% Green Energy: for example, Acqua Lete, the Rome Auditorium, Legambiente, WWF, the Guggenheim Foundation in Venice, and the Ariston Theater in Sanremo.

In cooperation with Enel.si, a new offer has been developed that combines ecology and saving: "Energia Amica". The offer consists of a supply of green energy at a competitive price plus a series of services – provided at no additional cost by the franchising network of Enel.si qualified firms – for the installation of a photovoltaic or thermal solar system that

produces energy from the sun.

The package of free services includes:

- > an inspection to see if it is feasible to install the system;
- > a careful estimate useful for assessing and planning the investment;
- > in the case of photovoltaic systems, assistance in preparing requests to the Gestore della Rete di Trasmissione Nazionale for inclusion in the quarterly lists of applicants for the subsidies provided for by Legislative Decree no. 387/2003 and the ministerial decrees implementing it;

> the possibility of paying for the investment in installments through subsidized loans, thanks to the agreements entered into by Enel.si with major Italian banks.

For photovoltaic systems, the offer regards those connected to the electricity distribution network with peak power of from 1 to 1,000 kilowatts. The actual capacity of the system will be based on the annual consumption of energy and the space available. As far as thermal solar energy is concerned, the offer regards systems to produce hot water for sanitary uses, supplement environmental heating systems, and heat both indoor and outdoor swimming pools.

And energy also turns pink, a feminine color chosen to distinguish an offer of electricity supply to small and medium-sized firms managed by women, with annual consumption of up to one million kilowatt-hours a year. Enel offers these entrepreneurs "Energia Rosa" ("Pink Energy"), which consists of a single, stable price of energy for the entire year and a bonus of 7 days – increased to 9 in 2006 – of energy free of charge, without any deposit or advance on consumption and with the possibility of visualizing and filing their invoices in a reserved area on the website [www.ene-lenergia.it](http://www.ene-lenergia.it).

But that's not all. This initiative has a charitable aspect. In effect, every female entrepreneur who signs a Pink Energy contract will see part of her bill – 0.25 euro for every 1,000 kilowatt-hours con-

## An uncommon Sun

Enel Sole – the Enel company specialized in public and artistic lighting for cities – provides its services to more than half of the slightly more than eight thousand Italian municipalities. This field has considerable possibilities for growth and is one in which Enel's experience leads to rationalization and saving – from the rationalization of light sources to the use of ecological, low-consumption light bulbs – that constitute authentic added value for customers.

The following are some numbers regarding the company:

- > 5 regional areas, which are operatively autonomous and have at their disposal all the means necessary to cope with all requirements. As far as the operating part is concerned, all this is based on the work of 360 people;
- > market share is around 50%, with 4,013 customers out of a total of 8,103 in Italy;
- > 1,360 customers (out of 1,518) in northwestern Italy; 1,562 customers (out of 3,025) in the north; 462 customers (out of 1,820) in central Italy; 383 (out of 1,350) customers in the south; and 246 (out of 390) in Sicily;

- > 1,843,494 light sources (i.e., street lamps) managed, amounting to 22%, of which about 1,450,000 belong to Enel Sole;
- > 421,002 light sources (out of 937,859) in northwestern Italy, 862,764 light sources (out of 2,934,920) in the north; 183,616 light sources (out of 2,000,717) in central Italy, 179,081 light sources (out of 1,661,013) in the south, and 197,031 light sources (out of 865,491) in Sicily;
- > 60,288 is the number of EECs (energy efficiency, or "white", certificates) that Enel Sole will mature for work done in the period 2001-2004 on public lighting in Italy, broken down by area as follows: 3,402 for the northwest, 21,228 for the north, 6,264 for central Italy, 10,974 for the south, and 18,420 for Sicily;
- > 58,730 is the number of EECs (energy efficiency, or "white", certificates) that Enel Sole will mature for work done in 2005 on public lighting in Italy, broken down by area as follows: 13,640 for the northwest, 27,155 for the north, 7,520 for central Italy, 6,050 for the south, and 4,365 for Sicily.



Giovanni Pipia, *Summer: Incentive to Consume*

sumed – donated to a project of the Organization of Indigenous Women in Costa Rica for the production and sale of handicrafts, which is supported by Green Cross Italia, a not-for-profit association, whose president is Rita Levi Montalcini. The money goes to 35 indigenous women and their families in Costa Rica, organized by the Mesa Nacional Indígena (Asociación Tekra), who produce and sell handicrafts.

Objectives:

1. improvement of the quality of the lives of indigenous women in Costa Rica;
2. expansion of the business started up by the Organization of Indigenous Women Wale Kané (acquisition of technical expertise in the areas of the production process, purchase of the necessary tools);
3. promotion of more efficient entrepreneurial management;

4. technical assistance for expanding Wale Kané;
5. opening of a strategic sales outlet.

From the launch of the offer in March 2005 to April 2006, Enel Energia donated a total of 18,700 euro to Green Cross Italia.

The particular success of this initiative is attested by the sales of the handicrafts produced, amounting to what is normally sold in six months. ■



Paolo Calcopietro, *Waiting for Spring*

# ENVIRONMENT AND COMPETITIVENESS

At a time when the liberalization of the energy market is continually posing new challenges to the companies involved, the environment constitutes the area where the competitiveness of the latter can best be measured. Indeed, it has become even more important as part of a scenario that Italian legislation and numerous European directives have created over time.

With the publication in June 2005 of the green book on energy efficiency, the EU proceeded with an issue that it had first taken up five years earlier with the introduction of a common strategy for energy procurement: reducing the dependence of European countries on oil and increasing energy efficiency.

These goals were to be achieved by:

- > diversifying the primary sources of energy;
- > acting on the demand side in order to rationalize energy use and thus conserve energy;
- > improving the efficiency of generating plants.

In addition to attaining the energy objectives established, these proposals also allow important environmental results to be obtained: the reduction of the emissions of conventional pollutants (sulfur dioxide, nitrogen oxides, particulates) and the curbing of carbon dioxide emissions.

These are thus energy options that benefit the environment, lead to a rationalization of costs, and attenuate the impact on

## Electricity distribution

- > Electricity distributed: 251 billion kilowatt-hours
- > Municipalities served: 8,010

society: options, all in all, for sustainable development.

Initiated years ago and pursued even more resolutely during 2005, Enel's industrial strategy is in tune with the directives of the European Union and aims to increase the value of the Company through high-value undertakings of environmental compatibility. Thanks above all to a careful policy of environmental management, this is a strategy that has enabled Enel to handle its large industrial projects without neglecting relations with the environment.

That is precisely why Enel instituted its Environmental Policy Unit (which is part of the Parent Company's Department of Institutional and Regulatory Affairs), whose duties are to establish Enel's strategic environmental objectives and verify that its plans are consistent with the principles of its environmental policy. There are also other operating units and professional roles directly involved in environmental activities. There are about 200 full-time employees – highly qualified men and women who are convinced that commitment to the environment is indispensable for increasing the value of the Company – dedicated exclusively to examining and implementing the environmental plans. A proper environmental policy is obviously also based on specific training and information programs concerning the environment, aimed at increasing the professional competence of the people who work at Enel. The Company's commitment in this area can be seen in the more than 44,000 man-hours dedicated to training during 2005, both in classrooms and through programs available for use on the computer.

Environmental information is also given considerable space in the internal newspaper "Enel Insieme" in order to develop and maintain interest in the environment.

The dissemination of information about the environment is not limited to the Company itself. The aim is to make Enel's environmental projects and the measures taken to reduce the impact of its industrial choices as transparent as possible. The main instrument used is the environment channel (<http://www.enel.it/attivita/ambiente>) on Enel's website. In 2005, more than 93,000 people logged on and engaged in 110,000 work sessions in search of news and information about Enel and the environment. ■

## Biodiversity defended

As early as 1998, Enel instituted its BIOSD (Biodiversity and Sustainable Development) program, whose objective was, and still is, to increase awareness of biodiversity and its conservation by investigating the interactions between energy and eco-systems. Thus Enel has cooperated with environmental organizations in order to strengthen biodiversity in the areas around its power plants. Several nests for migratory birds have been installed on its electricity lines, actions have been carried out to protect fish and birds, and wildlife sanctuaries have been established. Cooperation with local institutions and representatives of the national government, as well as with the most important environmental associations (WWF, LIPU, Legambiente, Italia Nostra, Fondo Italiano per l'Ambiente, Federparchi), the Club Alpino Italiano, and various other associations and sports federations, has also begun. In 2000, Enel signed the "Energy in Natural Parks" agreement with the Environment Ministry, Legambiente, and the Federazione Italiana dei Parchi e delle Riserve Naturali for the development of renewable energy sources, the preservation and increase of protected environments in which power stations are located, and the provision of information on the rational use of electricity by publicizing the projects involved. But the key plan for biodiversity is the Natura e Territorio (Nature and Environment) project (see page 110 of this Report and consult <http://www.enel.it/natura/>) undertaken by Enel in cooperation with institutions, municipal and regional governments, tourism bureaus, and sports and environmental associations, whose aim is to promote environmental awareness and the tourism and recreational aspects of the areas in the immediate vicinities of its generating and distribution plants through environmental education, the study of local areas, and the development of sports.

## How much we spend on the environment

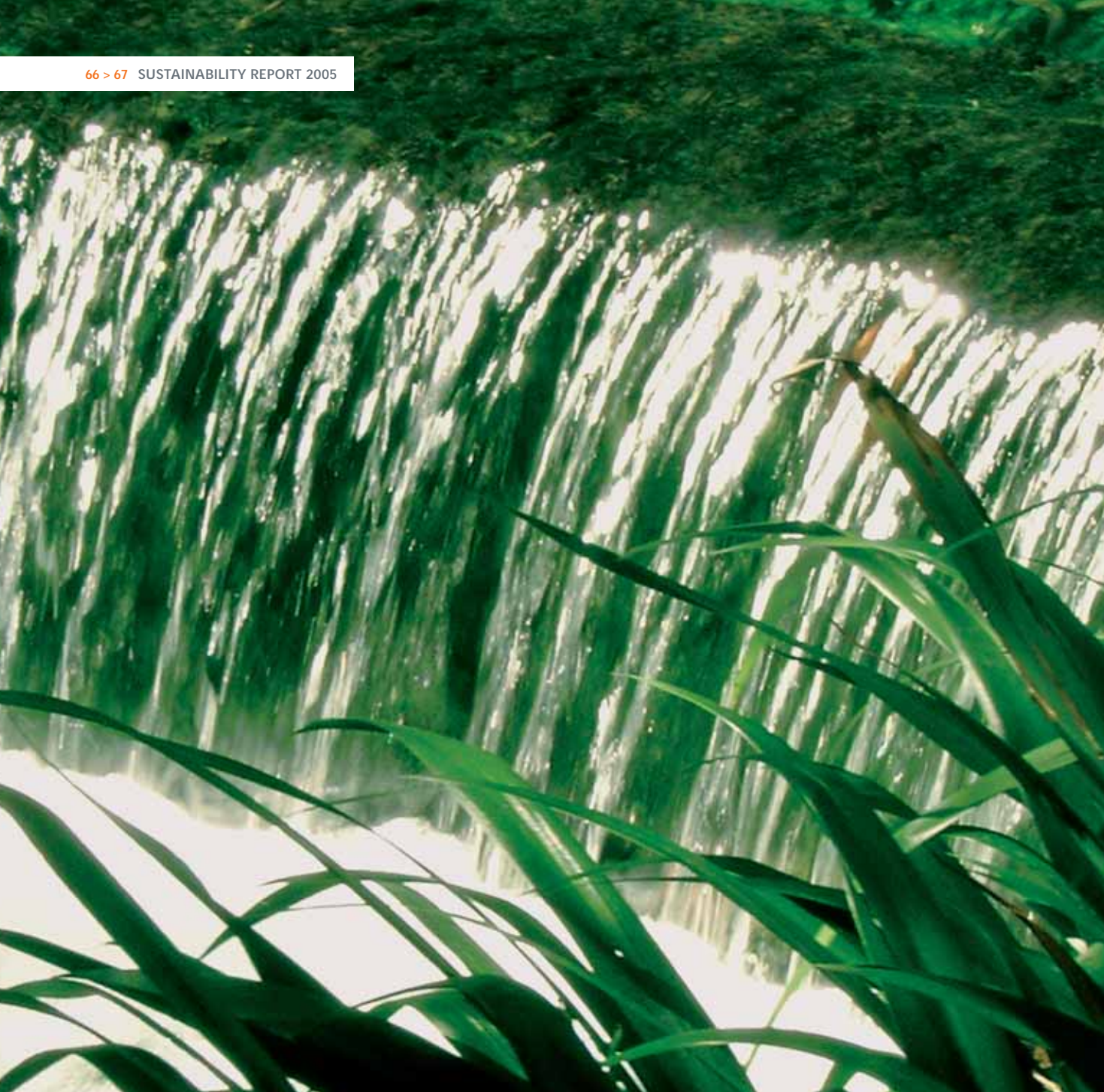
In 2005 Enel's financial commitment in Italy for protection of the environment regarded:

- > current expenses amounting to 344 million euro;
- > capital expenditure amounting to 100 million euro.

Of the 344 million euro, 9 million regard expenses for infrastructure and networks, 67 million the field of electricity generation, 5 million staff activities, and 263 million the use of low-sulfur fuels in accordance with environmental regulations. More than 50% of the capital expenditure regards infrastructure and networks (construction of new power lines or replacements that are environmentally compatible) and more than 40% regards generation. With regard to the latter, 90% of the expenditure was for existing plants and 10% for new ones.

In addition to these values, there are other expenses connected with the environment that are not included in the environmental expense indicator. They amount to 106 million euro, including 54 million euro for environmental taxes – such as the carbon tax, a tax on polluting emissions – and contributions for geothermal research and crops, as well as 52 million euro for lost revenue because of the minimum vital flow.



Marco Bardazzi, *Green AQVA*

## OBJECTIVE: SUSTAINABLE PRODUCTION

Energy security is currently one of the subjects of debate at both the national and the international level. In Europe as in Italy, the subject is closely connected with energy dependence and the strategies to carry out to reduce its effects. In a scenario in which Italy is extremely dependent on foreign suppliers (in 2005, the electricity imported from abroad constituted almost 18% of total consumption) and energy options are conditioned by the political and economic crises of the countries that produce oil and gas, the challenge is to find a way to ensure the supply of energy, at reasonable prices, that is environment-

friendly and highly acceptable socially.

Enel has accepted the challenge and has formulated an industrial strategy aimed at:

- > diversifying its fuel mix, with an emphasis on clean coal, and increasing the efficiency of its generating plants;
- > completing the plan for converting its power stations from fuel oil to gas;
- > increasing the production of electricity from renewable energy sources;
- > increasing the energy efficiency of the final uses of energy;



## Energy efficiency of generating plants

- > Total net efficient power: 42,216 megawatt-hours
- > Net efficient thermal power: 26,902 megawatt-hours
- > Net efficient renewable power: 15,314 megawatt-hours

> intensifying research on and the development of new technologies and forms of energy (hydrogen, thermodynamic solar, carbon capture).

The electricity produced by Enel today comes mainly from fossil fuels, which constitute a share of about 73% of total production, while 21% is produced from renewable energy sources from natural inputs (plus 6% from hydro sources from pumped inputs). The current mix of fossil fuels is such that 13% of electricity is produced from fuel oil, 34% from natural gas, and 26% from coal.

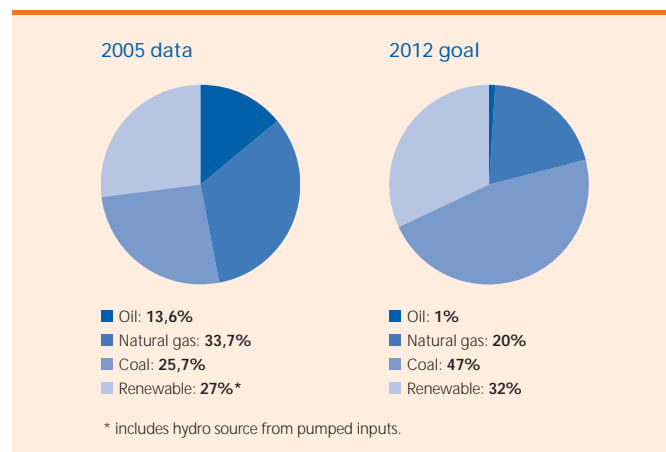
Most of the **fuel oil** used is sulfur-free or low-sulfur, which means that there are low concentrations of sulfur dioxide in fumes emitted during combustion.

**Natural gas** is used mainly in combined-cycle plants, which produce almost 20% of the electricity. This share will increase when the project of converting fuel-oil plants into gas combined-cycle plants – which involves more than 5,000 megawatts – is completed.

**Renewable sources** from natural inputs constitute about one-fifth of all the electricity produced in 2005. Most of it comes from hydro plants, which currently generate 16% of the total production, while geothermal plants account for slightly more than 4%. In the last few years, production from the other renewable sources (wind, photovoltaic, biomass, biodegradable waste) has been given a big boost.

Considering that Enel's objective is to supply electricity to households and businesses at lower prices than the current ones and with a negligible impact on the environment, the challenge is to adopt a fuel mix in which by 2012 the basket of fossil fuels will be appropriately diversified and renewable sources will play an important role.

In 2012, coal will make up almost 50% of all fossil fuels, thanks to the technology that enables its use to be clean. The use of fuel oil will decrease to a marginal 1%, with the Company thus achieving its goal of abandoning this source, whose price is often influenced by the political and economic situations of the producer countries. The use of natural gas will also decrease, thus reducing dependence on countries that – for the aforesaid



reasons – could condition its supply.

Against this reduction in the use of natural gas and the progressive abandonment of fuel oil, there will be a large increase in renewable sources, which will constitute almost a third of the entire production mix.

## Capturing CO<sub>2</sub>

Enel's engagement on the subject of the "capture and sequestration" of sulfur dioxide – that is, finding a way to prevent its emission into the atmosphere – is wide-ranging. At the international level, the Company actively participates in the CSLF (Carbon Sequestration Leadership Forum), an association dedicated above all to discussion of the social, as well as the technical, issues of CO<sub>2</sub> sequestration. The participants are the most important countries in the world, including the United States, China, and Russia. At the operating level, Enel participates in the work groups of the ZEFFPP (Zero Emission Fossil Fuel Power Plant) platform and, as a member of its advisory committee, has been appointed to head research.

The research activities regard participation in the EU's "Dynamis" and "Friendly Coal" projects, for the latter of which Enel's experimental power plants are involved in developing the difficult technology of oxy-combustion, entailing the oxygen-based acceleration of combustion to improve efficiency and reduce fumes and CO<sub>2</sub> emissions. As part of the System Research projects funded by the Ministry of Productive Activities, Enel is also investigating the possibility of producing algae by feeding them with the carbon dioxide emitted by its coal plants and then transforming them into bio-fuel, as well as cooperating with the chemical industry on basic chemical products for the production of polycarbonates. Finally, there is the significant agreement that Enel has entered into with the INGV (National Institute of Geology and Volcanology) to study the possibility of sequestering large quantities of CO<sub>2</sub> in natural underground repositories located in the vicinities of future Enel coal-fired power plants.



# EFFICIENT ENERGY USING YOUR HEAD

Five years after the first decrees on energy efficiency were issued (April 24, 2001) and almost a year and a half after the latest ones (July 2004), in March 2006 the Efficient Energy Certificate (EEC) market started up. These certificates are indispensable for electricity and gas distribution companies with more than 100,000 end customers to attest that they have achieved the reduction of primary energy that they were assigned by these decrees. The objectives for electricity and gas distributors are divided into five years: the first one was set for 2005 and by 2009 the commitment is to save a total of 2.9 Mtoe (million tons of oil equivalent) of primary energy: 1.6 Mtoe in the electricity industry and 1.3 Mtoe in the gas industry.

Saving energy without giving up comfort and technological development is not only possible, but actually indispensable, because energy saving is the most important renewable source. This is the guiding principle of a multi-faceted campaign to pro-

## Reckoning with CO<sub>2</sub>

There is no doubt that increasing energy efficiency in end uses is the most cost-effective means of reducing the consumption of primary energy and consequently abating emissions of greenhouse gases and improving air quality, especially in densely populated areas. Therefore, the measures adopted to achieve this objective will help Italy perform the obligations it undertook with the Kyoto Protocol. In effect, among the measures necessary to achieve the Kyoto objective, the CIPE's directive of December 19, 2002 (National Action Plan to Reduce Greenhouse Gas Emissions) provides for steps to improve energy efficiency in end uses. Furthermore, the directive estimates that such steps could obtain a reduction of up to more than 6 million tons of carbon dioxide (CO<sub>2</sub>). Considering that at the end of 2005 the market price of a ton of CO<sub>2</sub> was about 21 euro (source: Point Carbon), the amount of carbon dioxide avoided would allow Italy to reduce the cost of achieving the objectives set by the Kyoto Protocol by more than 120 million euro.





Milos Lascek, *The Ghosts of Nature*

vide information and create awareness about energy efficiency organized by Enel and promoted by the Ministry of Productive Activities and the Ministry of the Environment.

The underlying theme of the campaign is the slogan "When you use energy, use your head". In effect, much of the energy produced winds up in homes to heat or cool the environment,

## Rational use of energy

- > Digital meters installed: 26,954,000
- > Customers with time-differentiated rates: over 540,000

### All the numbers of Enel's energy efficiency

- > TV advertising campaign since December 4, 2005.
- > More than 100 print advertising messages.
- > 1.5 million copies of the guide "When you use energy, use your head" distributed.
- > 20 stages of the marathon on the intelligent use of electricity.
- > 2 million low-consumption light bulbs distributed.
- > About 180,000,000 kWh saved.
- > More than 100,000 tons of CO<sub>2</sub> avoided.
- > Over 21 million digital meters already read and managed at a distance.
- > 27 million digital meters already installed.
- > Over 500,000 customers with time-differentiated rates.
- > 15,000 class-A electric appliances sold through Enel Club.

produce hot water, make light bulbs and electric appliances work, and cook food, and all citizens can use it more "intelligently" by combining energy saving with saving on their bills. Thus, a more rational use of energy resources generates a doubly positive result, because it is in the interest of both customers and the community as a whole, making it possible:

- > to reduce fuel consumption and consequently pollute less;
- > for Italy to be more independent from the point of view of energy;
- > to reduce the risk of black-outs;
- > to improve the quality and reliability of the electricity supply. ■

## A tour of Italy to save electricity

Twenty-one Italian cities, from south to north: These are the stages of the tour for the intelligent use of electricity. The objective is to involve millions of people over a period of two months in Enel's "When you use energy, use your head" campaign, which is promoted by the Ministry of Productive Activities and the Ministry of the Environment. This is a real marathon of energy efficiency, which started on February 4, 2006 in Reggio Calabria and will end on May 6, 2006 in Bergamo. This is a fascinating marathon – just think that more than 8,000 people were involved in the three-day event in Calabria – which, in the end, will

have many winners. In the first place, there are all the visitors of the stands that, among other things, distribute the guide to the intelligent use of electricity, which shows how to use electric appliances more rationally in order to save energy and thus contribute to a better balance in the national electricity system and in the environment, while obtaining in addition a benefit on your bill. The guide can be also downloaded from the "Intelligent Consumption" website ([http://www.enel.it/sportello\\_online/elettricit/consumaintelligente/](http://www.enel.it/sportello_online/elettricit/consumaintelligente/)) dedicated to the initiative.

But the guide is certainly not the only

"instrument" used in this campaign. In effect, the stands also offer "scratch & win" cards to visitors. By correctly answering the four simple questions on the stratagems that allow you to save energy at home, they can win as prizes some nice gadgets, including high-efficiency light bulbs, which last eight times longer and consume 80% less than traditional incandescent bulbs. By the end of the tour more than 40,000 bulbs will have been distributed, leading to an annual saving of 3,600,000 kilowatt-hours and the avoidance of the emission of 2,492 tons of carbon dioxide (CO<sub>2</sub>) and other greenhouse gases if they are used instead of traditional ones.





Grazia Brociero, Talamone

# COMMITMENT TO RENEWABLE SOURCES

From laws to deeds. With the publication of the ministerial decrees implementing Legislative Decree no. 387 of 2003, which adopted European directive 2001/77/EC on the promotion of renewable sources in the internal electricity market, the Italian regulatory framework for supporting alternative energy sources is nearing completion. Very important was the issue of the decree of July 28, 2005, which provides incentives for the production of electricity through the photovoltaic conversion of the solar source. This decree is innovative with respect to the past, because the incentives regard the energy account instead of the capital account, paying almost 0.50 euro for every kilowatt-hour of electricity produced over a period of twenty years. The same decree also set a national objective for the cumulative nominal photovoltaic capacity to be installed by 2015,

which was first established at 300 megawatts and subsequently increased to one thousand megawatts (Ministerial Decree 6/2/2006).

All this enables photovoltaic energy to be developed and to attain a significant position in the national energy scenario. For some time now Enel has had a program for the development of renewable energy that is consistent with Italy's objectives, which set at 22.5% the share of renewable energy capable of contributing to satisfying the demand for electricity in 2010.

In 2005, Enel produced almost 25 terawatt-hours of electricity from hydro sources (of which almost seven from pumping and thus with water already used to produce electricity and pumped back into the reservoirs to be used again), five from geothermal ones, about 0.4% from wind, and a small share of

## Green energy

- > Increase in renewable energy: 104 megawatt-hours
- > Investment in renewable energy: 262.4 million euro

photovoltaic, amounting to a total of about 30 terawatt-hours. These results avoided the emission of around 16.2 million tons of carbon dioxide and will contribute to the achievement of the objectives set by the Kyoto Protocol. During 2005, there was an increase of about 100 megawatts in the power produced from renewable sources, which was mainly due to:

- > the activation of the new Tirso 1, Roccasparvera Diga, Busche, Posada, and Ponte Pià hydro plants (about 24 megawatts) and the completion of the refitting and enlargements of the Ceprano, Bussolengo, Chievo, Galliciano, Talamona, and Somana plants (about 18 megawatts);
- > the divestment of a unit of the San Martino geothermal power plant (-16.8 megawatts) and the start-up of the Nuova San Martino plant (+34.3 megawatts) as part of the renovation, as well as the re-activation of the Nuova Larderello plant (+11.3 megawatts);
- > the completion of the Littigheddu wind farm and the enlargement of the Sclăfani Bagni 2 plant, with an increase in power of about 30 megawatts.

Enel's commitment to the environment continues in the geothermal field with the development of the "Amis" project regarding the installation of systems for abating mercury and hydrogen sulfate in power plants and the removal of asbestos from obsolete steam pipelines still in operation. ■

## Strong and international

Enel is becoming more and more an integrated international company. In the last few years, it has followed a growth policy that has led to its presence in 13 countries and laid the foundations for further international developments.

Present for some time now in Spain with Viesgo (2,300 megawatts of installed capacity and more than 600,000 customers served), in Romania with the distribution companies Banat and Dobrogea (1.4 million customers served and a market share of 19%), and in Bulgaria with the generating company Maritza (550 megawatts of installed capacity), Enel continues to grow. During 2005, the Company began the process – completed in April 2006 – of acquiring Slovenské Elektrárne, a Slovakian company with 6,400 megawatts of in-

stalled capacity and about 10,000 employees. This acquisition constitutes Enel's entry into the Centrel area, which is considered to be essential, because it has a great potential for interconnection with the electricity networks of neighboring countries. In addition, the 2,400 megawatts of capacity based on nuclear energy will enable Enel to reacquire the necessary expertise in this field. And as far as nuclear energy is concerned, in France Enel is negotiating with EdF its participation in the EPR (European Pressurized Reactor), which will supply up to 1,200 megawatts of basic energy. In Russia, on the other hand, where the Company was already active as the manager of a combined-cycle plant in St. Petersburg, at the beginning of 2006 >



Dan Sever Dulamita, Autumn on the Plain



Eleuterio Baris, May

Enel signed an agreement to participate in RusEnergosbyt (RES), a company that is active in electricity brokerage.

Enel is also participating in the privatization of Muntenia Sud, a distribution company in Romania and is extremely attentive to opportunities that would allow it to consolidate its presence throughout Europe, especially on the Iberian Peninsula and in Eastern Europe.

Special mention should be made of Enel's international presence in the field of renewable energy. Thanks to years of domestic experience, Enel has been able to achieve a position of leadership in this field, especially with regard to hydro, geothermal, and wind sources.

Combining this experience with constant

attention to technological innovation, Enel has obtained a competitive advantage deriving from its knowledge and capabilities in constructing and operating these kinds of plants and – relying on this advantage – has begun to export its know-how abroad. A testimony to this is its presence in the Americas, where it has strategically decided to focus only on the field of renewable energy. It does business in both North America (where it manages 312 megawatts of installed hydro capacity, 67 megawatts of wind, and 21 megawatts of biomass) and Latin America (where it has 182 megawatts of installed hydro capacity and 24 of wind located in Costa Rica, Guatemala, and Chile).

In addition, Enel participates with LaGeo

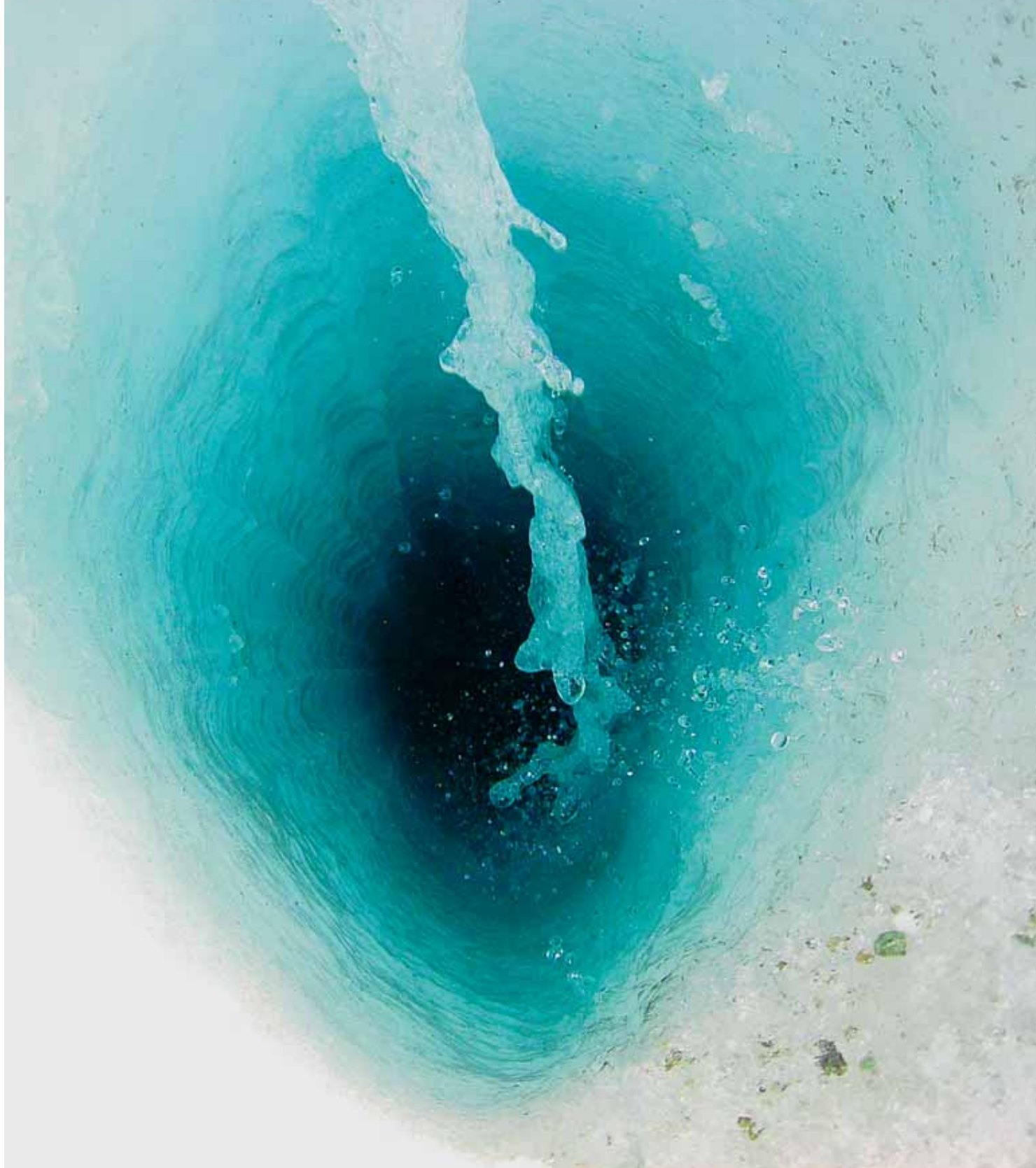
in the production of 115 megawatts of electricity from geothermal sources in El Salvador, which will soon be increased to 250 megawatts. New investments are already planned in hydro and geothermal sources, but the Company is also very alert to possible further developments in the field of renewable energy.

Another significant Enel presence in the field of energy from renewable sources is in Spain, where Viesgo has a hydro capacity of 667 megawatts and the Company participates in the EUFER (Enel Unión Fenosa Renovables) joint venture with Unión Fenosa, which manages 89 megawatts of hydro, 286 megawatts of wind, and 61 megawatts of co-generation. Further interesting developments are expected in Spain, especially with regard to hydro and wind, for which projects for installing an additional 700 megawatts by 2010 have already been planned. The wind field seems especially interesting in France, too, thanks to the impulse given by the government in this direction.

Finally, of the Slovakian company Slovenské Elektrárne's 6,400 megawatts of capacity, all of 2,400 come from hydro sources.

The sum of all these international activities and of the 15,000 megawatts of capacity from renewable sources in Italy means that about 37% of Enel's productive capacity comes from renewable sources. Together with the expertise acquired from years in the field, this indicator makes Enel one of the world leaders in renewable energy sources. ■





Sergio Ruzzenenti, *Energy on the Rocks*

# WHEN THE COAL IS CLEAN

If used with the most advanced technologies, coal can now enable electricity to be produced at lower prices, more efficiently, and in a way that is compatible with the environment. For these reasons, Enel has started a project to transform two large oil-fired thermal power plants into modern coal-fired ones. Specifically, the project provides for applying the clean-coal technology to the Torrealvaldliga Nord plant in Civitavecchia (Rome province) and the Porto Tolle plant in Rovigo, which represent a total of about 4,000 megawatts of power.

## Thermal power plants

- > Investment for efficiency: 232 million euro
- > Environmental investment: 52 million euro





Daniele Soncin, *Spring Clouds*

Once the project has been completed, there will be indisputable environmental benefits thanks to the use of advanced technologies such as:

- > " ultrasupercritical boilers" , or boilers fired by coal dust in a sealed cycle with process parameters at the technical limits currently permitted (high pressure and high temperature). The technology expresses high thermodynamic yields and thus saves considerable fuel (the  $\eta$  yield or " eta yield" , which measures plant efficiency, increases from 38% to 45%);
- > new, highly efficient ( $\eta=85\%$ ) systems of catalytic denitrification of fumes ( $\text{DeNO}_x$ ) for abating nitrogen oxides ( $\text{NO}_x$ );
- > latest-generation sleeve filters for trapping the particulate matter contained in fumes, which are highly efficient in abating particulates ( $\eta=99.9\%$ );
- > new systems of the humid limestone/gypsum kind for desulfurizing fumes ( $\text{DeSO}_x$ ), which are highly efficient ( $\eta=97\%$ ) in abating sulfur oxides ( $\text{SO}_2$ );
- > a plant for crystallizing the water discharged by the desulfurizer. The water is completely recovered and therefore does not constitute a plant effluent.

Furthermore, the technology is associated with an effective system of coal management, which sees that the fuel is moved and stored in a perfectly safe manner, using facilities that are completely closed, depressurized, and automated.

With these transformations, the quality of the air improves con-

siderably, because the systems that abate the traditional pollutants (nitrogen oxides, sulfur oxides, and particulates) manage to ensure emissions levels much lower than the values of a similar oil-fired power plant.

These values are also lower than the ones established by European directive 2001/80/EC regarding large combustion plants, as shown in the following table.

Emissions compared			
mg/Nmc	Fuel oil	Fossil fuels*	Clean coal
Nitrogen oxides ( $\text{NO}_x$ )	400	200	100
Sulfur oxides ( $\text{SO}_2$ )	200	200	100
Particulate	50	30	15

\* Directive 2001/80/EC

Contrasting with the marked reduction of polluting emissions is a slight increase in the emissions of carbon dioxide ( $\text{CO}_2$ ), which reach a value of 770 grams per kilowatt-hour (as opposed to the 930 grams of the current coal-fired power plants), about 4% higher than the specific emission of 740 grams per kilowatt-hour of an oil-fired plant. In any case, the gas combined-cycle plants compensate for this modest increase of  $\text{CO}_2$ . A further contribution to the reduction of  $\text{CO}_2$  emissions will come from the increased number of plants that run on renewable energy sources. ■

## In Civitavecchia with “clean-coal” plants

Constructed by Enel in 1984, the Torrealvaldiga Nord thermal power plant in Civitavecchia consisted of four 660-megawatt units, amounting to 2,640 MW of installed power. It became fully operative in 1986 and after about 15 years of running on fuel oil, Enel began its conversion to clean coal.

The Company prepared the project at the end of 1999 and in 2000 began the process of obtaining the necessary authorizations by convening the service conference and presenting the environmental impact study. After obtaining the approval of the relevant ministries and local authorities, in December 2003 a decree authorized the construction of a plant consisting of 3 clean-coal sets amounting to a total of 1,980 megawatts of installed power.

The construction site was started up in March 2004. An average of 1,500 people have been working there, with peaks of 2,000 and plans for up to 3,000 by the end of 2006. Thanks to the introduction of the most advanced technologies for the treatment and cleaning of the fumes, the higher thermal yield of the new boilers, and the use of a low-sulfur coal, the new plant will allow decreases of as much as 80% in the emission of polluting agents. The reduction

### Liquid and gaseous gas

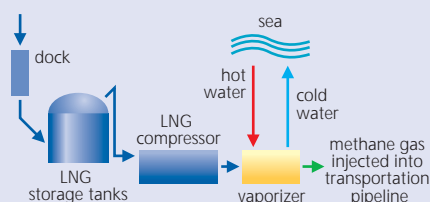
The advisability of constructing regasifiers in various regions of Italy is still being intensely debated. It is therefore useful to understand what this kind of plant does and how it works. A regasification terminal is a facility that allows liquefied natural gas (LNG) to be imported, reconverted to the gaseous state, and distributed through the national network for use by households and firms, as well as by the power plants that use gas to fuel their turbines.

A regasifier essentially consists of:

- > a pier where the ships transporting the LNG can dock;
- > tanks for storing the LNG;
- > heat exchangers, where the regasification takes place;
- > a connection to the national pipeline network.

The running of the terminal is simple and its technology is based on more than 40 years of experience. Special ships transport the LNG from the producer countries to the regasification terminal, where it is unloaded into low-pressure, low-temperature ( $-162^{\circ}\text{C}$ ) tanks. These tanks are made of a special kind of steel, nickel steel, and covered on the outside by about one meter of highly resistant insulating material and inserted in another external container made of reinforced concrete about one meter thick. The LNG is then pumped out of the storage container and sent under pressure to the vaporizers, heat exchangers with tubes through which the LNG passes and which are lapped on the outside by sea water. Because the latter is hotter, it transforms the gas from the liquid to the gaseous state without any direct contact with the gas. Finally, the gas is sent under pressure into the national transportation network.

This is a simplified model of how it works:



In spite of the strategic importance of natural gas for the national energy system and the high level of consumption (about 86 billion cubic meters in 2005), more than 85% of which is covered by constantly growing imports, the contribution of LNG to the system is limited to a single, small terminal in Panigaglia, which produces 3.5 billion cubic meters a year. In effect, 95% of the supply is transported by pipelines, which by their nature make Italy very dependent on the suppliers (Algeria, Russia, Libya) and do not allow an adequate diversification of the sources.

Because it allows Italy to also use sources that are very distant and located in different geopolitical areas, LNG presents advantages with respect to supplies via pipeline in terms of supply security and diversification, price competitiveness, and flexibility. Indeed, the availability of regasification terminals, which allow LNG to be imported from all over the world, would enable Italy to reduce the risks of supply-flow interruptions, especially with regard to countries connected via pipelines, and to achieve a more balanced overall supply system. Regasification plants also have very high, established safety standards and a negligible environmental impact, and synergy is possible, for example, with the cold chain for food preservation.

in size from 4 to 3 sets is another reason emissions of carbon dioxide will decrease by 18%.

The total investment in the transformation project amounts to 1.5 billion euro. Enel is increasing the workforce of the new power plant by hiring 70 additional people. Together with the conversion of

the Polesine Camerini power station in Rovigo province, the Civitavecchia plant will allow Enel to balance the fuels used for electricity generation and to eliminate its dependence on fuel oil for its plants. All of this will enable it to reduce the average price of electricity and bring prices in Italy in line with the European average. ■



## Pool electricity

The Electricity Pool is an on-line market: in effect, all phases of the market take place via Internet. Demand and supply meet here, establishing the quantity and the price of the electricity bought and sold. The Pool is also a physical market, where injections and withdrawals of electricity on the network are planned. The Electricity Pool constitutes an essential instrument for establishing a competitive electricity market in Italy and it was created in order to foster the formation of equilibrium prices that allow producers and consumers to sell and buy electricity where it is economically most advantageous.

After a period of trials and testing that the entire system worked properly, the Pool was started up on March 31, 2004. There were numerous protagonists be-

hind this event: the Ministry of Productive Activities, the Electricity and Gas Authority, Gestore della Rete di Trasmissione Nazionale (Manager of the National Transmission Network), Gestore del Mercato Elettrico (Manager of the Electricity Market), and Acquirente Unico (Single Buyer) all seated around the "Energy Table".

In January 2005, the demand also began to participate actively. In effect, all the interested companies can now purchase the electricity they need directly from the Pool. This means that since that date producers alone no longer establish the quantity of electricity at a determined price, but that, as buyers, users can communicate at what price they are willing to buy electricity for distribution to their customers. The point where these two forces meet sets the price. In theory, all consumers have access to the Electricity Pool, even though in order to do so they

would have to have special instruments, time, and the ability to understand how the system works. Concretely, until July 2007, it will still be difficult for private individuals to access the Pool directly, except through electricity wholesalers (such as Enel Trade), with other large consumers, or with traders specialized in electricity trading. In essence, it is as if you wanted to buy your fruit directly at the orchard: no one forbids it.

Those who between now and July 2007 are considered "qualified" to buy electricity are large industrial groups and large wholesalers, who have medium-sized consumers as their customers. Then there is Acquirente Unico, whose duty is to purchase electricity for all the private individuals who before the aforesaid date cannot buy directly or choose the electricity distributor they prefer.

From the very first day of transactions on the Electricity Pool positive results have been recorded with regard to the levels of liquidity, that is, the quantity of electricity traded daily in proportion to the amount traded in the entire system. With respect to the most important European electricity pools, the Italian one is characterized by a high level of liquidity, which after the start-up of active demand has stabilized at about 65-70%, a value that has made it the largest non-obligatory pool in Europe.

In the process of liberalizing the electricity industry, therefore, the Electricity Pool is meant to be an instrument of innovation with respect to the system of bilater-

### Enel and nuclear energy

The production of electricity from nuclear energy is a significant reality in the Western world and in Southeast Asia. In effect, it constitutes about 16% of the total production of electricity and new units are being connected to the network every year. The most important power companies in the world have significant nuclear portfolios, which range from 20% to 90% of their capacity and are normally between 30% and 40%.

For the reliable production of large quantities of electricity, nuclear energy is also the only alternative to fossil fuels and large hydro plants, which are still significant. In view of the uncertainties regarding the conditions on

which fossil fuels will be available in the future and in the absence of significant hydro resources that have not yet been exploited in the West, Enel has initiated a process of reconstituting nuclear technical expertise by creating a dedicated group. This is taking place in conjunction with Enel's commitment to expanding its activities abroad, including the acquisition of a controlling equity interest in the Slovakian electricity company Slovenské Elektrárne (which has three nuclear power plants) and participation in the project, headed by Électricité de France, for constructing the next-generation European reactor: the European pressurized water reactor (EPR).

## From Enel's monopoly to the Electricity Pool

- > **1992:** transformation of Enel from a public statutory body into a corporation
- > **1996:** liberalization of the electricity industry in Europe
- > **1999:** Legislative Decree no. 79/99 (known as the Bersani Decree), which provides for the liberalization of the electricity industry in Italy
- > **2000:** creation of TEM (team energy management) – input of electricity on the network according to costs, managed by Enel and the so-called Gencos (the generation companies that operated the Enel power plants to be sold to other companies)
- > **2003:** resolution no. 67/03 of the Electricity and Gas Authority, replacing TEM with the STOVE – input of electricity on the network according to costs – managed by GRTN\*, Gestore della Rete di Trasmissione Nazionale
- > **December 2003:** resolution 168/03 of the Electricity and Gas Authority on the input of electricity on the network according to economic merit
- > **April 2004:** start-up of the Electricity Pool
- > **August 2004:** law 239/04 (known as the Marzano Law) on the reorganization of the electricity industry
- > **July 2007:** total liberalization of the market

\* now owned by Terna.

## The Bersani Decree

### The principles

- > liberalization of production, imports, and exports, with a limit of 50% of the electricity produced in or imported into Italy by any one producer, beginning in 2003
- > management of the national transmission network entrusted to Gestore della Rete di Trasmissione Nazionale (GRTN)
- > ownership of the high- and very-high-voltage network to Enel\*
- > distribution carried out as a franchise
- > protection of the regulated market through Acquirente Unico (AU)
- > economic management of the market entrusted to Gestore del Mercato Elettrico (GME)
- > subsidies for renewable energy sources through “green certificates”
- > progressive liberalization of the market.

### The institutional actors

#### GRTN (now Terna)

- > manages the flow of electricity on the national transmission network and ensures the security of the electricity service
- > controls AU and GME

#### GME (Manager of the Electricity Market)

- > manages the Electricity Pool

#### AU (Single Buyer)

- > ensures the supply to the regulated market

#### Electricity and Gas Authority (AEEG)

- > an independent public body appointed by the government
- > supervises the electricity industry

#### Ministry of Productive Activities (MAP)

- > coordinates and provides guidelines for the electricity industry

\* now owned by Terna.

al contracts, in which the contracting parties freely determine prices and quantities. The Pool is advantageous, because it:

- > improves the process of price determination by reflecting the conditions of demand and supply;
- > stimulates competition among suppliers and favors the satisfaction of demand at the lowest prices available on the market;
- > operates transparently, making quantities and prices constantly visible to all involved, who can thus act according to the same rules and in conditions of symmetric information;
- > is more flexible, allowing those in the industry to supplement electricity supplies to cope with sudden fluctuations in their requirements;
- > contributes to the management of situations of scarce supply by furnishing accurate and prompt price signals to both producers (making generating ca-

capacity available) and consumers (promoting an efficient use of electricity);

- > fosters market stabilization by providing incentives for the construction of new power plants and power lines, as well as the entry of new firms;
- > introduces an element of separation between the production and the sale of electricity, which are competitive businesses within the electricity chain;
- > simplifies the commercial procedures of firms and ensures greater security of payment of the electricity sold through the systems of guarantee offered by the market.

The benefits regard all end consumers, both those qualified to buy from the Electricity Pool (wholesalers and firms that have direct contacts with Gestore della Rete di Trasmissione Nazionale) and those who are not qualified, or the “qualified end customers” who have not entered into a direct contract with GRTN (and who

buy through wholesalers) and the “regulated” ones who buy electricity indirectly from the Pool through Acquirente Unico, a specially created company. ■

Licio Cerri, *Autumn at the Power Plant*

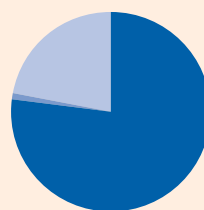
# ENVIRONMENTAL MANAGEMENT: A PROGRAM CARRIED OUT

In 2005, Enel continued its project of applying the Environmental Management Systems (EMS) in the individual Business Units involved in the application of the ISO 14001 and EMAS environmental standards (see [www.iso.org](http://www.iso.org)). This activity will also continue in the coming years, extending environmental certification to the renewable-energy plants that were transferred to the Generation and Energy Management Division (GEM) following the corporate reorganization in June 2005. Enel is committed to the ISO 14001 certification of all its generating plants and to subsequently requesting EMAS registration.

Of Enel's total installed capacity, 77.3% is already ISO 14001 certified and 43% is EMAS registered. As of the end of 2005, there are 268 certified power plants, 130 of which are also EMAS registered.

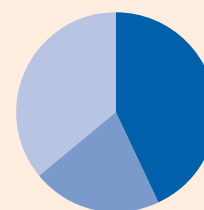
In addition, Enel has joined the EPD® (Environmental Product Declaration) scheme. After obtaining this certification for the Sclafani Bagni wind farm, in Palermo province, it received the same recognition for the Bagnore 3 geothermal plant, in Grosseto province, the first of its kind to obtain the EPD®. ■

ISO 14001  
in the power plants



■ Certified: **77.3%**  
■ With certification in progress: **0.4%**  
■ With certification planned: **22.3%**

EMAS  
in the power plants



■ Registered: **43.4%**  
■ With registration in progress: **20.6%**  
■ With registration planned: **36.0%**

## Sclafani Bagni (PA) Wind farm

- > Location: Parco naturale delle Madonie
- > Power: 7,260 kW
- > 1st generating plant with EPD® in Italy
- > Certification (Certiquality) obtained in June 2004
- > ISO 14001 expected by end of 2006

## Bagnore 3 (GR) Geothermal power plant

- > Location: Santa Fiora (Amiata)
- > Power: 19 MW
- > 1st geothermal power plant in the world with EPD®
- > Certification (Certiquality) obtained in May 2005
- > ISO 14001 obtained in December 2005





Stefano Maltese, *The North of the World*

# ENEL TOWARDS KYOTO

The control of CO<sub>2</sub> (carbon dioxide) emissions plays an important role in Enel's environmental strategies. As early as 2000, the Company signed a voluntary agreement with the Ministry of the Environment and the Ministry of Productive Activities for the containment of emissions of greenhouse gases, committing itself to a reduction of its CO<sub>2</sub> emissions by the end of 2006 amounting to 20% with respect to its

1990 level. This objective is being exceeded – Enel has currently achieved 19% – thanks to the application of a series of measures, including those that are part of the overall plan of plant conversion and fuel diversification combined with the use of more efficient technologies. In addition to the strategy for reducing CO<sub>2</sub> emissions based on internal actions for increases in plant efficiency and production from renew- ➤

## Atmospheric emissions

- Specific emissions of greenhouse gas (CO<sub>2</sub>): 56.2 million tons
- Value of emissions avoided: 16.2 million tons



able energy sources, Enel has begun a series of initiatives that provide for international cooperation: significant use of the flexible mechanisms – CDM (Clean Development Mechanism) and JI (Joint Implementation) – introduced by the Kyoto Protocol. This is how:

- > participation in a limited number of duly selected carbon funds (funds for the purchase or sale of CO<sub>2</sub> credits);
- > direct purchase of CO<sub>2</sub> credits through long-term contracts;
- > development of its own projects in geographical areas where the Company is already active.

In some cases, Enel acts in cooperation with the Italian government. For example, the Company entered into a specific agreement with the Ministry of the Environment as part of the cooperation between Italy and China. The strategic plan does not neglect the research and development projects dedicated to different innovative technologies, such as the application of the hydrogen carrier to the production of electricity and heat and experimentation with a thermodynamic solar plant that supplements a traditional combined-cycle thermal plant.

Enel is also involved in the preparation of the European research platform called "Zero Emissions Fossil Fuel Power Plants", whose objective is to produce a strategic document for the investigation and technological development of the capture and geological sequestration of the CO<sub>2</sub> emitted by plants fired by fossil fuels. ■

## Where Italy is

The topic of climate change is discussed with increasing intensity throughout the world. It requires an increasingly shared, global, and equitable political effort and – from the strategic point of view – is becoming more and more significant for companies like Enel. Two great international occasions have allowed progress to be made in the discussion of the subject and in international cooperation to find an effective solution to the problem. In July 2005, the G8 – Canada, France, Germany, Italy, Japan, Russia, the United Kingdom and the United States – meeting in Gleneagles, Scotland acknowledged that the growing need for energy from fossil fuels, together with other human activities, contributes to the warming of the earth's surface, causing what is a difficult long-term challenge for the entire planet: climate change.

The G8 promoted innovation, energy efficiency, and the development of clean technologies and acknowledged the ne-

cessity of cooperating with less developed countries to accelerate the dissemination of these technologies by increasing private investment.

In December 2005, Montreal hosted the eleventh Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC). The conference initiated processes for increased cooperation to tackle climate change, revise the Kyoto Protocol, and establish post-2012 emissions objectives. The Parties to the UNFCCC, including the United States, committed themselves to starting a process of cooperation to cope with climate change, with objectives of sustainable development by promoting actions of adaptation and fully developing technological potential and market instruments.

As provided for by the Kyoto Protocol, the COP also began the process of establishing the post-2012 emission-reduction objectives and acknowledged the neces-



Leonardo Imbasciani, *Clean Energy*



Flaminia Ceribelli, *The Colors of Energy*

## Water and electricity in the Maghreb with the e7

The westernmost area of North Africa, the Maghreb borders on the Mediterranean and contains a number of countries, from Tunisia to Morocco.

The lack of sweet water is one of the most dramatic problems that afflict the region. One of the most important sources of sweet water, especially in the southern part of the region, could be provided by the construction of plants for desalinizing seawater.

As an international organization that brings together the largest electricity companies of countries such as Canada, France, Germany, Italy, Japan, Russia and the United States, the e7 plays an active role in the protection of the global environment by promoting energy efficiency in generation and the rational use of electricity as instruments that allow sustainable growth in less developed countries, too. To this end, in 2005 it started a project called the "Reverse Osmosis System" (ROS), with the objective of creating a supply of sweet water for the aforesaid region.

The ROS for the production of sweet water runs on electricity, which will be produced locally in a sustainable fashion from renewable sources (wind and solar). The water produced will then be distributed to the isolated communities.

As a member of the e7, Enel has assumed the role of leader of the initiative and is carrying out a feasibility study of the project, which provides for the construction of a pilot system in southern Tunisia and also involves the Agriculture Ministry and in particular the Tunisian Water Authority (SONEDE). A wind generator will supply the electricity required by the plant, and it has already been ascertained that the wind and other technical requisites are available.

sity of strengthening the flexible Clean Development Mechanism (CDM) after 2012.

The European Union has gone through the start-up phase of one of the most important instruments adopted to achieve the Kyoto objective: the Emission Trading System, the European market of credits and debits deriving from the number of tons of CO<sub>2</sub> (carbon dioxide) emitted by firms in the member states, which began in January 2005.

In December 2005, the European Commission published a Communication on supplementary guidelines on the national allocation plans for the trading period 2008-2012, which contains information regarding the preparation and presentation of such plans. As far as Italy is concerned, last February the Environment

Ministry – with the approval of the European Commission – definitively allocated the CO<sub>2</sub> emission quotas for the period 2005-2007 to the firms in the industries involved by the regulations of the European Emission Trading System.

With a significant delay with respect to the other countries of the European Union, the same decree also instituted the national Register of emissions and quotas, an indispensable instrument for the real start-up of the system whereby firms trade quotas.

For the three-year period 2005-2007, quotas amounting on average to 223.1 million tons of CO<sub>2</sub> a year were allocated, of which 131.1 million tons were assigned to the thermal production of electricity and 92.1 million tons of CO<sub>2</sub> a year to other industries. ■





## A MUCH RESEARCHED ENVIRONMENT

Research at Enel is a technical area of the Generation and Energy Management Division and has a clear mission: to assist Enel's strategies by proposing ideas and developing projects aimed at increasing the Company's competitiveness.

Two research centers (one in Pisa and the other in Brindisi), two experimental areas (in Leghorn and Sesta, near Larderello in Siena province), numerous testing centers at active plants, two specialized chemistry laboratories, 155 researchers, a network of cooperation with the most important research centers at the international level.

A mechanism for selecting research projects based on the direct requests of the operating units for short- and medium-term activities and on the involvement of the Company's top management for strategic projects.

A proven work method which, starting in the laboratory and passing through experimentation on prototypes, always aims at application on plants. A consolidated reputation which

brings tens of European researchers to Enel for periods of specialization training.

The protection of the environment is the number one priority of all the subjects of research at Enel, and above all the abatement of pollutants and micro-pollutants and the utilization of residues and carbon dioxide.

The work of Enel's researchers has been essential in significantly increasing plant efficiency and consequently reducing the emission of polluting substances. Between the end of 2002 and the end of 2004, Enel reduced:

- > emissions of sulfur dioxide by 26.2%;
- > those of nitrogen oxide by 8.2%;
- > particulates by 20.5%;
- > emissions of greenhouse gases by 2.1%.

The second area of research regards reliability: to safeguard plants and increase their availability and security, the path followed is that of early diagnosis with the use of process simula-



Lisa Favaretto, *Centuries of Light*

## Research and innovation

- > Expenditure on research: 20 million euro
- > Research personnel: 155

### The clean-future foundation

Together with the School of Engineering of Pisa University, from the middle of 2006 Enel will host the seat of the International Flame Research Institute, known as the IFRF, the most important international foundation dedicated to clean thermal generation. The IFRF chose Enel and the School of Engineering after a selection process that considered universities and research centers in Belgium, Denmark, France, Germany, the Netherlands, Sweden, and the United Kingdom, recognizing the results achieved by Enel in its search for innovative solutions for abating emissions and improving the efficiency of thermo-electric combustion.

The International Flame Research Foundation currently has 150 members, including ExxonMobil Research in the United States, E.On in Germany, and Électricité de France in

France. The Foundation was established in 1950 to study combustion with an innovative technical and scientific approach capable of filling the gap between industry and the academy. The studies of the IFRF have concerned a very broad range of industries, from large consumers of energy (electricity generation, the cement, iron, steel, glass and waste-disposal industries) to fuel producers (the coal, combustible gas, and oil-refining industries). In these contexts, over the years the IFRF has investigated all aspects of combustion that have required new developments in consequence of new needs and environmental legislation. In particular, the IFRF has acquired great experience in the field of coal combustion, in which it is the indisputable world leader.

tors and advanced IT technologies.

Finally, there is the subject of efficiency. Here research is aimed at increasing the efficiency of the systems that use low-cost fuels thanks to the development of and experimentation with innovative coal-fired cycles.

Enel is also thoroughly committed to developing innovative technologies, such as the production and use of hydrogen and CO<sub>2</sub> sequestration. On these specific subjects Enel contributes to a number of international projects (including Dynamis, which will construct a pilot plant with the participation of 11 European countries) and actively participates in the work on the "Zero Emissions Fossil Fuel Power Plants" platform.

Two special projects complete this picture of research activities: the Hydrogen Park project in Fusina, where the activities regarding the production and uses of

hydrogen are concentrated, and the Archimede project in Priolo Gargallo, the first in the world for the production of electricity from high-temperature thermodynamic solar energy. In these cases, too, the approach is very concrete and provides for the coupling of innovative technologies with existing plants.

In Enel's plans, the gradual international expansion of the Company's activities will see a corresponding involvement in research of resources from Eastern European countries and in general from the markets Enel is entering, with the objective of creating the most extensive and synergic network possible of scientists and engineers.

The attribution of the status of the Marie Curie Training Center to the Enel research facilities – which have been entrusted >

### The numbers of research

- 2 research centers
- 2 experimental areas
- 2 testing centers
- 1 high-performance computing center
- 155 researchers
- 50 trainees a year
- 7 agreements with Italian and foreign universities
- 20 funding contracts from the European Union and the Education and Research Ministry
- 150 technical reports issued every year
- 37 registered patents
- 3 registered trademarks
- 7 awards and prizes, including:
  - > the Philip Morris Award for scientific and technological research
  - > the AIRI / Oscar Masi Award for industrial innovation
  - > the "Innovazione Amica dell'Ambiente" (Environment-friendly Innovation) Award





Andrea De Cicco, *Rock Eroded by the Seasons*

with the coordination of one of the most important projects of the Sixth Framework Program for the training of young European researchers (Inecse and Inspire program) – is an important recognition of the activity carried out by the Company. Enel has established coopera-

tion agreements with 7 of the most important Italian and foreign universities and provided training opportunities for 50 trainees a year at its facilities in Pisa and Brindisi, thus testifying the importance it attributes to the relationship between industry and universities. ■

## Parkinson's and lungs like flames and machines

Starting off from the similarity between industrial diagnostics and medical diagnostics, Enel has for some time been involved with the Medical School of Pisa University in developing innovative systems. Significant results have been achieved especially in the early diagnosis of Parkinson's disease and in the control of ventilation in patients with respiratory diseases. In the first case, the researchers exploited the close similarity between the luminous spectra of flames and the electromiographic signals observed on muscles in movement and – applying to the latter a special analysis called wavelet, which was developed to analyze the former – developed a technique called WAES (Wavelet Analysis Electromiographic Signals), which has been patented all over the world. In the second case, Enel's research expertise was used to analyze the sounds made by machines and the results were applied for diagnostic purposes to lung sounds. Here again, the researchers developed an original technique – ELSA, Energy Lung Sound Analysis, now patented – that allows doctors to check the condition of the lungs of patients with respiratory diseases in a non-invasive manner and, in the case of artificial ventilation, the effectiveness of the treatment.

## Two days on renewable energy

In June 2005, the first edition of *Rinnova*, a major conference on renewable energy, took place in Pisa, with Italian and foreign scientists and researchers discussing a subject to which Enel has always dedicated a lot of attention and resources. Entrepreneurs and environmental associations were also present, and exchanged ideas during six thematic meetings (wind, water, geothermal energy, biomass, sun, and hydrogen) and a round table on the state of the art in hydro, wind, geothermal, and solar technologies and their development in the future.

*Rinnova* is an initiative organized by Enel, Legambiente, Giovani Imprenditori di Confindustria, and the Kyoto Club in cooperation with the Tuscany Region, the Province of Pisa, the City of Pisa, and Pisa University.

There were more than a thousand participants from 85 firms, 30 universities, 20 research institutes, 25 local governments, and, finally, tens of people seated on the lawn of Enel's Pisa office, the Company's research headquarters, in order to follow the concluding round table on a large screen. Enel's role emerged as decisive. The Company is one of the world leaders in the use of renewable energy, with about 17,000 megawatts of installed capacity, investment amounting to more than 1.7 billion euro planned for the next four years, and the "Archimede" and "Hydrogen Park" projects, which have become real benchmarks in the international panorama of innovation in the field.

As part of the initiative, there was a competition to promote the latest generation

of students completing their university studies. A result of cooperation among Enel, Giovani Imprenditori di Confindustria, Il Sole 24 Ore, the Kyoto Club, and Legambiente, the competition aims to reward the best theses on renewable energy sources, energy efficiency, and the integration of energy from renewable sources into buildings and the landscape and thus contribute to the promotion of innovative ideas for sustainable energy development. There were 370 applications and the results of the competition will be announced in the middle of June.

Each of the six winners will be awarded a prize of two thousand euro and a training period in Italy, with a training period abroad going to the student who places first.

For further information:  
inforinnova@enel.it.





Diego Bello, *The Seasons of Time*

# PLANNING RENEWABLE

Renewable energy is a subject that is always at the center of discussions among electricity producers, institutions, and local representatives. But what is the impact of this debate on the actual construction of plants? What are the difficulties that have to be overcome in operating reality?

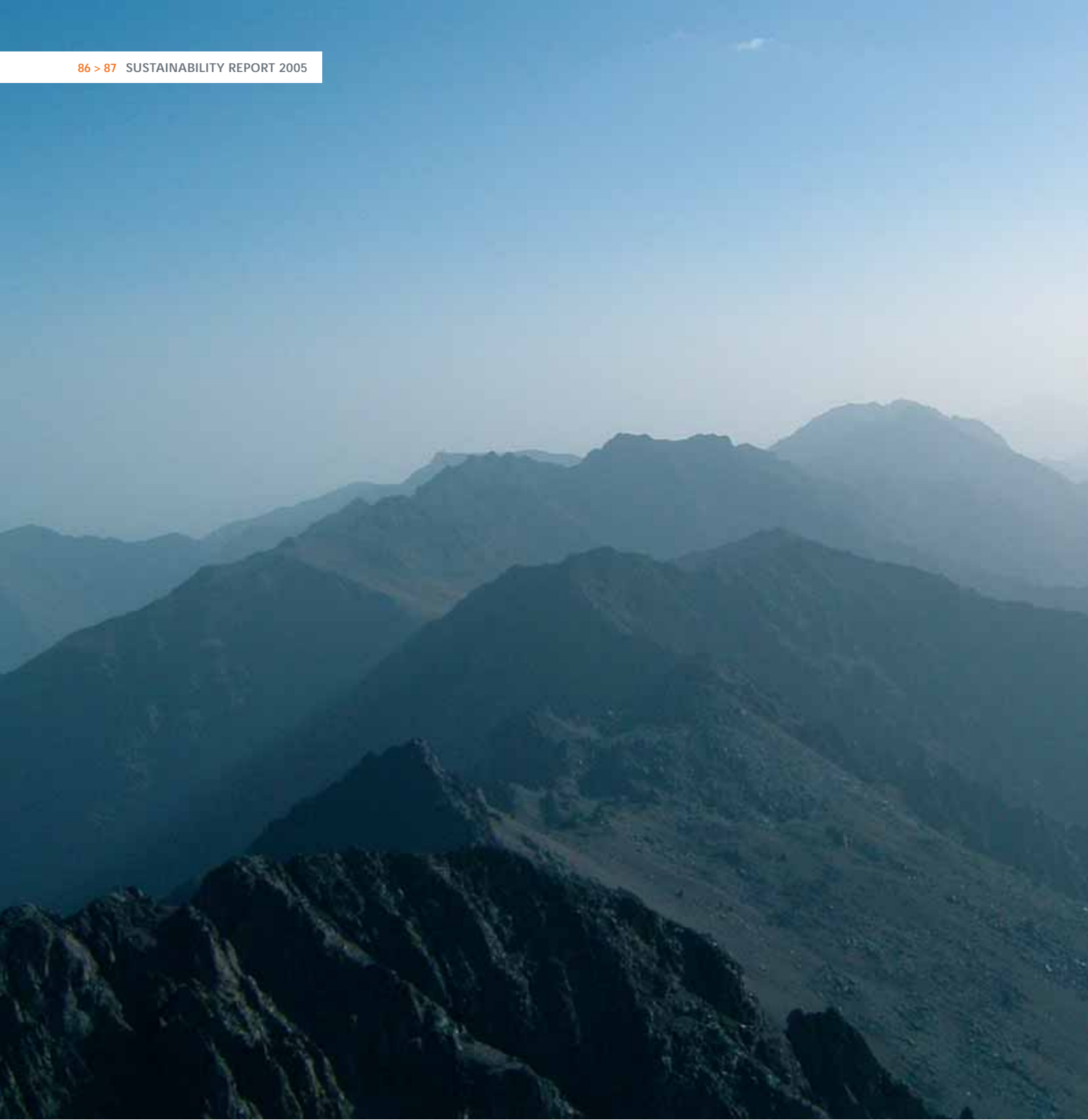
In addition to developing about 80 projects for constructing mainly geothermal, hydro, and wind plants, the Renewable Energy Unit of the Generation and Energy Management Division is currently examining around 100 other projects. For two reasons: to be constantly in the forefront in the field and to always have a project to start up available in case problems connected with authorizations or other kinds of unforeseen difficulties block the progress of another one. In this way, Enel is able to maintain the total number of plants provided for by its business plan. Among the most frequently encountered obstacles are those connected with the length of time it takes to obtain authorizations. The problem is most evident in

the wind field, where three to five years may go by between identifying the area where the plant is to be installed and the start of construction, but it also concerns the geothermal and hydro fields. To overcome this difficulty, Enel often falls back on the reutilization of existing plants, while maintaining their structure. This limits the problems of environmental impact and favors the streamlining of the authorization process. However, questions connected with environmental integration and the frequent opposition of some institutional representatives and a part of the environmentalist world still exist.

In this direction, Enel is working to improve the environment around most of its existing geothermal power plants to eliminate the characteristic odor. As far as the wind field is concerned, the Company is working to increase the efficiency and yield of the plants, reduce the noise of the blades, and select areas with sufficient wind to make the plants advantageous without compromising the landscape. ■

## Sister water

Enel has always been deeply committed to reducing the pollutants contained in the drainage of power plants in compliance with the limits set by Italian law, which are particularly restrictive, and especially so for fluorides, nitrates, boron, and selenium. The Company is also committed to reducing the consumption of water used to treat fumes in abatement systems, which in the past was treated and then dumped into the sea. Thus, evaporator-crystallizers are being installed in many power plants to treat it. Crystallizers are used in the chemical industry and allow a solid to be separated from a solution by causing the evaporation of the water and the consequent precipitation of the crystals that it contains. In Enel's power plants, this allows the salts contained in the water draining off the desulfurizers (which abate sulfur oxides) to be separated and all the process water to be recovered and recycled. Begun in 2006 and scheduled for completion in 2007, the investment plan provides for the installation of crystallizers in 5 power plants (Brindisi Sud, Fusina, La Spezia, Sulcis, and Torrevaldaliga Nord). The estimated total saving of industrial water amounts to more than two million cubic meters a year.



## SECRETS UNDERGROUND

The exploitation of geothermal resources for industrial uses was begun in the Larderello area in the middle of the nineteenth century with the production of boric salts and the use of steam to concentrate brine, which was an important product in those days. It was in Larderello that in 1904 the production of electricity was tried for the first time in the world. A steam machine fired by geothermal fluid was connected to a dynamo, allowing several lamps in the factory producing boric salts to be

turned on. In 1913 the first geothermal generation set, with a capacity of 250 kilowatts, was installed, marking the beginning of this new industrial activity.

Beginning at the end of the 1950s, the Bagnore and Piancastagnaio geothermal fields on Monte Amiata were also developed, and subsequently the Travale-Radicondoli field, about 20 kilometers east of Larderello.

The development of the production of electricity from geo-



## Energy efficiency of power plants

- > Geothermal production: 5 billion kilowatt-hours
- > Geothermal plants in Italy: 32

### Protecting the environment

As part of its operating activities, Enel has in progress work on the environmental reclamation of its production sites, including some that were classified by Legislative Decree no. 426 of 1998 as areas of national interest.

So-called “characterization plans”, which establish the degree of contamination, if any, of the land in order to proceed with the decontamination, are in progress or nearing completion on these sites. As has already been done for the sites of national interest, which are already being carefully monitored according to the guidelines of the Global Reporting Initiative, the Company is preparing the indicators to also analyze:

- > the characteristics of the land it owns, rents, or manages with habitats that are rich in the biodiversity of living species. Some of these are wetlands formerly entrusted to the management of, for example, the WWF and the Italian

Association for the Protection of Birds to transform them into sanctuaries;

- > the main impacts on biodiversity connected with the Company's activities and the products and services offered in forest, sea, and water environments in general, even though there are numerous activities in defense of the bird species at risk of electrocution along the power lines, nests that are ready to be mounted on power-line supports, and sea beds that are being replanted in the vicinity of coastal power plants;
- > the use and emission of substances that reduce the ozone layer, even though the range of Enel's monitoring is already very wide and covers emissions that are not normally recorded;
- > the total amount of waste by type and where it goes, even though hazardous waste is already carefully recorded and measured.

othermal fields through the re-injection of the condensed steam.

Currently – the data are as of April 2005 – Enel operates 32 sets of geothermal generators with a total installed capacity of 810.5 megawatts (711 megawatts of efficient power). Specifically, 27 of them are in the Larderello-Travale/Radicondoli-Montieri area, with an installed capacity of 722.5 megawatts, and the remaining five in the Monte Amiata area, with an installed capacity of 88 megawatts. The annual net production of electricity by now exceeds 5 billion kilowatt-hours, which constitutes 10% of the world's geothermal production and all of 25% of the electricity requirements of the Tuscany Region.

Today, Enel is increasingly attentive to the sustainability of geothermal production and tries to:

- > identify and develop geothermal resources at greater depths (3,000-4,000 meters) with more complex geological and structural characteristics and high-pressure and high-temperature fluids. For this purpose, new exploration methods have been developed to identify fractured and productive areas;
- > improve the definition of its drilling objectives in order to reduce the mining risk (that is, the proportion between productive wells and wells drilled). In addition to the gradual improvement of the characteristics and potential >

Mario Cimini, *Toward the Infinite and Beyond*

thermal sources in Italy has been characterized by two precise periods of growth. The first one goes from the end of the 1930s to the middle of the seventies, when the wells drilled and the production of fluid concerned the chambers closest to the surface, while during the second one – from the eighties to the present – the production of fluid has been increased both by drilling deeper wells and by artificially reloading the ge-



of drilling systems in order to reach the greatest depths, new, specifically geothermal technologies have been developed – regarding the so-called plugging of fractured areas and the case-hardening of pipes – for application in high-temperature (about 300 degrees Celsius) environments;

> optimize management of the chambers through the re-injection of condensed steam and water to increase the production of steam from the wells already used.

At the same time, Enel has also acted to reduce the environmental impact, in terms of landscape integration (the

buildings housing the machines and the cooling towers are smaller and are designed and constructed so as to reduce their impact, and the noise level has been considerably reduced) and the recovery of areas no longer in use (20 million euro have been spent on this program of environmental recovery), as well as of the abatement of emissions of mercury and hydrogen sulfate with an innovative technology developed in-house by Enel.

The results of Enel's commitment in the geothermal field have not taken long to show. A new program of exploration was recently started up to ascertain if it is possible to find additional productions of fluids from deep areas located both inside and in the vicinity of the Larderello-Travale-Radicondoli geothermal system. The program includes seismic prospecting and the drilling of 12 explorative wells at depths of from 3,000 to 4,000 meters and will be completed by the end of 2008. According to the results of this exploratory program, it is estimated that production will increase by about 15-20% by 2012.

As far as the generating plants are concerned, there has been an increase in the efficiency of condensation geothermal power plants, with a significant reduction of specific consumption (the kilos of steam needed to produce a kilowatt-hour), thanks to:

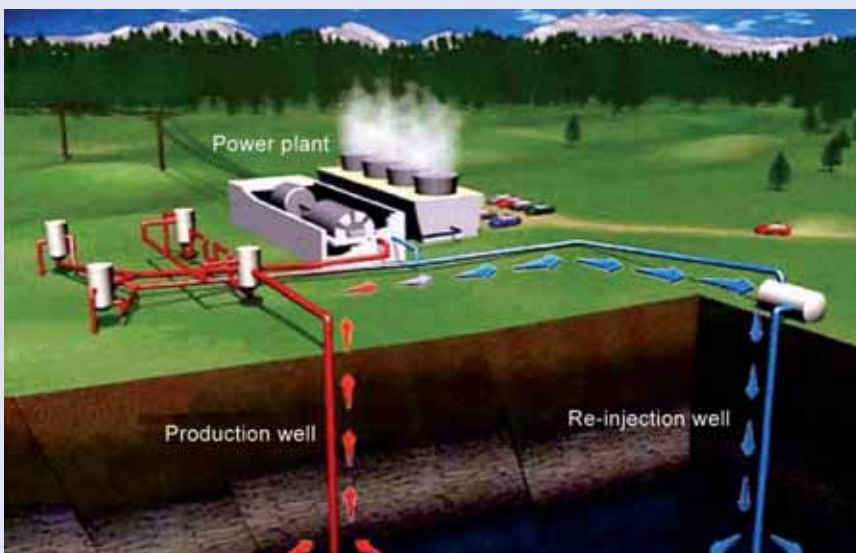
- > developments in the design of the turbines (shape of the blades, improvement of solidity);
- > the use of new materials, which have

### The re-injection strategy

Experimentation with the re-injection into the geothermal chambers of the condensed steam discharged by the power plants, which was begun towards the end of the 1970s in the Larderello field, showed that it was possible to increase the production of steam in areas that have been exploited intensively for a long time and to devise new and more innovative strategies for "cultivating" the geothermal resource.

In effect, after it has been used in the power plant to generate electricity, part of the steam produced by the geothermal chambers is condensed and re-injected into the same

chamber, where it is vaporized again thanks to the enormous quantity of heat stored in the rocks. The additional steam that is generated in this way increases the chamber pressure and the production of the surrounding wells. In this process, the geothermal resource is constituted not by the fluid produced, as occurs with oil and gas, but by the heat stored inside the rocks that make up the geothermal chamber, while the water – through the process of vaporization in the chamber and condensation in the power plant – constitutes the instruments that allows heat to be extracted from underground.



*Electricity generation from a geothermal source*

allowed the length of the turbine blades in the last stages to be increased (40-megawatt, single-flow, corrosion-resistant turbines are now standard);

- > the use of high-speed centrifugal compressors, which have allowed the “vacuum” in the condenser to be significantly increased.

Furthermore, important results have been achieved in evaluating the potential of geothermal systems and in the strategies of the production and re-injection of steam and condensation. The positive results of deep exploration and the artificial reloading of the chambers by means of re-injection, which were begun in Larderello as long ago as the middle of the 1970s, have allowed the Company to re-evaluate the geothermal potential of areas that have been active for many years and begin new strategies of production and re-injection that aim at the sustainability of geothermal production



Luciano Bencivinni, *Energy on Fog*

and thus abandon the logic of intensive exploitation for one of the sustainable cultivation of the steam resource, represented by the heat of the rocks that constitute the geothermal chamber.

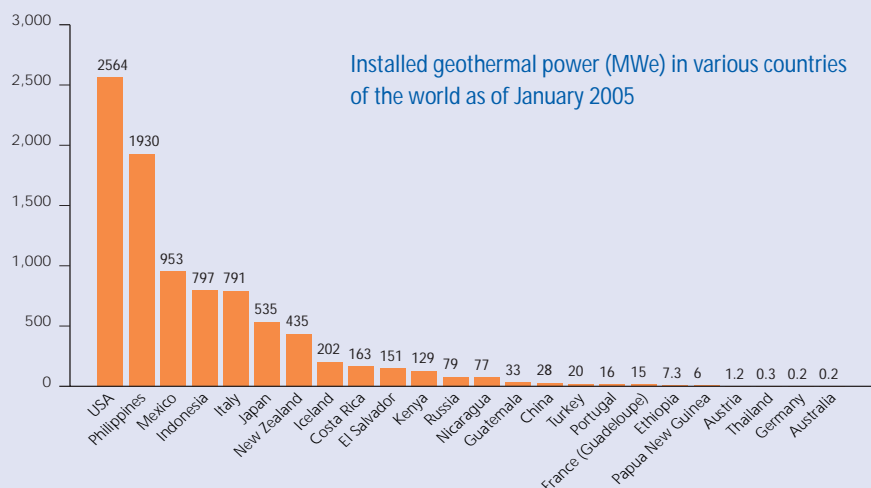
With the results achieved both by deep drilling and by reloading the chambers through re-injection, in the period 2000-2005 alone Enel installed 12 geothermal generating sets, totaling 314.5 MW; four

(100 MW) regard new development programs, while the remaining eight (214.5 MW) replaced plants that had been used for many years and were considered obsolete in terms of both efficiency and environmental impact.

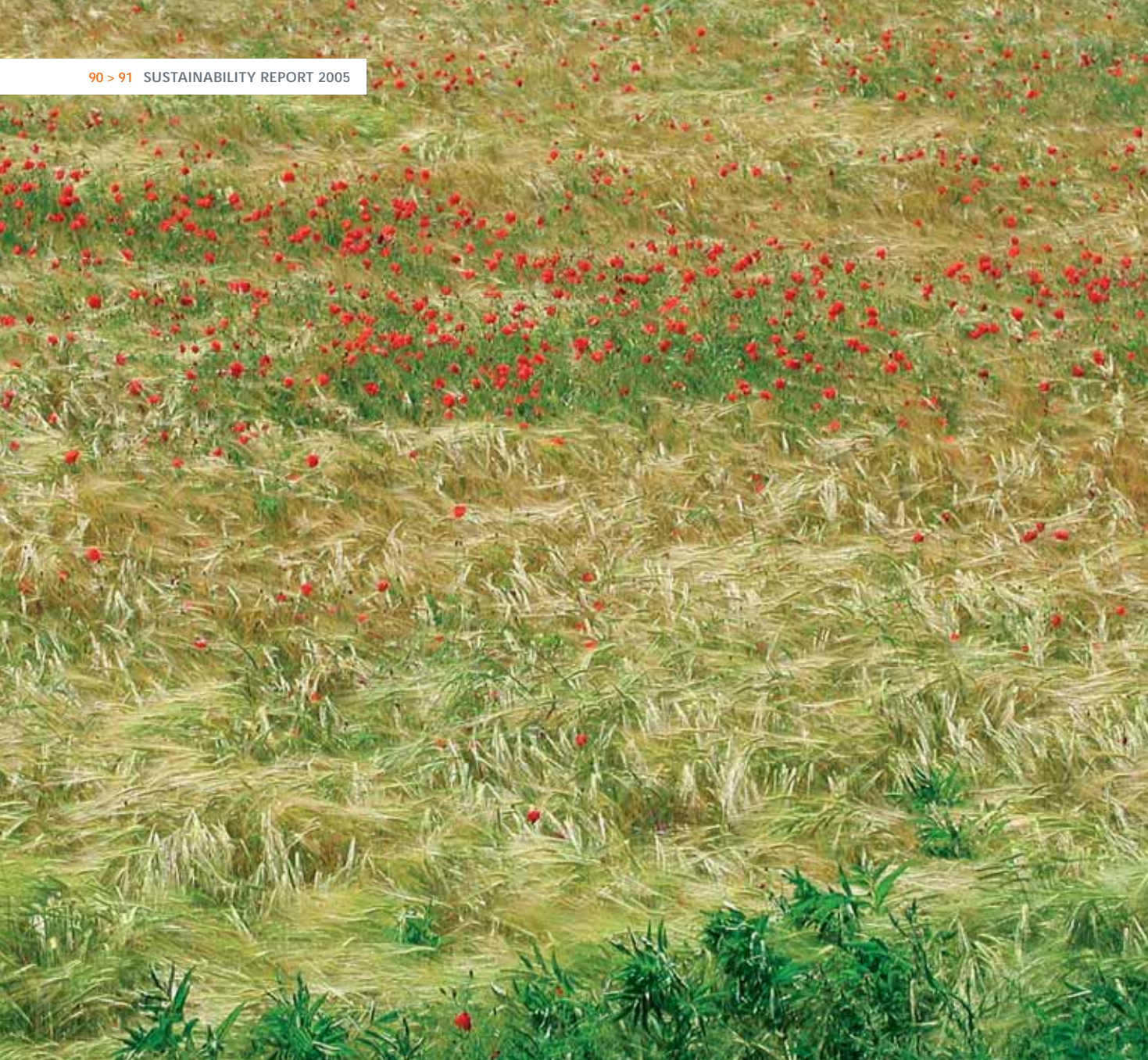
It is thanks to all these efforts that Enel's geothermal production has become an essential chapter in the history of renewable energy, and not only in Italy. ■

## The numbers of geothermal production

In January 2005, the world's installed capacity of geothermal power, in 24 countries, amounted to 8,933 MWe, with a total annual production of about 56,786 GWh, equivalent to 14.5 million TOE, which allows the emission of 13 million tons of CO<sub>2</sub> to be avoided. During 2005, installed power in Italy increased from 791 to 810.5 MW. In the period 1980-2005, there was also a considerable development of the direct uses of geothermal energy (balneotherapy, district heating, greenhouse crops, etc.), which are now widespread in 71 countries throughout the world, with an installed thermal capacity of 27,800 MWt and an annual production of 72,600 thermal GWh.





Sabina Melchionna, *Caresse of the Wind*

## EXCELLENT MEN AND WOMEN

Years ago Enel decided to adopt a philosophy of human-resource management based on enabling the people who work for it to achieve their maximum potential, with the objective of directly training both the engineers and the executives of the future.

Within this framework, those who select the personnel aim to ensure that the candidates chosen correspond to the kind of expertise expected in the various professional roles when they join the Company and to consolidate Enel's reputation as one of the most valued offers on the labor market. In this regard, Enel actively cooperates with the main Italian universities, by both meeting students and offering intern projects (about 300 in 2005). During 2005 this cooperation was extended to several foreign universities through exchange programs aimed at strengthening Enel's position as a promoter of excellence in en-

ergy and sustainable growth.

Again with an eye to attracting and retaining talented people in the different fields of activity, in 1999 Enel instituted a specific compensation system.

The team that is in charge of it aims to make the most of the resources on the basis of demonstrated expertise, by connecting it to the results achieved by the Company.

In doing that, Enel constantly examines the trends of the markets concerned and formalizes its pay policy by acting on three different levers:

- > increasing the sense of belonging at the Company through pension and other benefits;
- > recognizing the growth of employees through the greater responsibilities entrusted to them, increases in the size of the entities they manage, and their impact on the corporate re-



## Number and composition of the personnel

- > Interns as of December 2005: 96
- > New hires (Italy and foreign): 839

sults (with effects on the fixed part of their pay);

- > making explicit the relationship between organizational responsibilities and value creation (with effects on the variable part of their pay).

Furthermore, with the aim of enabling its resources to take on roles of increasing responsibility, during 2005 the Company promoted numerous processes of personnel development. In particular, as part of the management review process – which was begun in 2004 and whose aim is to examine in detail the expertise and potential of supervisors and executives – the Company's key positions were redefined and the related "tables of succession" updated by identifying possible successors in roles of responsibility.

With the objective of giving increasing significance to the evaluation of results and to anchor them to objective and measurable indicators, a performance management pilot project was created for 180 supervisors, with the idea of extending the assessment to all supervisors during 2006.

As part of the PEGASO project, in June 2005 four development-center editions were held for 41 carefully selected Zone Heads. Beginning in the second half of the year, 16 editions (each lasting two days) were held, involving 122 supervisors considered to have high growth potential.

In the last part of the year, the Company carried out an on-line evaluation campaign addressed to young university graduates and recently promoted supervisors – a total of 259 resources – with the involvement of their direct heads (175), with the goal of guiding these resources towards development paths consis-

tent with their capabilities and expectations.

In addition, in order to learn more about its human capital, including in terms of experiences and knowledge acquired outside the context of work, the Company carried out the first phase of an experiment in collecting the CVs of about 900 people through an on-line system that allows everyone to constantly update their own.

Finally, and again with a view to increasing its knowledge about the people who work at Enel, the Company created an "employee electronic folder", which will collect all the managerial data and information that at present are filed in different systems and cannot be used quickly and economically. ■

### Incentive structure

The following are the financial incentives used by Enel:

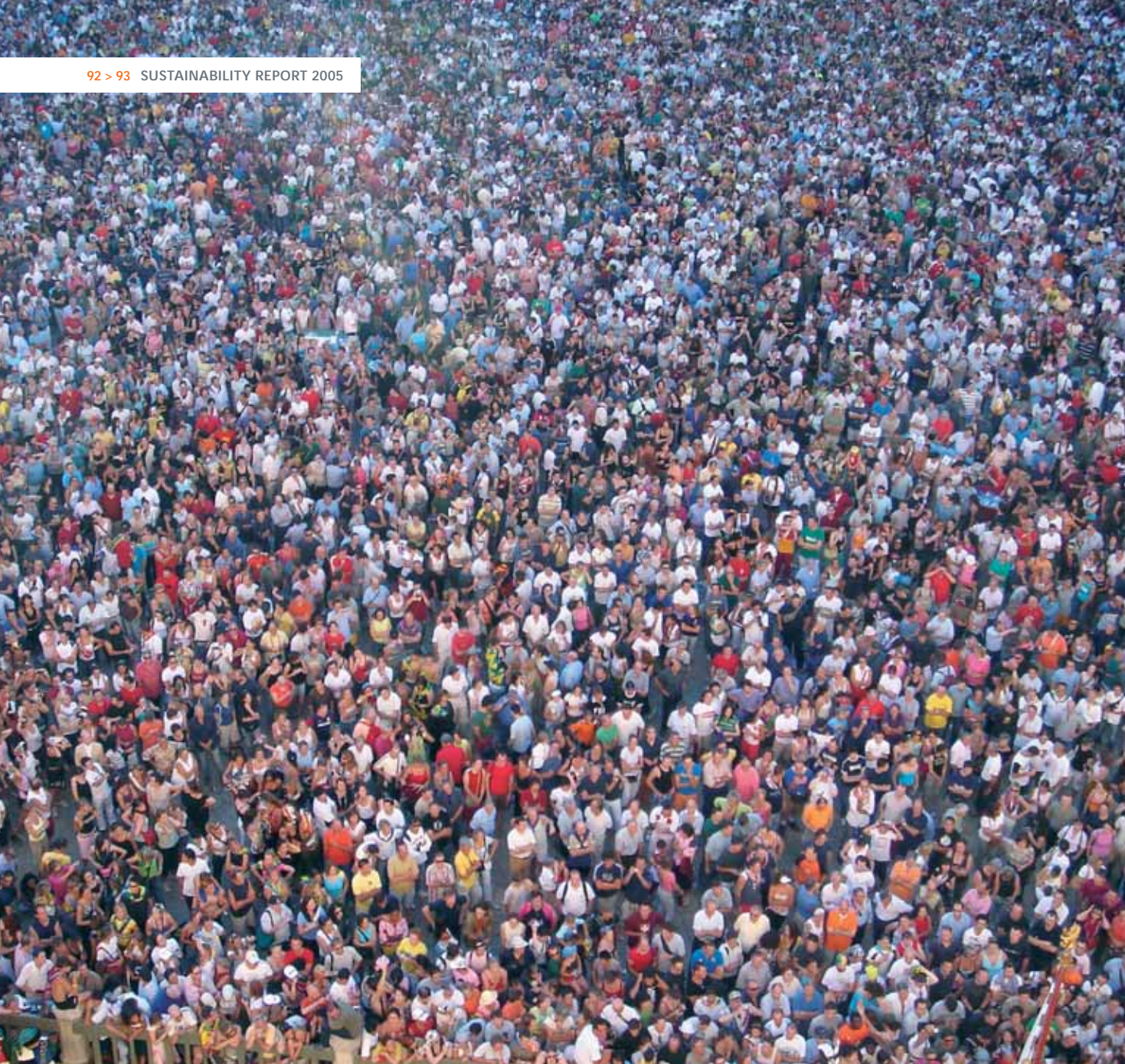
- > **Collective incentive programs:** for all personnel employed under the national collective labor contract for the electricity industry, they are based on parameters regarding the Company's economic performance (EBITDA, earnings before interest, taxes, depreciation, and amortization) and the productivity/quality of the operating unit.
- > **Sales incentives:** these tie variable pay to the results of the personnel engaged in sales activities and are addressed to 6% of the supervisors and 0.4% of the white-collar workers.
- > **One-off project incentives:** these reward the carrying out of significantly important corporate projects or the achievement of excellent performances.
- > **Stock-option plan:** for about 85% of the executives, with the objective being to retain management in the medium and long term and to ensure constant attention to the creation of value for the Company.
- > **Management by objectives (MBO):** combines variable pay for the achievement of agreed on business objectives that are objective and measurable. This is addressed to 82% of the executives and the 12% of the supervisors who have roles of managerial or organizational importance.

In 2005, out of a sample amounting to 25% of the employees involved in the MBO system, 100% had among their personal objectives performances connected with the sphere of environmental responsibility (the ability to govern the variables and environmental impact of business activities) and social responsibility (Enel's actions toward the people who work in the Company, as well as toward communities and interest groups).

### Newly hired personnel

Again in 2005 Enel hired mostly people who had just graduated from high school or university, who will grow and acquire different kinds of professional expertise inside the Company. Of the more than 620 people hired last year in Italy, over 65% were such graduates and were inserted in the main business areas after passing both group tests (regarding aptitude as well as technical and professional knowledge) and individual interviews with people from both the Personnel Department and the organizational units where they will be working.



Vincenzo Boschi, *Waiting*

## ENERGY IS US

In 2005, Enel strengthened its employees feeling of belonging at the Company by involving their families in two competitions: "Energy is Us", dedicated to the children (between 9 and 19) of personnel and "Generations of Energy", for the grandchildren (between 6 and 14) of Enel's more elderly employees. With these two competitions Enel was able to create a communication bridge and transmit its values to the new generations. Those who entered were sent a spiral notebook with information and curious facts about energy drawn from the most disparate fields: poetry, music, cinema, and literature. Then an Internet site was set up, with three sections: an educational area from which information about energy could be downloaded; an entertainment area with theme games, a media forum, and a chat room to create a community of "Enel kids" and

a treasure hunt so that the children could get to know the corporate portal while having fun; and finally, an area reserved for participation in the competition.

About 2,500 entered the "Energy is Us" and "Generations of Energy" competitions, and many "Enel kids" took part in both of them: 1,396 youngsters answered quizzes on energy and 1,085 completed the three legs of the questionnaire, while 333 creative works on energy were presented in all forms of expression: poems, stories, photos, film clips, songs, and slogans. The award ceremonies for the two competitions took place on December 21, 2005 at the Enel Conference Center in Rome in the presence of the Company's top management. In this way, on that day our auditorium brought together three generations under the common denominator of energy. ■





Cosimo Fiusco, *Wanting to Fly*

# TRAINED TO GROW

Training is an essential instrument for enabling the people who work at Enel to realize their potential, a privileged means for the development of expertise and a channel for disseminating the Company's culture and values. In so doing, training acts on several fronts. First of all, it accompanies the people who work at Enel through all the phases of their professional development, from when they enter the Company until they reach positions of responsibility. During this rise, a specific training program corresponds to every phase: hiring, promotion to supervisor and then executive.

Another front consists of management training, whose objective is the continual growth of competence in leadership, resource management, strategic action, and business analysis. To this end, during 2005 about 500 executives were in-

## Satisfaction and professional development

- > Training per employee: 17.3 hours
- > Access to distance training: 75.4%

involved in projects like People Caring (employee management and development), Learning Tour (the study of world-class companies with regard to subjects connected with innovation), and Action Learning (development of the managerial ability of persons with high potential). Furthermore, training assists and guides people in the processes of change, which require a constant commitment to keeping up to date with business scenarios, organizational innovations, and the development of new processes and technologies. In this regard, in 2005 important training activities were carried out in support of numerous change-management projects. Among these, the two

that stand out are the QUASAR and PEGASO projects (see page 97), which were concerned with operating excellence through the widespread innovation of business processes.

In addition, specific training campaigns were carried out on matters of general interest, for which it is necessary to create a widespread culture. Outstanding among these was the campaign of training and information on corporate social responsibility (CSR), which involved all the supervisors (about 4,000 people) in sharing values, approaches, results, challenges, and commitments for the future. Particular emphasis was also given during 2005 to the subject of safety, with >



Carlo Mutti, *The Waning of Strength*

more than 25,000 hours of training dedicated to promoting health in the workplace and preventing every kind of accident.

Another field of activity that sees training engaged in the dissemination and consolidation of corporate values regards the process of cultural integration with the companies taken over by Enel abroad through language training and programs to align and update the management styles and systems, in addition to analyzing and integrating training plans.

Finally, there is much cooperation with top Italian and foreign universities in the Enel tradition of exchange with the worlds of culture and scientific research. ■

### The instruments

Based on the idea of continual learning, Enel training integrates different methods, develops innovative solutions for sharing knowledge, and utilizes original teaching approaches, covering all the areas that are significant for a great company in the energy industry: from general management, finance and marketing to the soft skills adapted to different corporate roles, information technology, and technical and specialized training. This last field constitutes an internationally recognized area of excellence, with activities that cover the most complex training requirements for technical and industrial processes and, in particular, training the people who operate and maintain the plants for generating and distributing electricity. In order to satisfy the need for permanent updating, since 2001 the

Company has used the Enel Distance Learning System (EDLS), an integrated environment of distance training services accessible from work stations or home. Thanks to the EDLS, the people who work at Enel can follow the 1,400 on-line programs, which are divided into different subject categories – from information technology and foreign languages to safety, managerial development, and topics more specifically connected with the Enel world – and they are constantly assisted by a team of tutors who are ready to provide explanations and additional information. The integration of learning at a distance with direct learning now constitutes a strong point of Enel training and characterized many of the most important projects that took place in 2005.



Renzo Lorenzetti, *Handy Energy (Summer Dawn)*

# COMMUNICATING TO SHARE

To disseminate knowledge about corporate strategies, to evaluate the perception of the process of cascade communication and identify areas that need improvement, and to listen to what the people involved have to say: these are the objectives of the Cascade Project and they were fully achieved in the 2005 edition. The project began in February, after the annual management forum, and ended at the beginning of July. All unit heads explained their objectives to the people working under them and related them to the more general ones of the Company. And thus began a great project of internal communication: to inform the people who work at Enel about the strategic policies of the Group so that they can act with awareness to carry them out and contribute with their pro-

fessional skills to increase the Company's value.

Internal communication at the Company has numerous instruments at its disposal. On March 8, 2005, the new corporate intranet portal, inEnel, was born. The project transformed the normal intranet – understood as an instrument only of internal communication – into a system conceived for the management and integration of the knowledge and skills of all the people who work at the Company.

The new intranet facilitates corporate processes through the creation of a virtual 'desk' that is extremely easy to use and extends beyond the confines of one's office, enabling 'tacit' knowledge to be made explicit and enhancing exchanges of information and knowledge, which – thanks to the web – take place imme- ➤

## Knowledge management and internal communication

- Expenditure on knowledge management systems: 5.8 million euro
- Average number of viewings of Enel TV on working days: 2,671

diately and directly. The ability to select one's own areas of interest and to direct information flows in the best possible way improve the effectiveness of the communication process and further the integration of the organization in all its areas of activity, which is essential for a far-flung company like Enel, which operates all over Italy.

With 54,000 copies distributed in all Enel offices in 2005 and thousands of accesses to the on-line version on the corporate intranet, the information monthly Enel Insieme told its readers about the life of the Company for the second consecutive year. Thanks to the fact that it is organized in four sections – Events, The Company, Local News, and Professions – the periodical provides space for a variety of topics and information that regard Enel's multiple 'souls', all of which are rapidly evolving and developing: from electricity generation and the infrastructure to the networks, the market, and the international sector.

Precisely the space dedicated to the foreign companies gradually increased during the year, in parallel with Enel's acquisitions abroad. In effect, growing abroad means not only acquiring new plants and doing business in new markets, but also integrating new colleagues, who speak different languages and have different corporate cultures. Enel Insieme closely followed these new companies and gave voice to the colleagues who work in them in order to tell about the new projects for growth.

## Cascade meetings

The 440 cascade meetings took place throughout the Company, at both the central (35) and the local (405) level, and involved a total of 35,000 people: about 70% of the Enel population.

The meetings involved not only the Divisions (with 33,191 participants), but also the departments of the Parent Company and the Services (2,506 participants). But the real success of the project can be measured by the extremely high percentage of the questionnaires that were compiled. At the end of the

meetings, all of 27,000 colleagues – that is to say, almost 80% of the participants – dedicated part of their time to furnish the answers and suggestions requested.

And it is precisely from the questionnaires that we can see not only how the meetings are considered to be definitely useful, but also how important it is for the cascade not to constitute an isolated initiative, but for it to be repeated in new editions in order to not only go deeper into subjects already discussed, but also to tackle new ones.

Indeed, the objective of Enel Insieme is not only to provide information, but also to create a feeling of belonging at the Company beyond the confines of organizational areas or geography. Furthermore, the aim is to create a shared culture on subjects that cut across corporate boundaries, such as safety, corporate social responsibility, and equal opportunity. Without neglecting to tell about the activities of Enel Cuore: to feel pride in 'being Enel'.

Another channel for internal communication is Enel TV, which is used by the Company to reach all its employees through the more than 35,000 computers in use and the numerous multimedia devices in the main offices. In January 2006 the new program schedule went fully into effect. Building on the experi-

ence of 2005, it emphasizes the quality of the daily programs and aims to create a TV channel that combines the requirements of business with the need to motivate Enel's human resources and strengthen their sense of identity with the work group to which they belong. ■

## Inenel - A year of knowledge

	At the start of the system (March 8, 2005)	After one year (March 8, 2006)
<b>Communities</b>	455	640
These are the groups of people and the consequent creation of specific spaces within the portal for sharing knowledge		
<b>Users profiled</b>	6,000	16,000
These are the users who belong to specific communities, that is, to sub-sets of the portal		
<b>Documents managed</b>	2,000	17,000
These are the documents filed in specific sections of the portal and viewable by all colleagues on the basis of the specific profile.		

## The TV programs

In order to satisfy different needs, Enel TV offers programs that are differentiated, but integrated in a unified project. In this way, the TV channel not only provides detailed information and content, but also constitutes a vehicle for ideas, initiatives, and proposals. Among the many new programs included in the schedule developed during 2005, "Wellness", "Skills", and "Enel VIP" should be mentioned.

"Wellness" is a space dedicated to little practical suggestions for living well at the Company, while "Skills" presents an expert who, at the request of a journalist, talks

about the main aspects of organizing one's work: how to obtain the best results from yourself and from others; how to organize your time in the best way; how to set, monitor, and evaluate the objectives that each person is supposed to achieve; how to tackle and resolve problems rationally; how to improve your ability to communicate. Finally, in "Enel VIP" famous people tell about their relationship with Enel and the world of energy. In effect, the transmission's aim is to strengthen the corporate identity through the perception of the Company from the outside.





Maria Mondelli, *The Wind Gets Colored*

# QUALITY, SAVING, AND INTELLIGENCE ARE THE WINNERS HERE

Since March 2004, the Generation and Energy Management Division has been engaged in QUASAR (QUALity of the Service, Assets, and Resources), the most important project for improving overall quality ever developed at an electricity generation company. The project was started in order to increase individual knowledge about the concepts of attention, rationality, safety, and cost-effectiveness and it aims to achieve constant improvement in the activities, processes, and efficiency of Enel's power plants by considering, among other things, the suggestions of the people who work in them.

QUASAR was also conceived to increase motivation at both the individual and the team level. In effect, employees can decide to donate part of the financial benefits obtained by achieving improvements to socially useful projects where they live and work. During 2005, all the power plants participating in QUASAR contributed a total of 500,000 euro through Enel Cuore Onlus – Enel's not-for-profit organization – to charitable projects proposed by local non-profit associations and selected by the workers themselves.

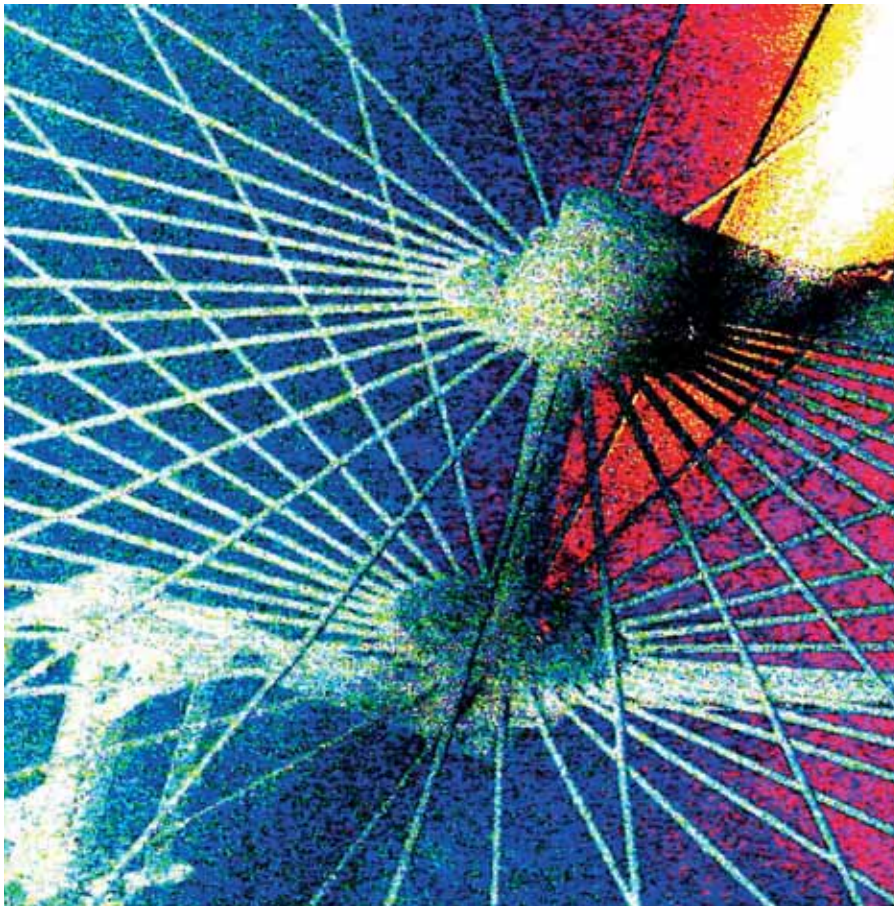
## Technical quality of electricity market

> Investment in quality: 222 million euro

## Length of power lines

> Cabling index: 69.6%

Enel's power network, on the other hand, is engaged in improving its results and operating activity through technological innovation, organizational development, and process optimization. This is PEGASO (the acronym in Italian of Pursue Absolute Managerial Excellence and Organizational Development), a project that aims to achieve the utmost managerial efficiency and the utmost service quality by involving all the organizational units throughout Italy (129 Zones, 11 High-Voltage Centers, 11 Technical Assistance Departments, and 29 shops) in a competition for excellence: PEGASO Teamwork. Given the large number of resources involved – 24,000 participants – the project makes use of all the instruments of internal communication available: leaflets attached to pay pack- >

Pietro Quartana, *Greenhouse Effect*

ets, posters at the workplace, and information and updates on the corporate intranet, on Enel TV, and in the magazine *Enel Insieme*. At the end of the competition, which is scheduled for June 2006, the 5 best Zones, the best High-voltage Center, the best Technical Assistance Department, and the best Shop will be selected: a total of about 1,000 people will receive awards for both their personal work and that of their team.

ECO (Sales Excellence), on the other hand, is the project of the Regulated Market Sales Area for achieving excel-

lence in customer service by quickly understanding and responding to the customer's needs; the effectiveness of the solutions proposed; access to the service; and a personalized and innovative offer. ECO is supported by a parallel communication project: "ECO Teamwork", which was conceived to motivate the people involved, the real protagonists of the project for improving the service and enhance the best performances through initiatives of both internal and local and national communication. The organizational units involved by "ECO

## QUASAR for the most unfortunate

The employees of the Fusina power station made a contribution to the ANFFAS Onlus (an association of families with subnormal members), which runs a center in Venice province for disabled children. The Montalto di Castro power plant chose the project of the Associazione Umanitaria Semi di Pace Onlus in Tarquinia, a reference point for socially marginal people. The workers at the Santa Barbara power plant contributed to the Associazione Valdarnese Genitori Ragazzi Handicappati, which rehabilitates disabled people and integrates them into society. The employees of the Porto Marghera power plant donated part of the fruit of having achieved their objectives to the Associazione Amici Insieme Onlus in Mestre so that it could furnish the Center for Disabled Adults, which is run by a group of families supported by the aforesaid association. Workers in Leri Cavour chose the home for the elderly in Casale Monferrato (IPAB), which will use the money received to purchase furnishings and equipment for a renovated building that will house elderly people who are not self-sufficient. Finally, the employees of the Brindisi power plant chose two associations: ANT Italia Onlus, which will expand the free assistance it provides at home for people in Brindisi with cancer and the Società Cooperativa Sociale Onlus "Oltre l'Orizzonte", which will expand the activities it carries out for disabled people by purchasing a mini-van and organizing a program of music therapy.

Teamwork" are the contact centers, Punto Enels, account managers, QuiEnels, credit and sales supports, and transportation. The project involves a total of about 5,000 resources, of whom 409 will receive awards on a series of local family days, to which family members will also be invited. ■





Feriano Testi, *Spring in Filiplada (Greece) with Storks*

# FIRM AND FAMILY

In the wake of the developments of the last few years, the Committee on Equal Opportunity – which has been active at Enel since 1989 and is composed of Company employees designated by the trade unions – dedicated 2005 to issues regarding the quality of life and the search for a balanced relationship between the demands of work and those of the family. This was the context in which an internal survey was carried out to learn about the requirements of the men and women who work at Enel with regard to reconciling the “time of life” and the “time of work”.

## Equal opportunity

- > Women out of total employees: 15.4%
- > Disabled employees/protected categories: 2,900

The survey was carried out in July 2005 with a questionnaire addressed to the entire Company and disseminated through the internal communication channels (intranet and *Enel Insieme*). Essentially three aspects were explored:

- > a picture of how people today cope with their family com-



mitments (mobility, the family's need for care and assistance, reconciliation measures adopted);

- > familiarity with the instruments and opportunities available today (e.g., the law on family leave);
- > an evaluation in terms of priority of proposals aimed at ensuring a real balance between life and work (company or other day-care centers, assistance for the elderly).

The picture that emerged constitutes a precious contribution to the planning of future initiatives, revealing that the request for more information on what is already available, the subject of travel to and from work, and the need for facilities or services that safeguard the convenience of schedules or nearness to the job represent some of the main concerns. In order to provide concrete responses, proposals and initiatives regarding these needs are being examined. First of all,

but not only, there is the publication of a handbook, edited by the Committee, dedicated to family leaves (law no. 53/2000) that provides information about the opportunities that the law and the Company make available to the moms and dads who work. ■



Luigi Rispo, Summer Vital Energy

## When the baby arrives

In case of maternity, Enel employees who are covered by the national collective labor contract for workers in the electricity industry receive better financial treatment than required by law. In effect, with regard to the period of obligatory abstention from work, employees are paid a maternity indemnity amounting to 100% (instead of the 80% provided for by the law) of their pay for the month preceding the beginning of the abstention, while for optional abstention they are paid a maternity indemnity amounting to 45% for the first month, 40% for the second and third month, and 30% for the subsequent three months (the law provides, instead, for 30% for six months). During 2005, an average of 2,500 women and men – about 5% of the people who work at Enel – took advantage of these conditions. Enel employees who work under the collective contract for the gas and water industries are also granted better financial treatment than is provided for by the law for the period of obligatory absence from work, during which they receive their entire monthly pay.

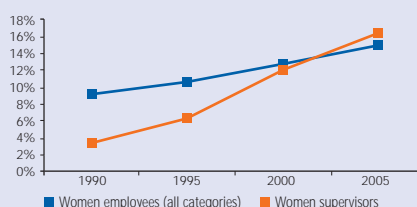
## All the numbers about women

The presence of women at Enel has increased and has become more diverse in the last 15 years, even though the total number of employees has decreased. In 1990, women constituted about 9% of the workforce, whereas today, with 15%, Enel is in line with the European values in the electricity industry. Even more significant is the picture regarding the category of supervisors, where the 3.5% of 1990 has more than quadrupled to the 16.5% of 2005. There are still few women executives, but even here, Enel has gone from 3% to today's 8% in a rather short time.

### Women at Enel (as of December 31, 2005)

	Women	%	Men	%	Total
Executives	40	8.3%	444	91.7%	484
Supervisors	608	16.5%	3,088	83.5%	3,696
White-collar	6,320	23.5%	20,593	76.5%	26,913
Blue-collar	18	0.1%	15,537	99.9%	15,555

**Total** 6,986 15.0% 39,662 85.0% 46,648  
only Italy (excluding Terna and Wind)





Antonio Melchiorre, Lecce - Prickly Pear

# SAFER AND SAFER

An integral part of Enel's culture and actions is the notable commitment to extending and increasing on-the-job safety. In 2005 as in 2004, much attention was focused on training in the field of on-the-job safety and hygiene, with more than 500,000 hours dedicated to this subject, an increase of over 10 hours per person and more than double with respect to 2004, when slightly less than 5 hours per person carried out. At the end of 2005, 461 people performed an institutional role regarding the protection of the health and safety of workers, a sign of increasing sensitivity to the matter of safety.

The constant increase of the number of hours dedicated to education training and the increase in the number of personnel involved in these issues, together with a joint effort to closely coordinate safety activities had positive effects on the parameters and indexes that indicate the effectiveness of the preventive and protective measures adopted.

In effect, again in 2005 the two most important indexes that show the effects of

actions on safety – the frequency index (ratio between the number of accidents and the number of hours worked) and the seriousness index (ratio between the number of days of inactivity because of accidents and the number of hours worked) – recorded reductions: the former decreased from about 9.5 in 2004 to 8.7 in 2005 in Italy (to 8.2 including Enel companies abroad) and the latter from 0.31 in 2004 to just under 0.28 in 2005 for Italy (0.27 including Enel companies abroad), with a total of 716 accidents (about 20% fewer than in the previous year). Of the three fatal accidents that regarded Enel personnel in Italy, one was due to electric causes and two to automobile accidents. There was only one fatal accident abroad.

As far as the employees of firms doing contract work are concerned, during the execution of work for Enel there was a decrease in both serious and fatal accidents (38 in 2004, 19 in 2005), a sign of supervision on work sites and the choice of qualified firms to do contract work.

## Safety

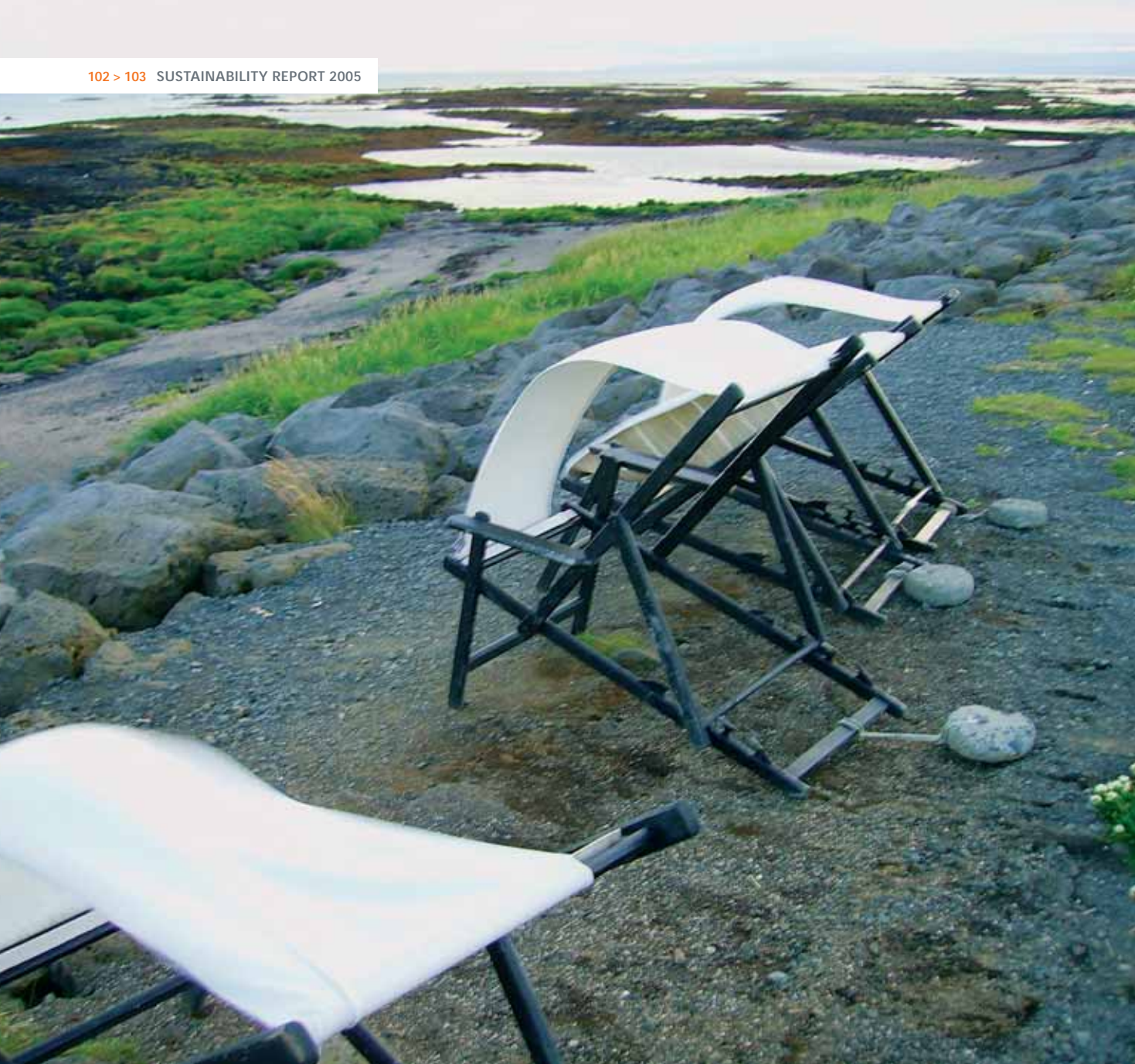
- > Expenditure on safety per employee: 842 euro
- > Health checks: 23,760

### Ten cautious steps

Among the activities to coordinate corporate safety carried out in 2005, the main ones were:

- > the new regulations for operating the points of connection between the high-voltage networks of the Italian Railroad Network and Terna, Enel Distribuzione, and Enel GEM;
- > the prohibition of smoking at Enel;
- > conformity to the EC law of 2004 regarding Enel's enormous fleet of vehicles (cars and operating vehicles);
- > the new circular and the precise monitoring of accidents;
- > the resumption of the on-the-job safety terms for activities in the nuclear field;
- > the continual revision and drafting of the documents evaluating risks for every Enel office and production unit;
- > the automation of work process in Terna;
- > the constant issue of emergency plans and working procedures;
- > the continual monitoring of the industrial hygiene parameters;
- > present and precise campaigns to raise the awareness of workers.



Carlo Tarantino, *Summer in Stokkseyri, Iceland*

# A SYSTEM OF INTERNAL WELFARE

Employment at Enel is distinguished by the institution of a real system of "internal welfare" based on activities, initiatives, and services ranging from complementary pensions and supplementary health care to cultural and sports activities, loans to personnel at special interest rates, and special maternity benefits (see the box "When the baby arrives" on page 100). Many of the initiatives are open to family members and retired former employees, too.

## Recreational, cultural, and sports activities

For personnel regulated by the national collective labor contract (CCNL) for workers in the electricity industry, recreational, cultural, and sports activities are managed by the ARCA (about 44,000 workers), while similar activities for executives are managed by the ACEM (about

500 executives). The ANSE has a similar purpose and is dedicated to older personnel, both in service and retired (about 25,000 members).

The ARCA is an association that was founded on the basis of an agreement between Enel and the national trade-



union organizations to implement article 11 of the Workers' Statute of Rights (law no. 300/1970). The governing bodies are made up exclusively of workers' representatives elected from slates presented by the trade-union organizations of electricity-industry workers.

ARCA's funding is determined by an agreement between Enel and the union organizations and is paid for exclusively by the companies whose employees are ARCA members. The criterion for the funding is based on an annual sum per person (518 euro for 2005), which is then multiplied by the number of workers employed as of January 1 every year. In addition to giving presents at the end of the year to the children of employees, among ARCA's initiatives are the promotion of culture – including supporting specific national events, such as the Venice Film Festival – and of higher education for the children of personnel (school expenses paid for winners of competitions; scholarships, including ones for graduate study), tourism (for example, stays at special prices for adults and free of charge for children), sports (including the organization of events at both the national and the regional level), stays abroad to foster socialization and the acquisition of language skills among young people, summer programs for the children of employees (camps, activities in cities, study vacations abroad), agreements with banks and insurance companies, and agreements for the purchase of goods and services (without the direct

provision of goods and services).

The ACEM is an association founded on the basis of an agreement between the Enel companies and the union representatives of the executives. The institutional activities of the ACEM are also connected with the management of leisure, such as the organization of cultural and educational initiatives, tourism, and the ACEM club in Rome. The funding is determined by an agreement between the member companies and the union representatives of the executives.

The ANSE (Associazione Nazionale Seniores Enel) is an association that older employees in service or retirees and their survivors may join if they wish. In particular, it takes care of relations between Enel and the survivors of deceased employees and fosters the spirit of solidarity and volunteer work by promoting activi-

ties aimed at putting to good use their wealth of professional experience, including cooperation with Enel initiatives. Members pay dues (16 euro for employees in service and retirees and 10 euro for survivors). ■

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## Supplementary health care

For personnel regulated by the electricity-industry CCNL, supplementary health care is managed by the FISDE (a dedicated association of about 44,000 employees), while for executives this task is entrusted to the ASEM (whose membership is about 500 executives).

The FISDE was formally constituted >



Girolamo Valenti, *Awakening*

on March 12, 1997 on the basis of agreements entered into by Enel and the trade-union organizations. The governing bodies of the association have an equal number of representatives of the Company and the unions.

The FISDE's funding is determined by an agreement with the unions and is entirely charged to the companies. The criterion for quantifying the funding is based on an annual sum per person (706 euro in 2005), multiplied by the number of employees at the member companies as of January 1 each year. Retired employ-

ees also contribute to the FISDE's revenue by paying annual membership dues when required, which for 2005 amount to 250 euro.

The services provided by the FISDE for employees, their dependent relatives, and retired former employees are:

- > supplementary medical services, provided both indirectly (through reimbursement of the expenses incurred by members, according to criteria that ensure greater financial support in particularly serious cases) and directly (through agreements with health-care professionals, as well as with both public and private facilities accredited by the National Health Service or in any case authorized to provide health care);
- > preventive medicine, through prevention campaigns and making it possible for members and/or their dependent relatives to be examined by specialists and have the related tests performed in order to diagnose particular diseases at an early stage;
- > care regarding prevention, assistance, social integration, and rehabilitation for people with handicaps and problems connected with the new social emergencies (drug and alcohol addiction, maladjustment). In particular, handicapped members and/or their dependent relatives have access – within a network consisting of 22 qualified consultants throughout Italy, who are coordinated by a national scientific supervisor – to three different kinds of

services: personal services aimed at improving the quality of life of the individual through educational guidance and traineeships, as well as social and psychological advice and support; financial contributions aimed at supplementing the family's ability to pay for social and health services and equipment to improve the quality of life of the disabled person; and collective services and activities, addressed to the entire community of disabled people assisted by the FISDE, regarding culture (participation in conferences on determined subjects), recreation (stays in special places), and learning through play.

The ASEM is an association founded on the basis of an agreement between the Enel companies and the union representatives of the executives in service and retirees. The association manages supplementary health care through financial contributions when there are medical expenses regarding executives of the participating companies. These contributions are also made for dependent relatives, as well as for retired former executives and their dependent relatives.

The ASEM's funding is determined by a trade-union agreement and consists of an annual appropriation by the participating companies and the annual dues paid by members. The dues set for 2005 for executives in service and retired former ones amount to 400 euro. Annual dues are also required for the executive's dependent relatives. ■

### Rehabilitating disability

Among the initiatives regarding the care of the disabled, especially important are the integrated, long-term projects focused on training and integration into the world of work, whose goal is the creation of a social cooperative constituted by some of the specialists who have accompanied the disabled young people from the beginning, the young people themselves, and the parents of the latter. This social cooperative will manage apartment hotels with a multi-functional service center and a museum/archives regarding the local area. The first of these projects is currently being carried out in Ostuni, in Brindisi province, with very significant social, professional, technical, and scientific results. A similar initiative is being prepared in Panicle, in Perugia province, while three other projects will be developed at Fossombrone (in Pesaro and Urbino province) and in Piedmont and Sicily. The objective of all of these projects is to enable young handicapped people to achieve autonomy and greater possibilities for an independent life.

## A complementary pension

Enel makes complementary pensions available through two funds: the FOPEN for employees regulated by the electricity-industry collective labor contract and the FONDENEL for executives.

Instituted on December 3, 1998 by Enel and the trade-union organizations concerned and operative since October 2000, the FOPEN is a pension fund providing services that are complementary to the obligatory pensions for personnel. As of December 31, 2005, there were 35,397 participants.

The Fund is individually capitalized. This means that the payments made to the Fund and the returns obtained through their financial management are accumulated in favor of each employee and constitute the basis for determining the size of the complementary pension that will be paid when the requirements

provided for have been satisfied. Furthermore, the amount of the contribution to be paid to the FOPEN is determined in advance. Membership in the FOPEN is voluntary and employees can join by presenting a special application.

The FOPEN is funded by contributions charged to both company members and employee members in the amount of 1.35% of the compensation used to calculate retirement bonuses. In addition, the fund is also financed by an annual appropriation of retirement bonuses, the amount of which varies according to the contributive seniority of the employee. Every employee participating in the Fund can also increase his or her position by paying a voluntary contribution, either recurring (from 1% to 8%) or one-off (from a minimum of 500 to a maximum of 2,500 euro).

As far as the management of the financial resources is concerned, four types of investment have been available in the FOPEN since June 2003:

1. "Money Market"  
(100% bonds/money-market)
2. "Balanced Bond"  
(30% equity and 70% bonds)
3. "Balanced"  
(50% equity and 50% bonds)
4. "Mainly Equity"  
(70% equity and 30% bonds)

To consolidate the pursuit of the maximum quality possible of financial management, in conjunction with the start of the process of choosing the new financial managers, which ended in 2005, the Fund's Board of Directors approved a new, specialized model for managing financial resources, including the introduction of a new type of investment called "Bond" (10% equity and 90% bonds), which – in terms of risk/yield – is between the "Monetary" and the "Balanced Bond" types and has been available since the second quarter of 2006.

Instituted on April 1, 1998 in agreement with the National Federation of Executives of Industrial Companies, FONDENEL – the Complementary Pension Fund for executives of the Enel Group – provides services that are complementary to the obligatory pensions. As of December 31, 2005, there were 540 members.

This Fund is also individually capitalized and the amount of the contribution to be paid is determined in advance.

Membership in FONDENEL is voluntary and the Fund is financed by contributions from both the executives and their employers. The contributions are differentiated according to the category to which the member executives belong: "old members" (i.e., those who on April 28, 1993 were mem- ➤

### FOPEN

Performance – net of taxes and management expenses and in percentage values – of the contribution during the period from the start of differentiated management (June 16, 2003) and in 2005:

Type	Contribution value	
	From start of differentiated management	2005
Money Market	5.55%	1.90%
Balanced Bond	15.85%	8.37%
Balanced	24.82%	12.64%
Mainly Equity	33.58%	17.38%





Mario Pennazio, April Wind in Almanarre

bers of complementary pension plans established before law no. 421 of October 23, 1992 went into effect) contribute 3% of their fixed pay and their company contributes 7%, while “new members” (executives hired or

promoted after April 28, 1993) contribute 2.5% of their fixed pay and their companies contribute 3.5%, within the ceiling of tax deductibility. In addition, 3% of the compensation used to calculate the retirement bonus of the individual executives is allocated to the Pension Fund. Executives who are members can also increase their positions by voluntarily contributing up to 7% of their pay.

The financial management is differentiated, with four types of investment:

1. “Money Market”  
(100% short-term bonds)
2. “Bond”  
(minimum 80% bonds)
3. “Balanced”  
(minimum 40% bonds)
4. “Equity”  
(maximum 30% bonds)

# Loans to personnel

Loans may be granted to Enel supervisors and blue- and white-collar workers regulated by the electricity-industry CCNL for the purchase of their first home or for serious family needs in the maximum amount of, respectively, 25,822.85 and 7,746.85 euro.

Enel applies to these loans an interest rate amounting to the official rate established by the European Central Bank that is in effect at the time the loan is made and may change only when the fluctuation amounts to 2% or more.

Loans for the purchase and/or renovation of a home and for personal needs are also provided for executives in service.

## FONDENEL

Performance over time of the contribution (in percentage values) for each type of financial investment and for the specified time periods, compared to the start of differentiated financial management (September 20, 1999):

Type	Contribution value		
	Value at Dec. 31, 2004 compared to Sept. 20, 1999	Value at Dec. 31, 2005 compared to Sept. 20, 1999	Value at Dec. 31, 2005 compared to Dec. 31, 2004
Money Market	19.33%	21.36%	1.71%
Bond	27.97%	34.57%	5.16%
Balanced	23.48%	36.46%	10.52%
Equity	-15.07%	4.98%	23.61%

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## Bonuses for corporate loyalty

Electricity-industry employees (blue- and white-collar workers, supervisors, and executives) who have accumulated 25 or 35 years of service are granted a loyalty bonus amounting, respectively, to one-third of their monthly salary and their entire monthly salary in effect at the time they attain the aforesaid seniority. Special ceremonies are also organized, with the participation of the Company's top management, to award the employees concerned medals – silver for 25 years of service and gold for 35 years – as a symbol of recognition for the individual contribution of each one to Enel's growth. ■

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## A protocol for social actions

The collective contract for workers in the electricity industry provides for the adoption of several measures: time off without pay, leaves of absence, and special work hours for employees voluntarily engaged in performing activities or roles with particular social and humanitarian significance (volunteer social work, volunteer civil defense work, cooperation with less developed countries, etc.) and ones who find themselves in situations of need worthy of support (e.g., employees



Filippo Basso, *Trunk*

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## Advances on the retirement bonus

In addition to the provisions of the law, Enel provides for repetition of advances on their retirement bonus to employees regulated by the collective contract for electricity-industry workers for medical

expenses, as well as advances for the purchase of a first home for themselves or their children. Even though advances for the latter purpose may be paid out only once during the period of employment, they are granted in a number of different cases: purchase from third parties, construction, renovation to make a home inhabitable or safe, etc. For employees who need to do so, Enel also provides advances on retirement bonuses for the purpose of eliminating "architectural barriers" at home. For Enel employees regulated by the gas-and-water collective contract, the legislative provisions in effect apply. When Enel shares were placed on the market, Enel employees were also entitled to obtain an advance on their retirement bonus to purchase the shares. ■



Innocenzo Zuccaro, *Return to Progress*

# ENERGIAPER: ENERGY FOR COMMUNICATING

For several years Enel's logo has also included a phrase that advertising people call a pay-off: "Energy in tune with you." It might seem like it's there purely as a matter of image, but actually it expresses Enel's commitment to a relationship that is attentive to its stakeholders, particularly the customers, communities, and institutions that use its electricity and gas services and for years have been dealing with the presence of the Company's plants, shops, offices, and infrastructure.

Enel has planned its way of working and its communication strategy around the promise expressed by the pay-off.

In order to strengthen a corporate spirit that is open and sensitive to relations with its stakeholders, in 2005 the Company created *Energiaper*, a program dedicated to culture, science, the environment, education, and sports that aims to gather Enel's communication activities in a single container divided into six macro-areas. *Energiaper* began as a place of exchange between the social necessities of consumers and the economic one of the Company in order to bring stakeholders closer to the corporate reality. It supports and develops integrated communication projects in coop-

eration with prestigious public and private institutions and with local organizations dedicated to the development of their areas. As a bridge between the Company and public opinion, the program promotes a new geography of relations with local realities and makes energy a strategic concept and cultural element appearing on the different platforms of knowledge, in order for the culture of energy to be everybody's business. Thus, through the search for new opportunities for development and the use of new languages for communication, scientists, artists, athletes, and notable figures join Enel in bringing to its stakeholders a vision oriented to the future, making *Energiaper* a driving force of social and cultural development instead of a mere container.

## *Energiaper*: Energy for culture

Supports projects that offer the public a cultural and educational environment that emphasizes innovation and fosters dialogue and debate on issues of importance to the Company and society.



## Initiatives in favor of communities

- > Largesse expense: 8.6 million euro
- > Investment in communities: 12.4 million euro

As far as culture is concerned, in cooperation with the Teatro Eliseo in Rome, Enel launched the first edition of *The Word Contended by Philosophy and Science*, a series of encounters and debates conducted by Massimiliano Finazzer Flori, which involved important figures, such as Margherita Hack, Umberto Galimberti, Giulio Girello, and Edoardo Boncinelli. The debate between science and philosophy took place around the words Myth, Earth, Action, Body, Mind, Life, Space, Identity, and Technique in order to stress the importance of knowledge and attention to the world of research, study, and innovation. The success of the initiative produced a 200-page book published by Baldini & Castoldi.

Enel sponsored the Festivaletteratura in Mantua, the most important Italian event for the promotion of reading, which involves the whole city and offers literary encounters, readings, workshops, debates, and performances. On this occasion, Enel organized initiatives of scientific popularization on the borderline between literature and science. In the field of art, *Energiaper* supports exhibitions and cultural events, as well as projects for restoring and lighting the Italian artistic heritage, of which "Light for Art" is the most significant initiative. Two examples are the lighting of the exterior of Palazzo Piacentini, the seat of the Ministry of Productive Activities, and Dharma of Enel, a permanent sculpture/installation conceived with five Enel power-line supports active in the living

museum of the Paradise Plantation at Bolognano, in Abruzzo.

### *Energiaper.* Energy for music

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Supports and promotes a number of projects in the field of music, in particular with local communities. The program ties Enel to the two most prestigious musical institutions in Italy: the Accademia Nazionale di Santa Cecilia and the Teatro alla Scala, with which it created *L'energia che si ascolta*, a project that promotes classical music and young musicians throughout Italy with 15 concerts a year characterized by unusual environments in power plants, theaters, and squares. In cooperation with the Accademia Nazionale di Santa Cecilia and with the presence of the President of Italy, Enel supported the Christmas concert for peace, an event dedicated to the awarding of the "Rome for peace and humanitarian action" prize, and a concert with Claudio Abbado and the Lucerne Festival Orchestra, accompanied by internationally famous soloists like the pianist Maurizio Pollini. For some years now Enel has been also cooperating with the Bologna Festival, a prestigious event with concerts of classical music.

The Company is also a partner of the Parco della Musica Auditorium in Rome, a center that last year produced 300 cultural events, including concerts, festivals, and shows. With its "100 Concerts" tour, which was connected with the launch of the new



Corrado Pusterla, *Enel on Vacation*

electricity rates, Enel took the music of seven great performers – including Antonacci, Mannoia, and De Gregori – all over Italy, while using initiatives of hospitality and competitions to establish an increasingly direct and immediate relationship with its customers.

Finally, a very valuable initiative was the sponsorship of a concert with the songwriter-singer Claudio Baglioni and the Royal Philharmonic Orchestra to raise funds for the FAI (the Italian Environmental Fund).

### *Energiaper.* Energy for sports

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Beginning in 2003, Enel has developed the "Fair Play in Sports" project with the National Amateur League. This initiative has involved more than 100,000 players in the minor, women's, and five-a-side soccer leagues and about 2,100 soccer fields. With this project Enel carried out the first survey of sports behavior in Italy. Together with the CONI (the Italian National Olympic Committee) and the USSI (Italian Sports Press Association), it launched *Tribuna Sportiva*, the first online newspaper on fair play in sports written by young aspiring sports writers.

Enel was the official partner of the >

European volleyball championship and has promoted initiatives and sports competitions as part of the "Nature and Environment" project.

It is also a sponsor of the Olympic Stadium in Rome for the A-league games of the teams A.S. Roma and S.S. Lazio.

### **Energiaper.** **Energy for science**

Promotes the scientific knowledge, the culture, and the awareness of efficient energy use, subjects that have significant social, economic, and environmental implications. Knowledge and dialogue are the method the Company has identified to reconcile its infrastructure requirements and the social and environmental aspirations of the communities that host them. The scientific festivals sponsored in Rome and Genoa – the third edition of the latter, which is one of the most important scientific events, with 216,000 visitors in 2005 – combined research and entertainment. Enel was a protagonist in these festivals, with exhibitions and activities focused on its core business – such as the exhibition on the four elements: water, air, earth, and fire – in order to popularize scientific content accessible to all targets. Every year the city of Pisa, where the Enel Research Center has its main facilities, hosts "Cinescienza", a film festival on the themes of energy and scientific research, and "Rinnova", two days of round tables on the state of the art of hydro, wind, geothermal, and solar technologies and fu-



ture developments in energy.

To confirm this bent for dialogue, at the meeting in Rimini (700,000 presences in 2005), energy was a protagonist with games, workshops, and creative activities for children.

With the slogan "Consolidate the culture of energy to give energy to culture", Enel took the "Albert Einstein: engineer of the universe" exhibition from Berlin to Pavia, Bologna, Florence, and Bari.

### **Energiaper.** **Energy for education**

Enel is active in the world of education with projects that combine play and learning. Since 2003, Enel has sponsored *Energia in Gioco*, a large-scale national competition that has involved 300,000 students from Italian schools in the discovery of various aspects of energy: rational consumption, saving, sources, production and distribution, and the rules of the new market.

### **Energiaper.** **Energy for the environment**

Expresses Enel's commitment to respecting and protecting the environment, nature, and people's health. The program includes partnerships with important environmental associations and initiatives that aim to increase Enel's value in the

environmental field.

With its *Natura e Territorio* program – developed in cooperation with institutions, local governments, environmental and sports associations, and tourist bureaus – Enel emphasizes the landscape, environmental, and cultural riches of the areas around its plants. The guide "I piaceri dell'energia", published in cooperation with Gambero Rosso and the Accademia Nazionale di Santa Cecilia, recommends cultural, natural, musical, and food-and-wine itineraries in the vicinity of its power plants. With its *Centrali aperte* program, Enel opens its power plants to the public and transforms them into places for gathering and artistic experience. It provides an opportunity to promote the human, historical, and technological heritage present in industrial spaces. Thousands of people visit the plants, which host exhibitions, concerts, games, readings, and educational activities.

To promote small-town Italy, Enel cooperates with Legambiente on the *Voler bene all'Italia* project, the national celebration of the "PiccolaGrandItalia" (LittleGreatItaly), the villages and municipalities with fewer than 5,000 inhabitants, a project under the patronage of the President of Italy. A festive day to stress Enel's attachment to local cultures by promoting the hidden resources, artistic heritages, traditions, treasures, and talented people of small towns. ■

**QUANDO USI L'ENERGIA,  
USA LA TESTA.**



## SERIOUS AND CREDIBLE ADVERTISING

Institutional communication and financial communication were again the protagonists of Enel's advertising in 2005. After the privatization of Terna and the sale of the third tranche of Enel shares, 2005 recorded two other financial transactions: the issue of Enel bonds and the sale of the fourth tranche of the Company's shares by the Ministry of the Economy and Finance.

The year began and ended with Enel's return to commercial communication and in particular to residential customers, with the introduction in February of the new tailor-made rates and the campaign in December to raise awareness regarding intelligent consumption.

The communication of financial transactions emphasized Enel's solidity and reliability, as well as its stability, as a guarantee for both professional and retail investors. On the other hand, the campaign to place Enel bonds on the market

was conducted in an unusual way. In effect, television had never been used for an important communication campaign regarding a bond issue. The idea was to restore the association of bonds with positive values and give them the connotation of a secure investment, which is typical of bonds. These concepts had been challenged by financial mishaps connected with bonds that affected the savings of thousands of Italians.

The message used was very clear: to say that without energy many products and services could not exist as we know them today, and thus to explain the solidity of the energy market in general, which – combined with good corporate governance – becomes a guarantee of peace of mind for small investors even in the medium run.

In more commercial communication, instead, the conclusion of the long period during which more than 30 million digital

meters for its customers were installed enabled Enel to launch a revolution in the world of energy: tailor-made rates, made possible precisely by the digital meter, which can be read at a distance.

As part of its policy of listening to its customers, Enel responded to a need felt by consumers: to better adapt the cost of electricity consumption to their style of life. The advertising campaign focused on the vicissitudes of a family in which the father/husband looked for ways to save energy in the evening and during weekends. The results confirmed the public's great interest in this subject, with about 250,000 customers signing on in the first month and more than 30% of the customers interviewed through market research inclined to do so; good ability of the advertising to transmit the message (57% have an accurate memory of it), and an overall high rating of the commercials. >



Thus a recognizable format was created through a character who had already been seen in the 2003 television campaign on the "Methods of Payment" and who was the leading actor of the "Intelligent Energy" campaign in December 2005 and the "Rates" campaign in the first months of 2006.

At the end of 2005, Enel was the protagonist of "Quando usi l'energia usa la testa" (When you use energy, use your head), an advertising campaign dedicated to energy efficiency promoted by the Ministry of Productive Activities and the Ministry of the Environment to create awareness and inform people about the "intelligent" use of electricity.

In this way, once again Enel promoted saving and shrewdness in consumption, turning the traditional aim of commercial advertising – to stimulate consumption of the firm's products – on its head.

The decision to use in the television advertising campaign the same character as in Enel's normal commercial communication was based on the idea of exploiting his fame and associating the message with content addressed to families.

To support the television campaign, Enel organized an "Efficienza energetica" (Energy Efficiency) tour in more than twenty Italian cities, with occasions for games and prize competitions alternating with spaces for information and in-depth study, thanks to a specially produced guide on the intelligent use of electricity. ■



## Where Enel's advertising is seen

An important part of advertising communication is constituted by the instruments or, in the jargon of advertising people, means that the firm uses to communicate to its customers and the public in general. The so-called media mix of Enel's advertising in 2005 was as follows. Television accounted for 52% of Enel's communication, the press (local and national dailies and periodicals) 26%, local and national radio 4%, local and national billposting 15%, movie theaters 1%, and Internet 2%. On the other hand, the advertising campaigns were distributed as follows:

- > **Television.** Five campaigns were televised, including those regarding the Enel bond issue, the public offering of the fourth tranche of shares, and energy efficiency, which was sponsored by the Ministry of Productive Activities. Enel's advertising was present on television for a total of 13 weeks during the year.
- > **Press.** 21 advertising campaigns – both

local and national, and lasting from two to four weeks – were published. In particular, it should be considered that four of the campaigns ("New Enel Rates", "Bond Issue", "Fourth Tranche", and "Energy Efficiency") were large-scale ones in the national press.

- > **Radio.** Three national advertising campaigns, lasting a total of six weeks, were broadcast. There were also local radio campaigns for local Enel and Enel Gas events, which lasted only as long as the related events.
- > **Internet.** There were seven on-line campaigns, each of which lasted two or three weeks.
- > **Cinema.** Only one campaign was carried out, "End of the Year", which lasted two weeks.
- > **Billposting.** Two two-week campaigns were carried out. There were also three Enel Gas campaigns at the local level, each of which lasted one month.





Martino Salamida, *Autumn*

# HOW MUCH IS THE REPUTATION OF ENEL'S TRADEMARK WORTH?

In cooperation with Eurisko, as early as the end of 2003 Enel started up a project to assess its brand equity, that is, the value of its trademark's reputation. The objective is to measure the relationship between the Company and its publics, in both rational and – especially – emotional terms, and analyze the changes over time.

Thus a brand equity survey does two things. It helps a firm devise its communication strategies and it allows the firm to observe the changes following market events or communication, industrial, or marketing actions.

In effect, brand equity tends to reflect the specific relationship instituted by a firm with the market for the success of a particular offer and with the public in general for both the ordinary and special conduct of its business.

In a market like the electricity one, which is characterized by the fact that the product of each firm is essentially identical to that of all the others, the relational aspect and all the factors associated with the firm – which belong to the sphere of perceptions: appeal, strength, credibility, reliability, innovation – become particularly important.





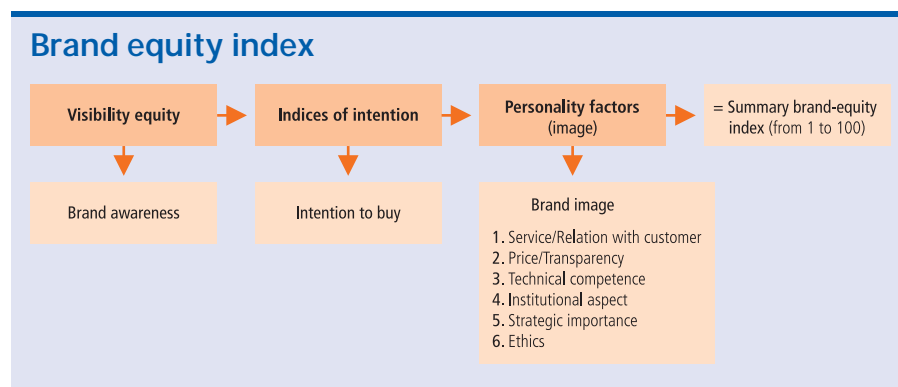
Enel's reality stands out because of a series of commercial relations with its customers, the results of which sanction the Company's success. However, there are non-commercial relations – with its shareholders, the communities that host its plants, and institutions – that are essential for it to maintain its corporate health in the medium and long run and to make its commercial offers more appealing.

Brand equity can thus be understood as an intangible corporate resource based on three key factors: brand awareness, intention to buy, and brand image.

Brand awareness determines the brand's ability to be recognized by its potential market. It thus represents the probability that when a potential customer makes a purchase the brand is one of the alternatives he or she actually considers.

The intention to buy is a consumer's declared loyalty or intention with regard to a brand and reflects the degree of the public's affection or disaffection. This indicator has no absolute significance, but only when it is compared to that of other brands. In effect, the intention to buy does not materialize in an immediate choice or rejection, because there are many different mental degrees between the indication and the action, but it is a signal of unease or affinity sent by the customer.

Brand image is an indicator of a competitive relationship and reflects a world of associations that characterize a brand and differentiate it from competing products. The more positive and unique



associations a brand arouses, the more distinctive its profile will be. In Enel's case, brand image reflects the different facets that constitute the universe of relations (both commercial and not) it has established with its stakeholders. Thus a

map can be drawn of Enel's strong points and weak points, which are useful for identifying the image factors to stimulate through communication and measuring the public's reactions subsequent to specific actions.



Carlo Gizzi, *The Cart (Ischia)*



## How customers see Enel

**Brand awareness.** Awareness of Enel remains very high, but the top-of-mind indicator (that is, the first name mentioned by a customer if asked what electricity company comes to mind) tends to slightly decrease, not so much among household customers as in the business world. If we look at the firms with the largest consumption of electricity – and thus that on average have been solicited by the free market for a longer time – top of mind awareness decreases from 79% in 2003 to 72% in 2005. Spontaneous awareness remains high (89% in 2005 versus 90% in 2004), while – again with regard to firms with high consumption and access to the free market – the Company's closest competitors are Edison (with 22%) and Energia (with 10%), but the latter is the most dynamic. In spite of the fact that the liberalization date is drawing closer, for household customers Enel remains the only supplier of electricity, with a top of mind awareness of 92% (against 93% in 2004), while spontaneous awareness has stayed at the high level of 98%. With 48%, Edison is second in terms of guided awareness among individuals, while AEM Milano is at 20%.

**Propensity to Enel.** The level of satisfaction with Enel as a supplier of electricity (74%) is higher than that of Poste (60%), Alitalia (57%), and Telecom (47%). Although still essentially good, loyalty among household customers has for some time shown signs of weakening. The percentage of “very or rather satisfied” is 15 + 33 (against 21 + 32 in 2004). However, it is useful to observe that the loyalty of the elite and youth segments (more inclined to change and innovation) has remained almost stable. Loyalty to Enel's competitors is still limited, with a single slight sign of growth. Overall, the measurement of the loyalty level reveals that about half of the household market is rather curious about the possible change.

**Brand image.** For Enel, 34 image features were taken into consideration. They were selected so as to represent the different kinds of relationships the Company has with its stakeholders and then aggregated into six key factors:

- > the relationship, i.e., the area of customer service and relations
- > the price factor, which in addition to the price includes the factors that influence the perceived price: transparency of the conditions, payment facilitations, etc.
- > technical competence, which includes all aspects of expertise in the energy field, in terms of both service quality and innovation and research
- > personality, which includes the “institutional aspect”, from solidity to corporate culture and international importance
- > the strategic aspect, i.e., the ability of the Company to represent and defend Italy's interests
- > social values (ethics), i.e., the area that concerns the aspects connected with corporate social responsibility.

A significant change in the weight of the various image factors on loyalty can be observed in the household market:

- > service and attentive customer relations become even more important
- > the importance of price and transparency is confirmed
- > a new need for reassurance regarding the assumption of responsibility for national energy policy and the defense of Italy's interests.

The price factor becomes increasingly important, especially for companies in the free market, which in turn reduces the weight of the institutional and “strategic importance” factors.

### Summary of indicators

	2003	2004	2005
Top of mind	91	93	92
Total spontaneous	98	97	98
Visibility equity	94	95	95
Propensity	72	68	67
Relationship with customer	43	44	43
Price/transparency	38	40	41
Technical competence	53	54	57
Institutional aspect	70	74	75
Strategic importance	45	44	49
Ethics	35	39	39
Index of brand equity	68	70	70

In any case, the results reward Enel's presence among the public, with the main image factors confirmed and in several cases improved.

As shown in the summary table on this page, the “Strategic importance” factor records a 5-point increase, which reflects Enel's ability to interpret the public's increasing sensitivity to the issues of national energy policy and the internationalization of service markets.

**Strong and weak points.** The 34 factors into which the brand image breaks down refer to their importance for individuals (in their choice of a supplier) and their judgment on the Enel brand. The main improvements in the corporate image with respect to 2004 are found in the “Informs about energy”, “Clear information”, “Useful advertising”, and “Personalized solutions”: factors, probably because of the “Rates” (2005) and “Energy efficiency” advertising campaigns. There are drops in the “Advantageous prices” item, which is connected with repeated news reports regarding the high cost of energy, and several items such as “Offers quality products”, “Answers quickly”, “Is present locally”. In addition to a positive judgment, the growth in the “Resolves crises” and “Does research” factors probably shows precise expectations regarding Enel and this role. However, the “Ecology” factor does not grow very much, which – together with the fall in the perception of Enel as a “company that produces energy from renewable sources” – shows how there is still a weak association between the Enel brand and the Company's actual role in as a protagonist in renewable energy.



## OBSERVED BY THE MASS MEDIA

In 2005, 15,137 articles (13,371 in 2004) were dedicated to Enel by national, multi-regional, and local dailies and by periodicals. There were 556 radio reports (42 fewer than in the preceding year), while there were 464 reports (536 in 2004) on national television, 986 (718 in 2004) on local TV, and 581 (811 in 2004) on satellite TV. The main events that characterized Enel's presence in the mass media in 2005 were as follows:

- > the 1-billion-euro bond issue reserved to retail investors;
- > the public offering of the fourth tranche of Enel shares;
- > the acquisition of 66% of the share capital of Slovenské Elektrárne in Slovakia;
- > the acquisition of Electrica Banat and Electrica Dobrogea in Romania;
- > the memorandum of understanding with Électricité de France for the joint development of the EPR program, the latest-generation nuclear reactor for the production of electricity;





Andrea Savona, Summer: a Barefoot Run on the Sand

## The Company in the media

- > Articles in newspapers: 15,137
- > Negative articles: 2,290

- > the appointment of Enel's new Board of Directors;
- > the new organizational structure of the Enel Group with the creation of the International Division.

The subjects that stirred up the most criticism and gave rise to polemics or negative evaluations, on the other hand, were:

- > the Electricity and Gas Authority's Report on Enel's dominant role in the electricity market;
- > the polemics on the conversion of the Torrealvaldiga Nord (Civitavecchia) and Porto Tolle fuel-oil plants (Rovigo province) to coal;
- > the usual polemics on the high cost of energy.

Since 2003, Enel has entrusted a specialized firm, Etnolab, with the monitoring and evaluation of the visibility and degree of positiveness of the articles and radio and TV reports that regard it.

An analysis of the data show that in 2005 the qualitative index of visibility (QIV), which measures the quality of the article and its positiveness or negativeness with an index ranging from -1 to +1, was on average:

- > 0.93 in the national and multi-regional press (0.85 in 2004);
- > 0.7 in the local press (0.41 in 2004);
- > 1 in periodicals (0.94 in 2004);
- > 0.72 on national radio (0.67 in 2004);
- > 0.75 on national TV (90.64 in 2004);
- > 0.93 on satellite TV (no change);
- > 0.62 on local TV (0.41 in 2004).

The details of the QIV are shown in the tables on page 118.

Etnolab has also created a global index of visibility, i.e., a weighted average of different factors (circulation of the newspaper, the size of the article and the page on which it appears, position on the page, high-, medium- or low-profile, with or without graphics, size of the headline, with or without subheading, summary title, lines published, number of columns, with or without pictures, signed or not). The global index of visibility dropped on average in 2005, because the number of articles dedicated to extraordinary Enel transactions diminished. In 2004 there had been the placement of the third tranche, which obtained a high level of attention by the media because of its size and because it marked a decrease to below 50% of the number of shares held by the Ministry of the Economy. There had also been great interest in the initial public offering of 50% of Terna. In 2005, on the other hand, there was the fourth tranche, an extraordinary transaction of lesser size and "novelty", while the placement of an additional 45% of Terna took place without a public offering.

These surveys make it possible to construct a profile of Enel's image as it emerges from the Italian press on the basis of a few classifications that assign a score of from 1 to 5 to several variables identified by a reading of the articles:

- > the Company's dynamism index is at 4.02 (3.94 in 2004);
- > concern for customers is at 3.74 (3.49);
- > reliability is at 3.43 (2.76);

- > the acquisition of Simeo, a Sicilian gas distributor;
- > the sale of the controlling interest (43.85%) in Terna and the latter's merger with GRTN (the company that manages the national power transmission network);
- > the first phase of the sale of the controlling interest in Wind (the second was finalized in 2006);
- > the sale of Enel.Hydro;



- > efficiency is at 3.61 (3.02);
- > innovation is at 4.06 (4.01);
- > economy is at 3.89 (3.32);
- > service quality is at 3.83 (3.32);
- > respect for the environment is at 3.49 (3.19);
- > sensitivity to social questions is at 4.07 (3.46).

On average, then, the image profile increases from an evaluation of 3.36 to one of 3.73 and shows improvements in all the magnitudes measured. ■

#### Enel in regional newspapers in 2005

	Articles	Positive	Negative	QIV
Triveneto	1,829	1,396	433	0.59
Lombardy	976	841	135	0.66
Tuscany	1,577	1,344	233	0.86
Sardinia	426	308	118	0.48
Emilia Romagna	631	552	79	0.78
Apulia/Basilicata	910	751	159	0.80
Latium	1,361	1,036	325	0.79
Calabria	644	421	223	0.66
Sicily	623	524	99	0.87
Umbria/Marches	634	556	78	0.79
Piedmont	618	542	76	0.82
Liguria	238	201	37	0.77
Abruzzo/Molise	450	369	81	0.60
Campania	463	392	71	0.65

#### Enel in periodicals in 2005

	Articles	Positive	QIV
Il Sole 24 Ore Plus	43	43	1.00
La Repubblica Affari	19	19	1.00
Specchio	6	6	1.00
Panorama	10	10	1.00
Oggi	9	9	1.00
Milano Finanza	56	55	0.99
Corriere Economia	8	8	1.00
L'Espresso	5	5	1.00
Il Sole 24 Ore Alfa	4	4	1.00
Panorama Economy	30	30	1.00
Gioia	3	3	1.00
Mondo	32	32	1.00
Famiglia Cristiana	2	2	1.00
Borsa e Finanza	38	38	1.00
Class	3	3	1.00
La Repubblica Venerdì	2	2	1.00



Emilio Tirelli, *Solar Shower or Sun Catcher*

#### Enel in national and multi-regional newspapers in 2005

	Articles	Positive	Negative	QIV
Il Sole 24 Ore	377	362	15	0.95
Corriere della Sera	164	161	3	0.96
La Repubblica	126	116	10	0.87
Il Quotidiano Nazionale	167	156	11	0.96
La Stampa	148	135	13	0.92
Il Messaggero	167	160	7	0.96
Milano Finanza	267	259	8	0.96
Il Giornale	186	179	7	0.95
Il Tempo	161	154	7	0.92
Il Secolo XIX	124	115	9	0.77
Avvenire	101	99	2	0.98
Finanza e Mercati	304	300	4	0.99
Libero	88	81	7	0.89
L'Unità	98	91	7	0.91
Corriere dello Sport	27	27	0	1.00
Il Mattino	56	50	6	0.93
Italia Oggi	151	147	4	0.91
La Gazzetta dello Sport	7	7	0	1.00
Il Secolo d'Italia	45	44	1	0.99
Staffetta Quotidiana	270	256	14	0.91
Il Manifesto	27	19	8	0.46
TuttoSport	22	22	0	1.00

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## Criticisms, discussions, and protests

Enel's discussions with local stakeholders and the communities that live around its plants became a lot livelier on several occasions when Enel had to cope with court decisions and the requests of associations and representatives of interest groups. The following is a summary of them.

- > **Calabria, May 2005:** Enel decided to close the Rossano Calabro power station after the Calabria Region refused to authorize the conversion of the existing fuel-oil plant to clean coal.
- > **Brindisi, July 2005.** The clean-coal deposit located inside the Brindisi Nord thermal power station and owned by Enel logistica combustibili SpA, which lets Edipower, the owner of the power station, use it was seized as a precautionary measure. The order was issued by the deputy public prosecutor at the Court of Brindisi as part of a series of inspections regarding environmental protection and industrial accidents. Edipower started up activity again in July 2005. The court authorized the use of the logistic facilities necessary to transfer the coal from the unloading area to sets 3 and 4 of Enel's Federico II power plant.
- > **Calabria, November 2005.** The local population protested against Enel's plan to commission a biomass power plant constructed in place of an oil plant built at the beginning of the

1970s in the area of the Parco del Pollino. Currently not in operation, the plant was to have produced 35 megawatts of net power beginning in 2006, which would make it one of the largest biomass plants in Italy. The main concern of the population and the environmentalist associations is that the Mercure power station could also contribute to the disposal of waste from Cosenza province or more extensive areas, because fuel from waste is considered a renewable source. However, the authorizing decree provides only for the use of biomass (chips of wood) for the production of electricity.

- > **Civitavecchia, February 2006.** Suspension of work on the construction of the pier and wharf that are part of the project to convert the Torrevaldaliga Nord thermal power station to coal. With an order issued on February 10, 2006, the President of the Latium Region provided for the immediate suspension of the work. Considering the order to be illegal from various points of view, Enel immediately appealed to the Latium TAR (Regional Administrative Court), requesting a stay. On May 10, 2006, the Latium TAR upheld Enel's appeal and annulled the decree ordering the work to be suspended.
- > In another case connected with the

conversion of the Torrevaldaliga Nord power plant, the Latium TAR entirely rejected the appeals presented by the municipalities of Ladispoli, Cerveteri, Santa Marinella, Tolfa, Tarquinia, and Allumiere, which – together with Rome Province and the consumer association Codacons – had requested the annulment of the authorizing decree of the Ministry of Productive Activities. The case is pending judgment by the Council of State.

- > In Civitavecchia there are also several active committees organized by pri- ➤



Calogero Anzalone, Flower Energy

vate citizens, which call themselves "anti-coal" or "no-coke" movements and which have brought the same action with the same questions (11) already proposed by the aforesaid municipalities. The TAR rejected all the objections raised in this case, too.

- > **Porto Tolle, April 2006.** In a judgment of first instance, the Court of Andria sentenced two former Chief Executive Officers of Enel (Franco Tatò to seven months and Paolo Scaroni to one month, with transformation of the sanction into a pecuniary penalty), together with two former heads of the power station (Carlo Zanatta and Renzo Busatto to, respectively, two months and one month plus a fine). All of them were accused in the lawsuit that began after the surrounding municipalities reported to the public prosecutor's office several occurrences of oily fallout in the areas around the power station and in particular on fields used for farming and on two buildings in the municipality of Pila. The Environment Ministry, Rovigo Province, Parco Delta del Po (the Po Delta Park, established after the construction of the power station), Legambiente, and the municipalities of Porto Tolle, Pila, Porto Viro, Taglio di Po, Mesola, and Goro, as well as natural persons, sued for damages. Enel decided to appeal. During the proceedings Enel constantly furnished explanations and cleared up questions for the public and the media. ■

## Enel's legal proceedings

Like all firms, Enel gets sued for various reasons. The following is a summary of the most important litigation that involved the Company in 2005.

**Proceedings regarding rates.** Enel is a party to a series of proceedings – started by several firms with a very high consumption of electricity – that challenge the legality of the orders with which first the CIP (Interministerial Committee on Prices) and then the Electricity and Gas Authority have on each occasion determined the changes in the components of electricity rates. So far, court decisions have tended to reject such claims. Therefore, the examination of such proceedings leads to the general conclusion that negative outcomes are highly unlikely.

**Environmental litigation.** Environmental litigation mainly regards the installation and operation of electric plants by Enel Distribution, which has succeeded Enel SpA in the related relations. Enel Distribuzione is a party to various civil and administrative proceedings in which the plaintiffs request that portions of the network owned by or at the disposal of the same be moved or operated in a different way, claiming that they are potentially dangerous, even though the plants were installed in accordance with the relevant regulations in force. In several proceedings, there have also been requests for compensation for damage to health that the opposite parties claim are a consequence of exposure to electromagnetic fields. Frequent use is made of urgent procedures in order to obtain precautionary stays or changes in the operation of plants by people who live in the vicinity of the same. However, it should be observed that the trend of the litigation in question is positive for Enel. In terms of the decisions that have been handed down, in effect, only in sporadic cases have they been unfavorable and as precautionary measures, which have all been appealed. So far, there have been no definitive negative decisions and in no case has the request for compensation for damage to health been upheld.

There are also proceedings regarding the

electromagnetic fields of medium- and low-voltage substations located inside buildings, which, however, always comply with the induction limits provided for by the national regulations. The situation regarding this litigation took a more favorable turn for Enel as a result of the coming into effect of the general policy law on protection from electromagnetic pollution (no. 36 of February 22, 2001) and the related decrees implementing it. In effect, the new regulations aimed to harmonize the entire question for all of Italy by establishing "exposure limits", "cautionary values", and "quality objectives", which were concretely specified by the implementing decrees of 2003. The regulations regard both low-frequency infrastructure (such as transmission and distribution lines and distribution substations) and high-frequency infrastructure (such as that used for telephony, including mobile telephony services). Furthermore, they provide for a 10-year program, as from the coming into effect of law no. 36/2001, for the renovation of long-distance power lines, as well as the total or partial recovery through the rates of the costs incurred by the owners of the transmission and distribution lines and the secondary substations according to criteria that will be determined by the Electricity and Gas Authority, because they are costs that were borne in the general interest. So far, the Prime Minister's Decree regarding the determination of the criteria for elaborating the plans for renovating the long-distance power lines has not been issued, nor have the criteria for measuring the parameters and calculating the distances to keep.

In addition, several lawsuits are also pending with regard to city-planning and environmental questions connected with the construction and operation of several generation plants and transmission and distribution lines. An examination of these lawsuits leads to the conclusion that negative outcomes are highly unlikely. However, for a limited number of proceedings, one cannot exclude unfavorable results, whose



consequences could consist in bearing the costs connected with modifying the plants and the temporary unavailability of the latter, as well as damages. Such costs cannot be objectively calculated at present and therefore are not included in the determination of the "Provision for litigation, risk, and other costs".

[Court and out-of-court cases connected with the blackout of September 28, 2003.](#) In connection with the blackout of September 28, 2003, Enel Distribuzione received numerous letters from its customers (and generally prepared in a uniform way according to the model elaborated by associations representing consumer interests) concerning requests for automatic lump-sum damages on the basis of the Electricity Service Charter and the resolutions of the Electricity and Gas Authority (amounting to 25.82 euro each), as well as additional damages which the customers reserved the right to quantify for the purposes of possible legal actions.

Enel Distribuzione contested such requests with two arguments. In the first place, the Authority's resolutions, like the aforesaid Electricity Service Charter (whose reference regulations have, however, been abrogated), do not provide for the automatic lump-sum damages requested for the supply interruption, as the Authority itself specified in a press release on October 2, 2003. In the second place, the Company maintained that the causes of the interruption of the electricity supply on September 28, 2003 were determined by exceptional events to which it was totally extraneous and therefore could not be attributed to it, with the consequent exclusion of any liability on the part of Enel Distribuzione with regard to what happened. With regard to the requests of the lawsuits, which generally involve modest sums, as of December 31, 2005, about 53,000 lawsuits were pending (almost all before justices of the peace in Campania and Calabria) with requests for automatic lump-sum damages on the basis of the Authority's resolutions and the Electricity Service Charter and, in a few cases, compensation for claimed damage (existential

and to relationships, as well to perishable food because of the interruption of the cold chain or to productive activities that were interrupted). Enel believes that, in the way and with the intensity with which it occurred, the blackout was an unforeseen and unforeseeable event, and that consequently no liability can be attributed to Group companies. It was also maintained that, for the reasons already set forth, the "blackout event" was not one of those for which damages are provided according to the electricity supply contract or the Authority's resolutions. With regard to the litigation in question, as of December 31, 2005, justices of the peace had issued about 7,000 decisions, most of which uphold the request for damages, the costs of which can be at least partially recovered through existing insurance coverage. In any case, Enel Distribuzione promptly appealed the unfavorable decisions before the court of jurisdiction and, with its decision of February 6, 2006, the Court of S. Maria Capua Vetere in Marcianise thoroughly overturned the decision of the justice of the peace of Marcianise and upheld Enel's appeal. In its detailed statement of reasons, the Court conclusively rejected the customer's requests, because no damage to the latter was proved, and considered the other reasons of the appeal to be absorbed and thus did not pronounce on them. The decision is particularly important, because more than 7,000 lawsuits are still pending before the justice of the peace of Marcianise.

[Investigations in progress by the public prosecutor's office in Milan and the Court of Accounts.](#) In February 2003, the public prosecutor's office in Milan initiated a proceeding against former directors and third parties for illegal acts carried out to the detriment of Enelpower and for payments by suppliers to obtain the award of several orders. In accordance with resolutions of the Boards of Directors of Enel SpA, Enelpower, and Enel Produzione, specific steps were taken with regard to the suppliers responsible, which led to compromise agreements with Siemens and Alstom. On the basis of the facts that emerged during the criminal proceedings, the Court of Accounts issued an

order for the attachment of real estate, personal property, and receivables belonging to the former chief executive officer and a former executive of Enelpower, as well as the former chairman of Enel Produzione, and summoned them to ascertain their possible liability (for asset administration) with regard to damage to assets of the Treasury. On November 9, 2005, Enel SpA, Enelpower, and Enel Produzione filed an act supporting the request of the regional public prosecutor's office, while on November 18, 2005, with an act delivered also to Enelpower, the defense of the former chief executive officer of Enelpower made an appeal to the Joint Sections of the Court of Cassation aimed at ascertaining that the Court of Accounts did not have jurisdiction in the aforesaid proceeding because Enel SpA and Enelpower were not public-law bodies or public entities and their directors were not public officials or entrusted with a public service. On November 30, 2005, Enelpower and Enel Produzione served a summons on the assignees of the former chief executive officer of Enelpower aimed at requesting the ineffectiveness in their regard of several asset divestments carried out by the latter. With its decision on February 22, 2006, the Court of Accounts – considered the liability of the aforesaid former directors and executives – awarded Enelpower damages totaling about 14 million euro.

[Complaint by Prometeo to the Court of Ancona.](#)

On August 11, 2005, the Court of Ancona issued a first urgent decree ordering Enel Gas to immediately cease behavior that could constitute unfair competition against Prometeo, which manages the distribution of methane gas in the Marche. Subsequently, on October 19, 2005, it issued a precautionary order confirming the decree and, finally, on February 23, 2006, a new order annulling several specific parts of the previous one. Enel Gas implicated Key 21 Italia Trading, because it was entrusted with the promotion of its commercial offers, and requested to be relieved of all charges. The proceeding regarding damages promoted by Prometeo is still pending before the Court of Ancona.

Roberto Virgone, *Without Title*

# IN STEP WITH THE INSTITUTIONS

Aware of the influence of the regulation of the energy business on its activities, Enel manages its relations with its Italian, EU, and international stakeholders responsibly and transparently. Among its most important interlocutors are Italian institutions (Parliament, ministries, authorities, regions, and local governments), EU institutions (Parliament, Commission, and Council), and international institutions, as well as industry associations and forums.

Enel SpA's Department of Public and Regulatory Affairs represents the Group in the various institutional seats, assists the top management, and evaluates the impact of EU and Italian regulatory provisions.

Enel manages its "regulatory risk" through a constant dialogue with all its institutional stakeholders and active participation in setting policies regarding both energy and the environment. The dialogue always takes place according to rules of fairness and transparency and in full obedience of the law, regulations, and the Ethical Code.

The regulatory authorities specifically provide for notice and comment procedures, i.e., requests for companies to express their opinions on technical documents that will subsequently be used to formulate specific provisions. Enel constantly participates in such procedures and promptly makes its observations. It is thought that in the future the analysis of the impact of regulations can constitute an important instrument for evaluating the costs and benefits of the various regulatory initiatives.

Other instruments could consist in the establishment of programs and agendas by the various institutions and authorities, so as to announce clear and transparent objectives to the market and create greater certainty for firms and investors.

Enel also actively participates in the elaboration of standards

and guidelines with regard to quality:

- > membership in Italian (UNI and CEI) and international (ISO, CENELEC, and IEC) bodies;
- > participation as a founding member in SINCERT (National System for Accreditation of Certification and Inspection Bodies) with a representative on its Executive Council and on the Steering and Control Committee;
- > signing of the memorandum of association of the Single Accrediting Federation for Certification Bodies (SIAC);
- > membership on the boards or on the certification committees of several of the most important Italian certification bodies (IMQ, ICIC, ICIM, ICMQ).

The fair and complete implementation of a quality system according to the UNI EN ISO 9000 standards is one of the essential requisites that Enel requires of a firm for it to qualify as a supplier. For Enel, the objective of supplier certification is to replace direct investigations.

Enel is also a member of the most important industry associations:

- > Eurelectric (Union of the Electricity Industry), which brings together European electricity companies;
- > e7, which consists of the 9 largest electricity companies in the G7 countries, whose purpose is to promote investment and training projects for sustainable development in less developed countries;
- > OME (Observatoire Méditerranéen de l'Énergie), whose purpose is to develop cooperation among the energy companies that operate in the Mediterranean basin;
- > Medelec (Comité de Liaison Méditerranéen des Associations d'Entreprises d'Électricité), which promotes the Mediterranean area;

## When the Authority speaks

- > World Economic Forum, an international foundation that brings together the thousand most important economic, institutional, and academic organizations in the world;
  - > EFET (European Federation of Energy Traders), whose objective is to improve the conditions of energy trading in Europe;
  - > OCIMF (Oil Companies International Marine Forum), which brings together the most important oil companies with the aim of promoting activities regarding the safety of maritime transportation;
  - > GIIGNL (Groupe International des Importeurs de GNL), whose membership consists of more than 40 companies importing LNG in 15 countries in Europe, the Americas, and Asia;
  - > Aspen Institute Italia, whose objectives are the internationalization of Italy's entrepreneurial, political, and cultural leaders and the promotion of open discussion among different cultures;
  - > WEC (World Energy Council), which, in cooperation with other organizations in the energy field, promotes the sustainable use of energy in terms of environmental impact;
  - > ICC (International Chamber of Commerce), which contributes to the development and improvement of international economic relations among different firms;
  - > RECS (Renewable Energy Certificate System), whose objective is to create a market for renewable energy in Europe.
- > On January 13, 2005, the Electricity and Gas Authority started a preliminary investigation on the prices of the electricity pool from January 10 to 14, 2005. The conclusions of the investigation were transmitted to the Competition and Market Authority, pointing out potential anomalies and alleged abuses of market power by Enel. On April 6, the Authority began a preliminary investigation of Enel SpA and Enel Produzione for alleged abuse of the dominant position with regard to the pool prices.
  - > On February 9, 2005, the Electricity and Gas Authority and the Competition and Market Authority published the results of a study on the liberalization of the electricity industry. The industry Authority then issued two consultation documents illustrating the possible measures to be adopted for the promotion of competition in the industry.
  - > With resolutions 212/05 and 220/05 the industry Authority ordered Enel to sell capacity – according to the mechanism of the virtual power plant, i.e., in the areas where a plant is indispensable for the requirements, and the energy it produces must be sold on the market by another party – amounting to 3,600 megawatts in the macro-zone south and 200 megawatts in the macro-zone Sicily. On October 28, 2005, Enel appealed to the TAR, requesting a stay against resolution 212/05, because it considered the provision detrimental to free enterprise. On January 17, 2006, the TAR upheld Enel's appeal against resolution 212/05, which was annulled.
  - > On August 4, 2005, the industry Authority adopted resolution 175/05, which took the management of pumping plants that are strategic for the security of the system away from the companies and entrusted them to Terna-national electricity network. Enel contested the resolution before the TAR, which annulled it on February 28, 2006.
  - > With its resolution number 108/05, on June 15, 2005, the Electricity and Gas Authority began a formal preliminary investigation of Enel, charging it with failure to send some of the information required by resolution number 188/04 regarding the revision of the procedures for updating the raw-material component of the price of the natural gas it supplies. On March 7, 2006, the Authority communicated the preliminary results with which it confirmed the validity of the charges. After the hearing held before the Authority's Board, Enel presented its defense memorandum, in which it stressed that it had complied with the provisions of resolution 188/04 and considered the charges to be unfounded. The Company is awaiting the Authority's decision.
  - > From the information acquired during the fact-finding inquiry begun by the Electricity and Gas Authority it emerged that since 2002 the customer Acciaierie ISP in Cremona has not paid the consideration owed for distribution, transmission, and system expenses. After this investigation, with its resolution 150/05 on July 18, 2005, the Authority started a formal preliminary investigation of GRTN (the company that manages the national transmission network) and Enel Distribuzione as the parties responsible for the services of transmission and distribution and the consequent billing of the consideration due on the basis of the rates in effect. Following Terna's succession in GRTN's position, the Authority communicated that the terms of the proceeding against the latter had been suspended. Enel requested that the suspension of the terms of the proceeding be extended to Enel Distribuzione. The Company is awaiting the results of the Authority's preliminary investigation.
  - > With its resolution 54/04 of April 1, 2004, the Authority had started a preliminary investigation of Enel Produzione regarding the brownout (planned interruptions) on June 26, 2003. With its resolution 10/05, the Authority closed the formal preliminary investigation without imposing sanctions. On the basis of the conclusions of the investigation, the Authority's resolution 11/05 requested GRTN not to pay Enel Produzione for the reserve service performed in that period. After Enel appealed, the Lombardy TAR annulled the part of the resolutions in which GRTN was requested to not reimburse Enel Produzione. GRTN quantified the reimbursement owed to Enel at 76 million euro. The Authority appealed to the Council of State.
  - > With its resolution 20/04, the Authority ordered a reduction of the price of the electricity sold in the regulated market in order to recover the increase due to the new time brackets. After Enel and others and then the Authorities appealed, the Council of State first annulled and then restored the resolution. The decision entailed an expense of about 200 million euro for Enel in 2005.
  - > In connection with the blackout of 2003, the Authority started a preliminary investigation to see if there was any responsibility on the part of the companies involved. The investigation has been partially closed, but no sanctions have been imposed on the producers. The investigation regarding the network companies is still open. The deadline for the investigation is April 30, 2006.



Roberto Franchi, *Autumn: It's time to migrate, contact for an energy plan*

## BEHIND WWW.ENEL.IT

A corporate website that has the characteristics of a great utility portal, a reference point for many surfers and customers, without distinction. Also a reference point for journalists and financial analysts, or consumer or environmentalist associations. And more: enthusiasts of contemporary philosophy, sociology, science, and technology. Or space addicts. Thus, again in 2005 the portal [www.enel.it](http://www.enel.it) obtained flattering articles in specialized magazines, even at the international level (*Business Week* included Enel, the only Italian company, on its list of the 50 leading web-smart companies in the world), and received important industry awards.

Among the latter was the 2005 Web Osc@r, an initiative of Labitalia, a magazine and publishing circuit dedicated to innovation issues, in cooperation with

the Italian Association of Public and Institutional Communication. The jury studied the websites of the civil service, libraries, museums, firms, and institutions that provide public utility services. The [www.enel.it](http://www.enel.it) site won the prize as the best public utility site. The jury cited the high level of accessibility achieved, which was decisive for awarding the prize.

Another important recognition was the 2005 WWW Prize. Instituted in 1998 by *Il Sole 24 Ore*, it has become an attesta-

tion of quality for Italian websites and a traditional event for people who use the web. The best site in the business category was judged to be [www.enel.it](http://www.enel.it). Partly composed of on-line voters, the jury based its choice on the wealth of services and information that can be used through the on-line counter, the innovations and content of EnelMagazine, the variety of the environmental and energy issues discussed, and the constant update on Group activities and events. ■

### The numbers of [www.enel.it](http://www.enel.it)

	Absolute value 2005	Growth (with respect to 2004)
Registered users	1,500,000 (as of Dec. 31, 2005)	+43% (with respect to 2004)
Single users*	1,000,000 (monthly average)	+51% (monthly average)
Pages visited	2,500,000 (monthly average) 270,000,000 (total 2005)	+48% (monthly average)

\* Portal visitors who do not register



Nicola Caracciolo, *Evening Source*

# ATTENTION TO EVERYONE'S INTERESTS

Over the years Enel has consolidated its ability to listen to the associations that represent interests, which include consumers, environmental organizations, the world of small and medium-sized firms (industry, crafts, agriculture, and commerce), and public bodies.

The areas in which Enel has promoted an effective cooperation with these associations have regarded the prevention and management of critical situations and support for the Company in these years of radical transformation of the electricity industry and the progressive liberalization of the market.

The principles that have guided the activity of governing and strengthening relations are transparency and the search for agreement on solutions. On these bases it has been possible to precisely position the Company with respect to the associations that represent interests.

In this context, in 2005 Enel started a series of discussions with all the associations of the CNCU (National Council of Consumers and Users, a body instituted at the Ministry of Productive Activities) on the conciliation procedure as an in-

## Associations, institutions, and media

- > Meetings with associations: 461
- > Subjects discussed with the associations: 31

strument for the out-of-court settlement of disputes between Enel and its customers. The Company and the consumer associations also developed the plan of activities dedicated to the shared management of the Tele-manager Project regarding the digital meter, which came into being in 2001 and has now reached the last phase of the replacement of meters throughout Italy. Among the first actions carried out was a national workshop to bring the associations up to date on the Project, which was attended by more than 100 representatives of all the associations. A work group was also set up to discuss rates, in particular the time-differentiated ones, which have been further improved thanks to suggestions made by the associations. Similar initiatives regarding information and training were also organized on subjects concerning the gas supply, in partic- >

## Relations with associations representing interests

Groups	Associations
Organizations representing firms (industry, crafts, agriculture, commerce)	Confartigianato, CNA, Casartigiani, Claai, Coldiretti, Cia, Confcommercio, Confesercenti, PI di Confindustria, Confapi, Confagricoltura
Organizations representing consumers	CNCU, Cittadinanzattiva, Unc, ACU, Adiconsum, Adoc, Altroconsumo, Codacons, Confconsumatori, CTCU/Centro Tutela Consumatori e Utenti Bolzano, Federconsumatori, Lega Consumatori ACLI, Mdc, Movimento Consumatori, Adusbef, Casa del consumatore
Organizations representing environmentalists	Club Alpino Italiano, Amici della Terra, Greenpeace, Italia Nostra, Legambiente, Verdi Ambiente Società, WWF, Mare Vivo, Ambienteazzurro, Lipu, FAI, Kyoto Club
Second-level organizations and organizations representing professions and crafts	Cinsedo-Conferenza Presidenti delle Regioni, ANCI, Ancim, UPI, UNCEM, Unioncamere, Confservizi-Cispel, Federparchi, ANIE, ANCE, ANIM-CNA, FNAI-Confartigianato, ASSISTAL-Confindustria

ular two encounters, during which the local and national representatives of the consumer associations met directly with the sales heads of Enel Gas to examine and share issues connected with the liberalization of the market and the application of the code of business behavior. Since 2005 Enel has also been part of the Consumers' Forum – an independent association whose members include the most important consumer associations, institution, universities, research centers, numerous industrial and service firms and their respective professional associations – which was created so that firms and associations representing interests could get to know each other and develop a consumer culture. The Consumers' Forum is engaged in organizing discussions, occasions for research and training regarding the creation, support, and dissemination of a culture of responsible consumption, with the objective of improving people's lives. At the end of 2005, the association dedicated Consumers' Week to these issues: a week of events and initiatives to foster the dialogue between firms and consumers.

tion, with the objective of improving people's lives. At the end of 2005, the association dedicated Consumers' Week to these issues: a week of events and initiatives to foster the dialogue between firms and consumers.

As far as relations with environmentalist associations are concerned, most of the activities in progress are centered on the development of joint programs for the sustainable planning of energy from renewable sources, with a particular focus on wind energy.

In this regard, mention should be made of the "Renew: frontiers of energy" event, the first edition of which took place on June 15 and 16, 2005 in Pisa and the next will be held in 2007 (see the box "Two days on renewable energy" on page 84). With the organizations representing entrepreneurs, Enel has developed and consolidated a relationship of reciprocal trust and intense cooperation, including business relations, that now enables the Company to listen to the needs of individual entrepreneurs, designing and carrying out advantageous and tailor-made solutions. Partnership projects are currently being created with different professional associations to promote offers to specific entrepreneurial targets.

On a more general level, in 2005 Enel assumed new commitments with the cate-

gory of small and medium-sized firms on the matter of energy efficiency. Thus the support the Company provided for the "Intelligent Energy for Small and Medium-sized Firms" project, endorsed by six important business associations (Confagricoltura, Confapi, Confartigianato, CNA, Confcommercio, and Confesercenti), which for the first time met around a table to discuss and propose energy solutions to the benefit of the country as a system.

A program of initiatives aimed at energy efficiency, sustainable development, and the protection of the environment, as well as offering new opportunities for customers, was also planned with Anci (the national association of Italian municipalities), with which Enel signed a memorandum of understanding. In particular, as part of the program the City of Terni and Enel Gas have started a pilot project for facilitating the payment of gas bills by the economically disadvantaged families recommended by the city's Social Promotion office.

### A model relationship

Developed with the School of Management of the LUISS "Guido Carli", the model adopted by Enel for the management of its relations with associations is based on reciprocal acquaintance, the use of a common language, investments specially aimed at strengthening the relationship, confidence in the latter, and the mutual advantageousness of maintaining it. Every factor is measured and valued according to specific qualitative and quantitative indicators.

To facilitate contact with the associations that represent interests, there is a dedicated e-mail box: [rapporiconassociazioni@enel.it](mailto:rapporiconassociazioni@enel.it), which collects notices and suggestions and allows Enel and the local seats of the various associations to communicate directly.





Community of Sant'Egidio

# THIS HEART HAS BEEN BEATING FOR TWO YEARS

Enel Cuore Onlus – the association founded by Enel Group companies to make a concrete contribution to social solidarity in Italy and abroad – is now two years old and intensely active. Like all its initiatives regarding corporate social responsibility, the Onlus (not-for-profit organization) is based on the values expressed in Enel's Ethical Code. The bond between the Company and an initiative undertaken to concretely express solidarity with the most fragile categories – be they children or elderly, disabled or ill – has its roots in the spirit of service that has always distinguished the actions of Enel's people, from the electrification of Italy to the dedication shown not only on the occasion of natural disas-

ters, but with monetary contributions on the part of the Company or the workers to people experiencing hardship. Today, Enel Cuore's action is strategic, focusing on solid and effective projects, some of which are long-term, that directly reach the people who are having a hard time.

The facts: in 2004 and 2005, 52 projects were funded in the amount of over 11 million euro. Enel made special contributions of 6 million euro a year, amounting to about 0.2% of its pre-tax earnings.

In 2005, Enel Cuore funded 36 solidarity projects out of the 162 requests received. Here are some of them. >

## Enel Cuore abroad

In 2005 two important projects were started up in Central America. At Zunil, Guatemala Enel is contributing to the creation of an educational center with a technical and vocational orientation for needy children. In Santa Aña province in El Salvador, Enel Cuore is cooperating with the Istituto per la Cooperazione Universitaria Onlus of Rome to construct a nursery school for the children of working students at the Catholic University.

## Personnel involvement

At its meeting in December 2005, Enel Cuore decided to involve all Enel personnel in its activities by promoting voluntary fund raising, with a monthly withholding from the pay packet, for three projects: "Il cuore che illumina lo sport", "A casa è meglio", and "Solidarietà S.S.E." for the children at Villa Santa Maria. The people at Enel can decide to donate to non-profit organizations the cents of their salary, rounding it down to the euro, or specify a monthly sum to contribute to solidarity.



### ***In favor of childhood: "La Chiocciola"***

With its 1,800 kids, the San Patrignano Community is the largest drug rehabilitation center in Europe. Several young couples accommodated by the center have children who have often had experiences of need or separation from the family that have influenced their growth and the development of their personality. Enel Cuore's contribution to the Community goes to the program of support for these children, which is carried out through relational and learning activities, games, sports, recreational activities, and preventive therapy, based on the cooperation and synergy among the educational staff of the Community, directors of schools, and experts in neuropsychiatry and psychology. In the first year of cooperation with Enel Cuore, the project involved 60 children, of whom 12 have been definitively reintegrated in their families.

### ***In favor of the elderly: "A casa è meglio"***

The project provides for cooperation with the Sant'Egidio Community and aims to defend the right of the elderly to stay in their life environment with assistance at home. Italy now has the highest percentage of elderly citizens in the world. Instead of being considered the happy achievement of a goal, old age is often experienced as a problem: isolation, fragility, living in an alienating retirement home. Started up in 2005 in Novara, Messina, and Fiumicino, the project of home assistance will be extended to Naples, Leghorn, and Savona in 2006. Numerous volunteers who are members of the ANSE (an association of older Enel employees and retirees) participate in this project.

### ***In favor of the ill: "Solidarietà S.S.E."***

Villa Santa Maria in Tavernerio, Como province, is a facility that takes in school-age children from Lombardy and other Italian regions who have serious psychological disturbances and are difficult to manage at home. Because of their pathologies, the children (70, of whom 35 are resident day and night) need round-the-clock assistance. Thanks partly to the contribution of Enel, a new facility equipped with the latest technologies is being built in order to enable the children to be treated in the best way.

### ***The thalassaemia project***

Thalassaemia is an insidious disease caused by genetic disorders. In theory, because of the continual migrations of people from one area to another, today there is no country where it is not present. In Italy, there are about 6,000 patients affected by the most serious forms and about 2 million healthy carriers. Prevention, i.e. identifying the couples at risk, is essential in fighting it. This is effective only if carried out uniformly on the entire population, with expert units and the best equipment available. Appropriate and safe treatment of patients also requires advanced equipment. Enel Cuore's project provides for cooperation with associations in order for the best centers in Italy that combat the disease to be



endowed with the equipment necessary to enable patients to be treated in the best way possible, but also as near as possible to their homes, their doctor, and their loved ones. In addition, on its website Enel Cuore is constructing a section dedicated to the disease, with news, answers, in-depth scientific information, a bibliography, and the results of research. For this purpose, a network has been formed of the leading Italian experts, the heads of the best centers, who have enthusiastically accepted to not only prepare it, but also develop it.

### ***In favor of the disabled: "Il Cuore che illumina lo sport"***

The project for cooperation between Enel Cuore and the Italian Paralympic Committee pursues the promotion and dissemination of competitive amateur sports for the disabled in the best conditions of equality and equal opportunity. Actions to expand the offer of sports and competition for disabled athletes will initially be dedicated to the purchase of equipment and materials for courses in the various disciplines organized by the Committee all over Italy. The contributions will be distributed so as to cover most of the sports. During 2006 other initiatives are planned to allow an increasing number of disabled athletes to participate in the marathons organized in the largest Italian cities, as well as a na-



Associazione Piera Cutino ONLUS

tional day of promotion of sports for the disabled that will involve schools and families.

News about the projects funded can be

found with details and further information on the [www.enelcuore.org](http://www.enelcuore.org) site, where the procedure for obtaining funding are also explained. ■

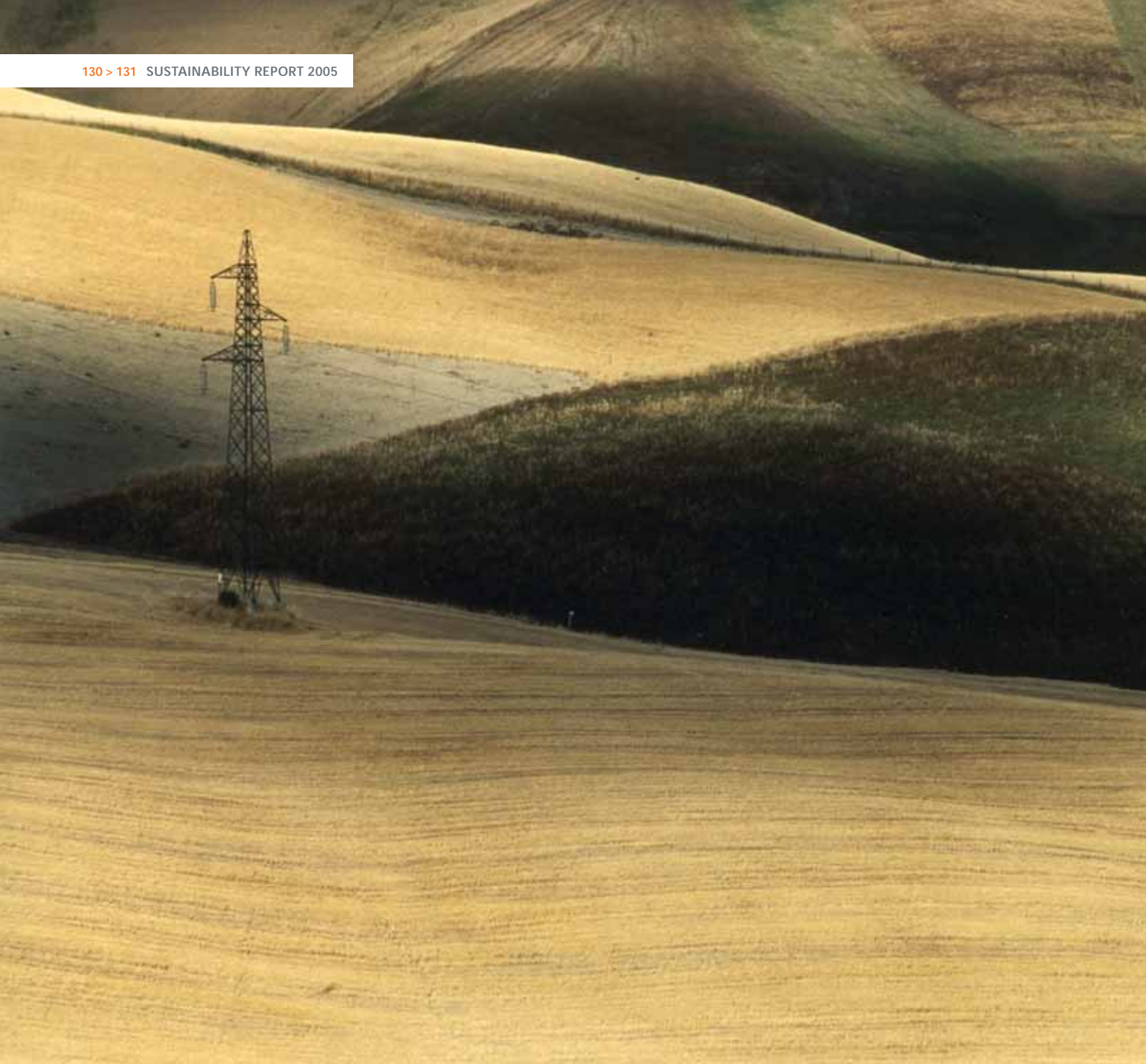
### **Two years of Enel Cuore activity**

(Values expressed in euro)

The table shows graphically how much was spent on each area in 2004 and 2005 (the figures include the activities abroad).

The ill	4,322,116
Childhood	3,821,810
The disabled	1,643,274
The elderly	1,379,330
Other social initiatives	830,240
Number of projects	15   15   5   13   4





## A YEAR OF SUSTAINABILITY

In 2005, the activity of Enel's Corporate Social Responsibility Unit focused on areas that entailed cooperation both within and without the Company, with several precise objectives: to promote the continual development of CSR awareness inside the organization; to contribute to the growth in knowledge about CSR in Italy by disseminating a culture of sustainability among the public, academia, and the business world; and to actively participate in associations that elaborate the culture of corporate responsibility by establishing its principles and standards and studying its best practices.

Within the Company, the CSR Unit – together with the Personnel and Organization Department – promoted a course

for supervisors (about four thousand people) with the objectives of explaining the value of CSR as a factor of corporate growth and competitiveness and increasing middle management's knowledge of CSR and aligning such knowledge with the Enel vision, in order to develop an active and conscious approach to CSR and contribute to the carrying out of action plans. The course involved three kinds of learning situations:

> seminars throughout Italy for about 900 supervisors, including those with organizational responsibilities. The seminars were led by Enel's Head of CSR and were dedicated to the discussion of the policy and actions undertaken by Enel regarding corporate responsibility, analyzing the economic, social,



Roberto Franchi

## Dissemination of sustainability

- > Training per person on the environment and safety: 9.7 hours

This Report to our stakeholders was edited by the Corporate Social Responsibility Unit, which is part of the Communication Department. To contact the Unit, write to [sostenibilita@enel.it](mailto:sostenibilita@enel.it) or to Enel SpA, Corporate Social Responsibility, viale Regina Margherita 137, 00198 Rome, Italy.

Social Responsibility is organized at Enel – its dedicated organizational units and the people involved – and analyzes in detail the sustainability planning and control process established at the Company, presenting practical examples on the subjects of on-the-job safety, workers' rights, and Enel's commitment to the fight against corruption. The course completes the training program that began with the virtual classroom, to the characteristics of which it adds the possibility of taking place according to the time requirements of the participants.

The CSR Unit also cooperated with the Personnel and Organization Department and the Company's Equal Opportunity Committee in carrying out a survey among the people who work at Enel in order to understand the problems that arise from trying to reconcile their jobs with their private life: what goes by the name of life/work reconciliation.

A joint action by the CSR Unit, the Communication Department, and the International Division then led to the beginning of the alignment of the policies regarding sustainability and corporate social responsibility in all of Enel's foreign companies, starting with training on the Ethical Code and the dissemination of CSR. The project will be fully developed by the end of 2006.

There are two specific policies that the CSR Unit coordinates in cooperation with all corporate departments: Zero Tolerance against Corruption and Human Rights >

and environmental aspects of the latter. The seminars focused mainly on discussion of the managerial implications of CSR by having the participants – some of whom had already been involved at Enel in projects connected with sustainability – share and compare their experiences;

- > training in a virtual classroom (200 classes planned). Addressed to 2,800 supervisors, this activity introduced the participants to the subject of CSR, establishing a theoretical framework, providing basic terminology, identifying the expectations of the different

stakeholders, and briefly describing the guidelines of the 2005-2009 sustainability plan. For this purpose, the course exploited the potential of the virtual classroom on a personal computer: the possibility of reaching numerous people throughout the country, while maintaining a high degree of interactivity among the participants and creating a 'community': an essential prerequisite for sharing and comparing personal experiences;

- > the online course "Enel and its Corporate Social Responsibility". Lasting about 3 hours, this course explains how Corporate



and Equal Opportunity. Zero Tolerance against Corruption (see the details on page 37) concluded its preparatory phase and was approved by the Internal Audit Committee and enacted in the first half of 2006. This policy was developed with the external assistance of the Italian section of Transparency International, the most important non-governmental organization active in the study of corruption throughout the world.

On the other hand, work has started on the development of a policy on Human Rights and Equal Opportunity, which will be completed by the end of 2006. Like the one on corruption, this policy will apply to all of Enel's activities in the world and is being developed in cooperation with the Prince of Wales International Business Leaders Forum, the most impor-

tant independent institution dedicated to the study of the connections between multinational companies and human rights.

Finally, as far as internal activities are concerned, new software – developed by Enel Data, the accounting unit that collects the numerical data regarding sustainability – has been issued that allows the CSR indicators that appear at the end of this Sustainability Report, beginning on page 134, to be actively controlled.

With regard to the investigation of specific issues and the standards that measure the level of sustainability of companies worldwide, Enel hosted for the third year a day dedicated to the examination of the strengths and weaknesses of its CSR, which was carried out by the analysts of Sustainability Asset Management

of Zurich, the agency that decides on admission to the Dow Jones Sustainability Index. On these days, the analysts compare the Company's behavior with that of the others present in the Dow Jones Index and point out the areas that could be improved. In 2005, this examination again provided a learning opportunity for all the colleagues who, directly or indirectly, are involved in disseminating sustainability at the Company.

In March 2006, Enel hosted a day dedicated to the presentation of the new standards of CSR valuation developed by the Global Reporting Initiative (GRI), which for years have been a benchmark for everyone concerned with sustainability, to the point that they have become the only standards with truly worldwide value.

Finally, Enel participates in the proceedings for development of the study group on the Social Report.

As far as membership in associations is concerned, Enel is an active member of CSR Europe, an association of the most important companies involved in sustainability, which is located in Brussels and acts as an advisory body to the European Commission on the subject of CSR. At the national level, Enel is a member of Sodalitas and Anima, the two most important associations for the promotion of corporate social responsibility, which are sponsored by Assolombarda and the Unione Industriali di Roma, respectively. Enel also takes part in the proceedings of the Executive Procurement Circle, which



Antonio Tuccillo



## A project for promoting the past

Among the objectives of all socially responsible companies is the conservation of their cultural heritage, from the point of view of sustainable social and economic development. Enel's History Archives, which were established as a center of "open culture", house documentary material from the 1,270 electricity companies that became part of Enel after the electricity industry was nationalized in 1963. These large archives contain about 13,000 linear meters of documents, 80,000 photographs, thousands of technical drawings, and specialized books and periodicals. In November 1992, the Lazio Archives Bureau declared all of Enel's documentation to be "of considerable historical interest", requiring that it has to be given special surveillance, safeguarded, conserved as an entity, organized, and inventoried, and that scholars have access to documents that regard the history of the electricity industry in Italy and are thus part of

Enel's and the country's heritage. The documents are currently housed in eight places in Italy, which correspond to Enel's former territorial organization: Turin, Sesto San Giovanni (Milan province), Venice (transferred in December 2005), Florence, Rome, Cagliari, Naples, and Palermo.

Aware of the value and interest of the History Archives for scholars and the country as a whole, but also with the objective of improving the overall management of the documentation, in 2005 Enel started a project that provides for the collection of all the material in one place: large new systematic archives on the history of the electricity industry in Italy. Naples was chosen as the location and the project of transferring everything there will be completed by the middle of 2007.

In order to allow all the documentary material to be reorganized, catalogued, and computerized, Enel also redesigned and created a data bank

of the material in the archives.

This involved the creation of:

- > an online information system for the electronic management of the history archives, using databases that are consistent with European standards. The adoption of the EAD (Encoded Archival Description) model, which is compatible with the ISAD (International Standard Archival Description) standards, derives, in effect, from Enel's precise intention of adjusting to the standards of archival description that are most widely used internationally;
- > the enlargement of the [www.enel.it](http://www.enel.it) portal with the Enelikon channel dedicated to dissemination of the historical material. With the continuation and completion of the computerized archival inventory it will be possible to publish the inventory of the "Enel History Archives" and thus make it more widely available for use.

studies the criteria of sustainability along the corporate supply chain through the adoption of a specific protocol. A few months ago Enel also joined the CSR Manager Network, which is sponsored by the ALTIS Foundation and the Catholic University of Milan.

In its commitment to the dissemination of CSR, the Company also supports the AIESEC, an international association of students of economics and business and actively participates in its program of refresher courses for university students. Enel also requested the master's program in corporate social responsibility at San Tommaso University in Rome to carry out a thorough examination of its 2004 Report to Our Stakeholders and has adopted the basic observations that were made (see page 13). In addition to all the foregoing, Enel presents its experience with sustainability at numerous Italian universities and at industry conferences in Italy and abroad. ■



Rodríguez Rivero Almudena, *El mensajero del viento*

# THESE ARE THE NUMBERS

The following tables show the magnitudes that Enel considers essential for its sustainability auditing and reporting.

The tables contain:

- > the description of the magnitude recorded;
- > the unit of measurement in which it is expressed;
- > the datum for 2005;
- > the datum for 2004;
- > the percentage change between 2005 and 2004;
- > the company/companies to which the datum refers;
- > the number of the data or magnitude family used by the Global Reporting Initiative (GRI) with which the magnitudes measured by Enel are compatible and homogeneous;
- > the number of the data or magnitude family included in the set of indicators developed by the Italian Ministry of Labor and Social Policies in preparing its Corporate Social Responsibility-Social Commitment Project (CSR-SC) with which the magnitudes measured by Enel are compatible and homogeneous;
- > the direct or indirect correspondence or the uniformity of the magnitudes recorded by Enel with the requisites required by the SAM and ERIS sustainability analysis firms, which use special questionnaires to evaluate the companies to be included in the sustainability indices of, respectively, Dow Jones (Dow Jones Sustainability Index) and the Financial Times (FTSE4GOOD).

Criteria used for the Key Performance Indicators (KPI):

- > by "Enel" is meant the whole Group, i.e. all the companies consolidated with the integral method;
- > the Enel data for 2005 do not include Terna and Wind;
- > the data regarding 2004 are those already recorded in the 2004 Sustainability Report, with the exception of the environmental data, which do not include Wind and Terna;
- > the economic data regarding the item "Economic performance" regarding 2004 and 2005 are taken from the Consolidated Financial Statements, which was prepared according to the IAS/IFRS international accounting standards. Consequently, Terna and Wind are treated as discontinued operations.

## ACRONYMS

ACR	Abandoned Call Rate
BOD	Board of Directors / Biochemical Oxygen Demand
CCGT	Combined Cycle Gas Turbine
COD	Chemical Oxygen Demand
DPS	Dividend per Share
DT	Distance Training
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
EBT	Earnings Before Tax
EDLS	Enel Distance Learning System
EIB	European Investment Bank
EPS	Earnings per Share
GARP	Growth at Reasonable Price
GEM	Generation and Energy Management
IPO	Initial Public Offering
IRAP	Imposta Regionale sulle Attività Produttive (regional tax on firms)
IRES	Imposta sul Reddito delle Società (corporate income tax)
IVR	Integrated Voice Response
KM	Knowledge Management
LBG	London Benchmarking Group
LV	Low Voltage
MIR	Networks, Infrastructure, and Sales
MV	Medium Voltage
N.A.	Not Available
ORIM	Orimulsion
PCB	Polychlorinated Biphenyls
R&D	Research & Development
ROACE	Return on Average Capital Employed
S&P	Standard & Poor's
SRI	Socially Responsible Investment
TLC	Telecommunications (Wind)
TSR	Total Shareholder Return

## LEGEND Units of measurement

,000	thousands	h/emp	hours per employee
,000 €	thousands of euro	index	rating
,000 h	thousands of hours	index n.	index number
#	number	km	kilometers
#/month	number per month	kW	kilowatts
%	per cent	l/kWh	liters per kilowatt-hour
,000 kg	thousands of kilograms	mil	million
,000 tons	thousands of tons	mil €	million euro
cm/emp	cubic meters per employee	mil cm	million cubic meters
d	days	mil min	million minutes
€	euro	min	minutes
€/month	euro per month	mtoe	million tons of oil equivalent
€/MWh	euro per megawatt-hour	MW	megawatts
€/s	euro per share	sec	seconds
g/kWh	grams per kilowatt-hour	t	tons
GWh	gigawatt-hours	TW	terawatts
h	hours	TWh	terawatt-hours

## Useful links

- > Global Reporting Initiative: [www.globalreporting.org](http://www.globalreporting.org)
- > Ministero del Lavoro e delle Politiche Sociali: [www.welfare.gov.it](http://www.welfare.gov.it)
- > SAM: [www.sam-group.com](http://www.sam-group.com)
- > Dow Jones Sustainability Index (DJSI): [www.sustainability-index.com](http://www.sustainability-index.com)
- > EIRIS: [www.eiris.org](http://www.eiris.org)
- > FTSE4GOOD: [www.ftse.com](http://www.ftse.com)

## ETHICAL AUDITING

Magnitude recorded	UM	2005	2004	2005-2004	Companies	GRI	CSR-SC	SAM	EIRIS
<b>Ethical auditing</b>						-	-	●	●
<b>Implementation of Ethical Code</b>						HR1÷HR8	7.6	●	●
Total reports received	(#)	28	43	-35%	Enel	HR9	-	●	●
> <i>Customers</i>	(#)	13	21	-38%	Enel	-	-	-	-
> <i>Employees</i>	(#)	8	15	-47%	Enel	-	-	-	-
> <i>Communities</i>	(#)	3	2	50%	Enel	-	-	-	-
> <i>Suppliers</i>	(#)	4	5	-20%	Enel	-	-	-	-
Total violations of Ethical Code	(#)	2	13	-85%	Enel	HR10	-	●	●

**Total reports received:** the decrease of 15 in the total number of reports received with respect to the previous year is due to both the exit of Wind Telecomunicazioni from the Enel Group (finalized in the third quarter of 2005) and the fact that a major information campaign on the introduction of the Ethical Code had been carried out in 2004, the effects of which were gradually attenuated during 2005.

**Total violations of the Ethical Code:** the lower number of violations was due mainly to the decrease in the reports received during the year, especially from customers, the category in which violations are most frequent.

## CORPORATE GOVERNANCE

Magnitude recorded	UM	2005	2004	2005-2004	Companies	GRI	CSR-SC	SAM	EIRIS
<b>Corporate governance</b>						LA11	2.5	●	●
<b>Board of Directors</b>						LA11	2.5	●	●
Total Board members	(#)	9	7	29%	Enel SpA	LA11	-	●	●
Independent Directors on the Board	(#)	8	6	33%	Enel SpA	-	2.5.1	●	●
Directors nominated by minority shareholders	(#)	3	2	50%	Enel SpA	-	2.5.2	-	-
Women on the Board	(#)	0	0	n.a.	Enel SpA	LA11	2.5.4	●	●
Board meetings	(#)	21	21	n.a.	Enel SpA	-	2.5.3	-	●
<b>Internal dealing</b>						-	6.3	●	●
Shares controlled by "important persons"	(,000)	330.8	244.6	35%	Enel SpA	-	6.3.1÷6.3.2	●	●

**Total members of BoD:** the Shareholders' Meeting of May 26, 2005 raised the number of the members of the BoD from 7 to 9, as proposed by the majority shareholder (the Ministry of the Economy and Finance), in order to increase from 2 to 3 the Board members designated by the minority shareholders.

**Presence of independent Directors on the BoD:** of the 9 members of the BoD, 8 qualify as non-executive and independent according to what they declared at the time of their appointment.

**Shares controlled by the BoD and important persons:** the 35% increase in the number of shares controlled by important persons is due to the latter's participation in the Public Offering of July 2005. It should be observed that the number of stock options exercised by the important persons in the second half of 2005 did not entail a significant increase in share ownership, because almost all of those concerned chose to sell the shares subscribed.



## LENDERS

Magnitude recorded	UM	2005	2004	2005-2004	Companies	GRI	CSR-SC	SAM	EIRIS
<b>Lenders</b>						EC6	5	-	-
<b>Debt</b>						EC6	5; 5.1÷5.3	-	-
Total debt	(mil €)	12,312	24,296	-49%	Enel	EC6	5	-	-
Debt to equity ratio	(#)	0.63	1.16	-45%	Enel	EC6	5	-	-
<b>Rating</b>						-	2.4	-	-
S&P:	(index)	A+	A+	-	Enel	-	2.4	-	-
> Outlook	(index)	Stable	Stable	-	Enel	-	-	-	-
Moody's:	(index)	Aa3	A1	-	Enel	-	2.4	-	-
> Outlook	(index)	Stable	Stable	-	Enel	-	-	-	-
<b>Grants</b>						EC9	6.4	-	-
Total grants during the year	(mil €)	25.5	32.7	-22%	Enel	EC9	6.4	-	-
> Energy networks	(%)	60.1	59.7	1%	Enel	-	-	-	-
> R&D	(%)	5.8	7.0	-17%	Enel	-	-	-	-
> Renewable energy	(%)	28.8	32.8	-12%	Enel	-	-	-	-
> Other	(%)	5.3	0.5	958%	Enel	-	-	-	-
Total number of projects receiving grants	(#)	76	69	10%	Enel	EC9	6.4	-	-
<b>Loans granted by the EIB and others</b>						EC9	6.4	-	-
Remaining debt regarding EIB and other loans	(mil €)	2,422	3,574	-32%	Enel	EC9	6.4	-	-
> Energy networks	(%)	64.0	68.5	-7%	Enel	-	-	-	-
> R&D	(%)	0.7	0.6	11%	Enel	-	-	-	-
> Renewable energy	(%)	14.6	12.0	22%	Enel	-	-	-	-
> Other	(%)	20.7	18.9	9%	Enel	-	-	-	-
Approved projects in progress with EIB loans	(#)	18	24	-25%	Enel	EC9	6.4	-	-

**Total debt:** the change shown by the indexes of total debt is connected mainly with the change in the composition of the Group that took place in 2005.

**Grants obtained during the year:** of the 76 projects that received funding in 2005, 17 did so for the first time. The change shown by the indexes of total debt is connected mainly with the change in the composition of the Group that took place in 2005.

**Remaining debt regarding BEI and other loans:** the 32% decrease in the amount owed the BEI is due to the repayment of loans by Enel Distribuzione in the amount of about 63 million euro and Enel Produzione in the amount of about 37 million euro.

## SHAREHOLDERS

Magnitude recorded	UM	2005	2004	2005-2004	Companies	GRI	CSR-SC	SAM	EIRIS
<b>Shareholders</b>						-	2	-	●
<b>Composition of shareholder base *</b>						-	2.1	-	●
Ministry of the Economy	(%)	21.4	31.5	-32%	Enel SpA	-	-	-	-
Cassa Depositi e Prestiti	(%)	10.2	10.3	-1%	Enel SpA	-	-	-	-
Retail shareholders	(%)	38.9	28.5	37%	Enel SpA	-	-	-	-
Institutional investors	(%)	29.5	29.7	-1%	Enel SpA	-	2.1	-	●
<b>Location of institutional investors</b>						-	2.1.2	-	-
> Italy	(%)	22.8	31.5	-28%	Enel SpA	-	2.1.2	-	-
> UK	(%)	24.7	26.0	-5%	Enel SpA	-	2.1.2	-	-
> Rest of Europe	(%)	26.6	19.9	34%	Enel SpA	-	2.1.2	-	-
> North America	(%)	24.4	22.1	10%	Enel SpA	-	2.1.2	-	-
> Rest of the world	(%)	1.6	0.5	220%	Enel SpA	-	2.1.2	-	-
Concentration index (Top 50)	(%)	30.8	34.2	-10%	Enel SpA	-	2.1.1	-	-
<b>Investment style of institutional investors</b>						-	-	-	-
> GARP	(%)	21.7	19.7	10%	Enel SpA	-	-	-	-
> Growth	(%)	33.0	32.4	2%	Enel SpA	-	-	-	-
> Index	(%)	16.4	15.9	3%	Enel SpA	-	-	-	-
> Value	(%)	15.9	19.0	-16%	Enel SpA	-	-	-	-
> Hedge	(%)	4.0	11.8	-66%	Enel SpA	-	-	-	-
> Other	(%)	9.0	1.2	650%	Enel SpA	-	-	-	-
<b>Socially Responsible Investors (SRI) *</b>						-	-	-	-
Presence of SRI funds	(#)	45	47	-4%	Enel SpA	-	-	-	-
Enel shares held by SRI funds	(mil)	409.4	360.1	14%	Enel SpA	-	-	-	-
Weight of SRI in institutional funds	(%)	22.6	19.9	13%	Enel SpA	-	-	-	-
<b>Geographical breakdown of SRI</b>						-	-	-	-
> Italy	(%)	18.9	32.1	-41%	Enel SpA	-	-	-	-
> UK	(%)	43.5	35.0	24%	Enel SpA	-	-	-	-
> Rest of Europe	(%)	27.9	25.3	10%	Enel SpA	-	-	-	-
> North America	(%)	9.7	7.6	28%	Enel SpA	-	-	-	-
Presence of SRI in the top 10	(#)	2.0	2.0	n.a.	Enel SpA	-	-	-	-

\* Data processed by external firm from market surveys carried out in September 2005.

**Institutional investors:** the percentages of the Treasury Ministry and Cassa Depositi e Prestiti and the number of floating shares are as of December 28, 2005. All the other percentages refer to the third quarter of 2005. No later figures are available. For this reason, the total of the shares in circulation is not 100%. N.B. The retail percentage has been increased by 0.51% as the computation the bonus shares.

**Location of institutional investors:** the data refer to the third quarter of 2005. No later data are available at the moment.

## SHAREHOLDERS

Magnitude recorded	UM	2005	2004	2005-2004	Companies	GRI	CSR-SC	SAM	EIRIS
<b>Share performance</b>									
Financial performance of shares	(%)	-5.7	40.7	-114%	Enel SpA	-	2.3	-	-
Dividend Yield	(%)	8.3	9.8	-15%	Enel SpA	-	2.3	-	-
Enel in the MIB30 (and other world stock indexes)						-	2.2.1	-	-
> E100	(%)	0.7	1.0	-23%	Enel SpA	-	-	-	-
> MIBTEL	(%)	6.3	7.9	-21%	Enel SpA	-	-	-	-
> MIB30	(%)	8.8	10.5	-16%	Enel SpA	-	-	-	-
> MIBHIS	(%)	6.3	7.9	-21%	Enel SpA	-	-	-	-
> MIBPUBLH	(%)	37.4	28.5	31%	Enel SpA	-	-	-	-
> BE500	(%)	0.6	0.8	-21%	Enel SpA	-	-	-	-
> BEELECT	(%)	14.7	18.6	-21%	Enel SpA	-	-	-	-
> SX5E	(%)	1.5	1.7	-9%	Enel SpA	-	-	-	-
> SXXE	(%)	0.9	1.1	-11%	Enel SpA	-	-	-	-
> SX6E	(%)	11.4	14.4	-21%	Enel SpA	-	-	-	-
Enel in the FTSE4GOOD sustainability index	(index)	SI	SI		Enel SpA	-	-	-	-
Enel's position in the DJSI	(index)	B	B		Enel SpA	-	-	-	-
<b>Shareholder return</b>									
EPS	(€€)	63.3	43.1	47%	Enel SpA	-	2.2.3	-	-
DPS	(€€)	55.0	69.0	-20%	Enel SpA	-	2.2.3	-	-
TSR since the IPO	(%)	2.5	3.2	-21%	Enel SpA	-	2.2.1	-	-
TSR in the last 2 years	(%)	21.3	31.0	-31%	Enel SpA	-	-	-	-
<b>Communication with shareholders</b>									
Meetings with investors	(#)	260	257	1%	Enel SpA	-	2.7	-	●
Information about CSR	(#)	31	29	7%	Enel SpA	-	2.7.1÷2.7.6	-	●
Retail shareholder requests for information	(#)	683	623	10%	Enel SpA	-	2.7.1	-	-
<b>Economic performance</b>									
Revenue	(mil €)	34,059	31,011	10%	Enel	EC1; EC7	-	-	●
EBITDA	(mil €)	7,745	8,071	-4%	Enel	EC1	-	-	●
> EBITDA GEM	(%)	47.8	46.8	2%	Enel	EC7	-	-	-
> EBITDA MIR	(%)	48.3	43.7	10%	Enel	-	-	-	-
> EBITDA other	(%)	3.9	9.4	-58%	Enel	-	-	-	-
EBIT	(mil €)	5,538	5,870	-6%	Enel	-	-	-	-
EBT	(mil €)	4,794	5,018	-4%	Enel	EC7	-	-	-
Group net income	(mil €)	3,895	2,631	48%	Enel	EC7	-	-	●
ROACE	(%)	17.7	19.1	-7%	Enel	EC7	-	-	-
> Revenue	(mil €)	34,059	31,011	10%	Enel	-	-	-	-
> External costs	(mil €)	23,034	19,222	20%	Enel	-	-	-	-
> Gross value added of continuing operations	(mil €)	11,025	11,789	-6%	Enel	-	-	-	-
> Gross value added of discontinued operations	(mil €)	2,952	3,482	-15%	Enel	-	-	-	-
> Total gross value added	(mil €)	13,977	15,271	-8%	Enel	-	-	-	-
> Shareholders	(mil €)	3,472	4,256	-18%	Enel	-	-	-	-
> Lenders	(mil €)	984	1,297	-24%	Enel	-	-	-	-
> Employees	(mil €)	3,100	3,793	-18%	Enel	-	-	-	-
> Government	(mil €)	2,480	1,828	36%	Enel	-	-	-	-
> Enterprise system	(mil €)	3,941	4,097	-4%	Enel	-	-	-	-



## SHAREHOLDERS

Magnitude recorded	UM	2005	2004	2005-2004	Companies	GRI	CSR-SC	SAM	EIRIS
<b>Investment</b>						-	-	-	-
Investment	(mil €)	2,829.0	3,834.0	-26%	Enel	-	-	-	-
> Valle d'Aosta	(mil €)	6.5	10.0	-36%	Enel	-	-	-	-
> Piedmont	(mil €)	156.2	257.0	-39%	Enel	-	-	-	-
> Lombardy	(mil €)	285.9	434.0	-34%	Enel	-	-	-	-
> Trentino Alto Adige	(mil €)	23.5	42.0	-44%	Enel	-	-	-	-
> Veneto	(mil €)	227.4	320.0	-29%	Enel	-	-	-	-
> Friuli Venezia Giulia	(mil €)	27.1	41.0	-34%	Enel	-	-	-	-
> Liguria	(mil €)	58.0	104.0	-44%	Enel	-	-	-	-
> Emilia Romagna	(mil €)	156.2	235.0	-34%	Enel	-	-	-	-
> Tuscany	(mil €)	266.1	259.0	3%	Enel	-	-	-	-
> Marches	(mil €)	52.5	69.0	-24%	Enel	-	-	-	-
> Umbria	(mil €)	26.3	40.0	-34%	Enel	-	-	-	-
> Latium	(mil €)	454.3	764.0	-41%	Enel	-	-	-	-
> Abruzzo	(mil €)	52.6	73.0	-28%	Enel	-	-	-	-
> Molise	(mil €)	14.6	30.0	-51%	Enel	-	-	-	-
> Campania	(mil €)	131.4	210.0	-37%	Enel	-	-	-	-
> Apulia	(mil €)	115.1	198.0	-42%	Enel	-	-	-	-
> Basilicata	(mil €)	20.9	30.0	-30%	Enel	-	-	-	-
> Calabria	(mil €)	123.4	154.0	-20%	Enel	-	-	-	-
> Sicily	(mil €)	148.9	266.0	-44%	Enel	-	-	-	-
> Sardinia	(mil €)	125.2	218.0	-43%	Enel	-	-	-	-
Total Italy	(mil €)	2,471.9	3,754.0	-34%	Enel	-	-	-	-
> Spain	(mil €)	222.4	130.2	71%	Enel	-	-	-	-
> Eastern Europe	(mil €)	58.3	114.7	-49%	Enel	-	-	-	-
> North America	(mil €)	5.5	3.1	76%	Enel	-	-	-	-
> South America	(mil €)	13.1	26.1	-50%	Enel	-	-	-	-
Total foreign	(mil €)	299.2	274.1	9%	Enel	-	-	-	-
Other	(mil €)	57.9	-194	-	Enel	-	-	-	-

Requests for information by retail shareholders: it is evident that there was a significant increase in the number of questions asked by retail shareholders in the second half, and especially in the third quarter, of 2005. However, the overall figures are in line with those of the previous year. The breakdown of the requests for all of 2005 – keeping in mind that these refer only to written requests, to which about 380 phone calls must be added – is as follows:

- a) performance of Enel shares: 43
- b) requests for accounting documents: 55
- c) information on dividends, shares, and bonds: 168
- d) information on activities of the Enel Group: 7
- e) information on Shareholders' Meetings: 13
- f) information on CSR: 0
- g) other: 397 (especially: the Public Offering)

Requests from Italy: 616

Requests from abroad: 67

Investment: the 26% decrease in investment is mainly connected with the change in the composition of the Group.

## SUPPLIERS

Magnitude recorded	UM	2005	2004	2005-2004	Companies	GRI	CSR-SC	SAM	EIRIS
<b>Suppliers</b>						EC3	4	-	●
<b>Number of suppliers</b>						EC3	4.1.1	-	-
Number of suppliers	(#)	17,707	19,723	-10%	Enel	-	4.1.2	-	-
Concentration of suppliers (top 15)	(%)	22.8	32.0	-29%	Enel	-	4.1.2	-	-
<b>Procurement and fuels</b>						EC3	-	-	-
Purchases of materials and service	(mil €)	3,014	5,086	-41%	Enel	EC3	-	-	●
> <i>Supplies</i>	(mil €)	1,284	2,861	-55%	Enel	-	-	-	-
> <i>Contract work</i>	(mil €)	919	717	28%	Enel	-	-	-	-
> <i>Services</i>	(mil €)	811	1,508	-46%	Enel	-	-	-	-
Fuel purchases	(mil €)	2,694	3,454	-22%	Enel	EC3	-	-	-
> <i>Gas</i>	(mil €)	720	1,054	-32%	Enel	-	-	-	-
> <i>Oil</i>	(mil €)	851	1,116	-24%	Enel	-	-	-	-
> <i>Coal</i>	(mil €)	549	560	-2%	Enel	-	-	-	-
> <i>Services</i>	(mil €)	574	724	-21%	Enel	-	-	-	-
<b>Management instruments</b>						EC3	-	-	●
Active qualifications	(#)	2,960	2,663	11%	Enel	EC3	-	-	●
Online tenders	(%)	92	32	188%	Enel	EC3	-	-	●
Online purchases	(%)	98	84	17%	Enel	EC3	-	-	●
<b>Litigation with suppliers</b>						-	-	-	●
Total proceedings	(#)	590	629	-6%	Enel	-	-	-	●
Incidence of proceedings as defendant	(%)	81.7	72.8	12%	Enel				

**Suppliers:** the decrease in the number of suppliers and the procurement portfolio with respect to the previous year is due to the change in the composition of the Group that took place in 2005. If Terna and Wind are excluded in 2004 as well, the decrease in purchases of materials and services amounts to 3%.

The procurement data regard relations based on contracts (the value of the commitments assumed by Enel according to binding contracts, including those with terms of more than one year) and do not include intra-Group contracts.

**Number of suppliers with contracts:** the total number of suppliers who were awarded orders decreased by 10% with respect to 2004. The analysis regards networks and generation, and thus excludes telecommunications (Wind), fuels (Enel Trade), and contracts for the transportation and purchase of energy. The 2005 data do not include suppliers of Terna.

**Concentration of suppliers (top 15):** the numbers shown refer to the percentage of contract sums out of the total, obtained by aggregating the top fifteen suppliers. The analysis regards networks and generation, and thus excludes telecommunications (Wind), fuels, (Enel Trade), and contracts for the transportation and purchase of energy. The 2005 data do not include suppliers of Terna.

**Purchases of materials and services:** the data refer to sums based on contracts (the value of the commitments assumed by Enel according to binding contracts, including those with terms of more than one year) and do not include intra-Group contracts. The decrease in the procurement portfolio (-41%) with respect to the previous year is due to the change in the composition of the Group that took place during 2005. In effect, the 2005 data do not contain the sum of the Terna and Wind contracts. A comparison of the data regarding the same composition of the Group shows a decrease of 3% (3,014 billion euro against 3,096 billion euro).

**Fuel purchases:** with respect to 2004, the sum of contracts for fuels shows a total reduction of 22%, with marked decreases for gas (-32%) and oil (-24%).

## ELECTRICITY MARKET ITALY

Magnitude recorded	UM	2005	2004	2005-2004	Companies	GRI	CSR-SC	SAM	EIRIS
<b>Electricity market Italy</b>						EC1	3	●	●
<b>Customer portfolio</b>						EC1	3.1÷3.1.2	●	-
Electricity sales	(mil €)	16,994.4	16,576.6	3%	Enel	EC1	-	●	-
Volume of electricity sold	(TWh)	148.2	157.0	-6%	Enel	EC1	-	-	-
> Regulated market	(TWh)	129.6	136.1	-5%	Enel	-	-	-	-
> Regulated market - consumers	(TWh)	52.1	53.8	-3%	Enel	-	-	-	-
> Regulated market - other uses	(TWh)	77.5	82.3	-6%	Enel	-	-	-	-
> Free market	(TWh)	18.5	20.9	-11%	Enel	-	-	-	-
> Free market - business	(TWh)	8.5	7.5	13%	Enel	-	-	-	-
> Free market - top	(TWh)	10.1	13.4	-25%	Enel	-	-	-	-
Electricity customers	(,000)	30,029.6	29,654.3	1%	Enel	EC1	3.2	●	-
> Business customers	(,000)	6,456.0	6,429.5	0%	Enel	-	-	-	-
> Consumer customers	(,000)	23,573.3	23,224.4	2%	Enel	-	-	-	-
Market share	(%)	48.0	52.3	-7%	Enel	EC1	3	●	●
<b>Customer value</b>						EC1	3.4÷3.6	●	-
Sales revenue per customer <sup>(1)</sup>	(€/month)	47.5	47.2	1%	Enel	EC1	-	●	-
<b>Sales network</b>						EC2	-	●	-
<b>Regulated market</b>									
Contact points	(#)	1,005	1,089	-8%	Enel	EC2	-	-	-
> Qui Enel in Enel.si	(#)	325	527	-38%	Enel	-	-	-	-
> Qui Enel in Wind	(#)	289	353	-18%	Enel	-	-	-	-
> Qui Enel in city halls	(#)	170	104	63%	Enel	-	-	-	-
> Qui Enel in post offices	(#)	193	105	84%	Enel	-	-	-	-
> Other indirect	(#)	28	0	-	Enel	-	-	-	-
<b>Free market</b>									
> Sales outlets - indirect channel	(,000)	58	15	287%	Enel	-	-	-	-
Outbound network	(#)	70	0		Enel	-	-	-	-
Average training indirect network	(d)	70	6	1067%	Enel	-	-	-	-
<b>Supply activation</b>						-	-	-	-
Execution of simple jobs	(d)	8.6	8.9	-3%	Enel	-	-	-	-
Supply activation	(d)	1.5	1.9	-21%	Enel	-	-	-	-
<b>Service management</b>						EC1	-	-	-
Productivity of indirect channel	(,000)	2,491	1,377	81%	Enel	-	-	-	-
Productivity of portal	(,000)	2,372	984	141%	Enel	-	-	-	-
<b>Call Center - regulated market</b>						-	-	-	-
Service level	(%)	90	84	7%	Enel	-	-	-	-
IVR effectiveness (calls automatically answered)	(%)	50	68	-26%					
Average waiting time	(sec)	139	180	-23%	Enel	-	-	-	-
Effectiveness	(%)	84	92	-10%	Enel	-	-	-	-
Average training of operators	(h per emp)	25	31	-21%	Enel	-	-	-	-
Calls answered	(,000)	16,753	13,305	26%	Enel	-	-	-	-

(1) The value regarding 2004 published last year was not calculated on a monthly basis.





## ELECTRICITY MARKET ITALY

Magnitude recorded	UM	2005	2004	2005-2004	Companies	GRI	CSR-SC	SAM	EIRIS
<b>Technical quality</b>									
Service continuity index	(min)	57	60	-7%	Enel	-	-	●	●
Investment in quality	(mil €)	222	333	-33%	Enel	-	-	●	-
Awards/penalties for service	(mil €)	63	203	-69%	Enel	-	-	●	-
<b>Customer satisfaction and customer loyalty - regulated market</b>						EC1	3.3.1-3.3.2	●	●
Complaints and written requests for information - electricity	(,000)	93.2	268.8	-65%	Enel	EC1	3.3.1	●	-
Written complaint answering time	(d)	21.6	14.0	54%	Enel	EC1	3.3.1	●	-
<b>Litigation with electricity customers</b>									
Total proceedings	(#)	59,753	23,378	156%	Enel	-	-	-	-
Incidence of litigation as defendant	(%)	84.2	59.3	42%	Enel	-	-	-	-

**Execution of simple jobs:** the increase in the average time for supply activation is due to the fact that, as from August 2005, the Authority's reporting excludes services performed without the involvement of a technician.

**Productivity of indirect channel:** the growth in transactions at QuiEnels continued during 2005, in part thanks to the rationalization of the QuiEnel network and the partner expansion.

**IVR effectiveness:** the data refer to requests for readings, payments declared, and domiciliation successfully handled by the Enel Distribuzione Call Center's automatic services.

**Call center effectiveness:** the data refer to the requests via telephone satisfied without intermediary stages (openings - closings) and without having to leave the matter in the back office to wait for further handling.

**Technical quality:** the index of service continuity shows the average number of minutes wasted per low-voltage customer because of long and unannounced interruptions. If the data regarding interruptions due to external causes are added, the index amounts to 62 minutes in 2005 and 73 minutes in 2004.

As far as the bonuses regarding service continuity awarded by the Ministry are concerned, the data shown are based on when the bonuses were collected. The decrease is due to the Electricity and Gas Authority's reformulation of the parameters and objectives in 2005.

**Answering time for written complaints:** the average answering time for written complaints and requests for information increased, partly because of the effect of the handling of matters dating to before 2005.

**Litigation with customers in the Italian electricity market:** litigation with customers increased by 156% with respect to 2004 because of the requests made during the year for damages regarding the blackout of 2003.

## GAS MARKET

Magnitude recorded	UM	2005	2004	2005-2004	Companies	GRI	CSR-SC	SAM	EIRIS
<b>Gas market</b>						EC1	3	●	●
<b>Customer portfolio</b>						EC1	3.1÷3.1.2	●	-
Revenue from natural gas sales to end customers	(mil €)	1,556	1,390	12%	Enel	EC1	-	●	-
Volume sold	(mil cm)	5,089	5,186	-2%	Enel	EC1	-	-	-
> Consumer customers	(mil cm)	3,021	2,782	9%	Enel	-	-	-	-
> Business customers	(mil cm)	2,067	2,404	-14%	Enel	-	-	-	-
> Resellers	(mil cm)	1,617	1,667	-3%	Enel	-	-	-	-
Total customers	(,000)	2,143	1,966	9%	Enel	EC1	3.2	●	-
> Consumer customers	(,000)	2,141	1,964	9%	Enel	-	-	-	-
> Business customers	(,000)	2.1	2.0	6%	Enel	-	-	-	-
Dual fuel customers	(#)	1,993	0		Enel	-	3.2.2	●	-
Growth of customer base	(#)	15,942	15,093	6%	Enel	EC1	3.2.2	●	●
Switching rate	(%)	8.0	8.4	-5%	Enel	-	3	-	-
Market share	(%)	9.7	10.2	-5%	Enel	EC1	3	●	●
<b>Customer value</b>						EC1; PR1; PR2	3.4÷3.6	●	-
Revenue per customer <sup>(1)</sup>	(€/month)	63.1	61.6	2%	Enel	EC1	-	●	-
<b>Sales network</b>						EC2	-	●	-
Contact points	(#)	88	75	17%	Enel	EC2	-	-	-
Average training indirect network <sup>(2)</sup>	(h)	141	52	171%	Enel	EC2	-	-	-
Outbound network <sup>(3)</sup>	(#)	71	38	87%	Enel	EC2	-	-	-
Effectiveness outbound network <sup>(4)</sup>	(,000)	137.1	45.0	204%	Enel	EC2	-	-	-
<b>Supply activation</b>						-	-	-	-
Execution of simple jobs	(d)	9.5	7.1	34%	Enel	-	-	-	-
Supply activation	(d)	2.5	2.6	-4%	Enel	-	-	-	-
<b>Service management</b>						EC1	-	-	-
Productivity of indirect channel	(,000)	19.8	14.2	40%	Enel	-	-	-	-
Productivity of portal	(,000)	292	90	225%	Enel	-	-	-	-
<b>Call Center</b>						-	-	-	-
Service level	(%)	83	84	-1%	Enel	-	-	-	-
IVR effectiveness	(%)	40	32	24%	Enel	-	-	-	-
Average waiting time <sup>(5)</sup>	(sec)	137	65	111%	Enel	-	-	-	-
Effectiveness	(%)	98	99	-1%	Enel	-	-	-	-
Average training of operators	(h per emp)	30	270	-89%	Enel	-	-	-	-
Calls answered	(,000)	1,465	1,447	1%	Enel	-	-	-	-
<b>Customer satisfaction and customer loyalty</b>						EC2	3.3.1-3.3.2	●	●
Customer satisfaction index <sup>(6)</sup>	(index)	7.7	7.7	-	Enel	EC2	3.3.1	●	●
Written complaints	(,000)	2,448	896	173%	Enel	EC2	3.3.1	●	-
Written complaint average answering time	(d)	17.7	9.4	88%	Enel	EC2	3.3.1	●	-
<b>Litigation with gas customers</b>						-	-	-	-
Total proceedings	(#)	1,264	1,938	-35%	Enel	-	-	-	-

(1) The value regarding 2004 published last year was not calculated on a monthly basis.

(2) The hours of indirect training increased in connection with the growth of the sales agency network that took place in 2005.

(3) Number of teleselling and door-to-door sales agencies.

(4) New customers acquired per month by door-to-door network.

(5) This value recorded a physiological increase in consequence of the introduction of the IVR (automatic answerer).

(6) This indicator, which expresses from 1 to 10 the degree of customer satisfaction, did not change with respect to 2004 in spite of the increase in written complaints caused by the introduction of the Electricity and Gas Authority's resolution 40/04, because the 2005 survey ended in June, before the impact of the resolution was felt.

**Contact points:** in addition to its QuiGas shops inside the Enel.si stores, Enel Gas is present throughout Italy with its Customer Assistance Centers. Of the 88 Centers, 51 are for management, 35 are for acquisitions, and 2 are for both.

## ENVIRONMENTAL MANAGEMENT SYSTEMS

Magnitude recorded	UM	2005	2004	2005-2004	Companies	GRI	CSR-SC	SAM	EIRIS
<b>Environmental Management System</b>						-	8	●	●
<b>Environmental certification</b>						-	8.2	●	●
ISO 14001 certifications <sup>(1)</sup>	(#)	26	20	30%	Italy	-	8.2	●	●
EMAS certifications <sup>(1)</sup>	(#)	14	10	40%	Italy	-	8.2	●	●
% installed power ISO 14001 certified	(%)	77	70	11%	Italy	-	8.2	●	●
% installed power EMAS certified	(%)	43	28	54%	Italy	-	8.2	●	●
<b>Research and innovation</b>						EN35	8.2	●	-
Research expenditure	(mil €)	20	20	-3%	Italy	EN35	8.2	-	-
Research personnel	(#)	155	161	-3%	Italy	EN35	8.2	-	-
<b>Environmental expenditure</b>						EN35	8.2	-	-
Environmental expenditure	(mil €)	444	587	-24%	Italy	EN35	8.2	-	-
> Total current expense <sup>(2) (3)</sup>	(mil €)	344	495	-31%	Italy	EN35; EN27; EN29	8.2	-	-
> Total environmental investment	(mil €)	100	92	9%	Italy	EN35	8.2	-	-
Personnel dedicated to environmental issues <sup>(4)</sup>	(#)	197	216	-9%	Italy	-	8.2	-	●
<b>Safety systems</b>						EN34	8.2	-	●
Inspections on ships transporting oil products					Italy	EN34	-	-	●
> Oil products	(%)	100	100	-	Italy	EN34	-	-	●
> Coal <sup>(5)</sup>	(%)	100	100	-	Italy	-	-	-	-

(1) The increase in the ISO 14001 / EMAS certified organizations is due to the continuation of Enel's environmental certification program.

(2) The value regarding 2005, reclassified according to the ISTAT criteria, does not include taxes and the minimum vital flow, amounting to 106 million euro. The value regarding 2004, on the other hand, was stated according to the guidelines of the FEEM (Enrico Mattei Foundation).

(3) Included is an estimate (amounting to 263 million euro) of the additional cost of purchasing the sulfur-free and low-sulfur fuels used instead of more polluting fuels (with average sulfur content), calculated on the consumption of all oil and gas plants in the period January-December 2005. The decrease in the value with respect to 2004 is mainly due to the reduction in the expense of personnel dedicated to environmental tasks following a change in the criterion for calculating such expenses and the merger of Enel Green Power into Enel Produzione, which allowed the use of personnel dedicated to environmental aspects to be rationalized.

(4) The decrease in personnel used is due mainly to the rationalization of the personnel dedicated to the environment following the merger of Enel Green Power into Enel Produzione.

(5) The value regarding 2004 published last year included only inspections carried out by Enel (10%). This value now also includes the inspections performed by third parties and acquired by Enel.



## ENERGY EFFICIENCY OF GENERATING PLANTS

Magnitude recorded	UM	2005	2004	2005-2004	Companies	GRI	CSR-SC	SAM	EIRIS
<b>Energy efficiency of generating plants</b>						EN14	8.1.1	●	-
<b>Generating plants</b>						-	8.1.1	●	-
Total net efficient power	(MW)	42,216	42,047	0%	Italy	-	8.1.1	●	-
Total net production	(TWh)	112.1	125.9	-11%	Italy	-	8.1.1	●	●
Net thermal production	(TWh)	81.8	91.9	-11%	Italy	-	8.1.1	●	●
> Coal	(TWh)	30.0	31.5	-5%	Italy	-	-	-	-
> CCGT	(TWh)	22.2	32.1	-31%	Italy	-	-	-	-
> Oil/gas	(TWh)	29.3	28.1	4%	Italy	-	-	-	-
> Other	(TWh)	0.3	0.1	167%	Italy	-	-	-	-
Net renewable production	(TWh)	30.3	34.0	-11%	Italy	-	8.1.1	●	●
> Hydro	(TWh)	24.9	28.7	-13%	Italy	-	-	-	-
> Wind and other	(TWh)	0.4	0.2	86%	Italy	-	-	-	-
> Geothermal	(TWh)	5.0	5.1	-2%	Italy	-	-	-	-
Number of thermal plants	(#)	161	159	1%	Italy	-	-	●	●
> Coal units	(#)	18	17	6%	Italy	-	-	●	●
> CCGT units	(#)	14	14	-	Italy	-	-	●	●
> Oil/gas units	(#)	49	51	-4%	Italy	-	-	●	●
> Turbogas units	(#)	28	28	-	Italy	-	-	●	●
> Diesel units	(#)	52	49	6%	Italy	-	-	●	●
Number of plants using renewable energy	(#)	554	549	1%	Italy	-	-	-	●
> Hydro plants	(#)	500	495	1%	Italy	-	-	-	●
> Wind plants	(#)	17	18	-6%	Italy	-	-	-	●
> Photovoltaic plants	(#)	4	5	-20%	Italy	-	-	-	●
> Geothermal plants	(#)	32	31	3%	Italy	-	-	-	●
> Biomass plants	(#)	1	0	-	Italy	-	-	-	●
<b>Thermal plants</b>						-	8.1.1	●	●
Net efficient thermal power	(MW)	26,902	26,837	0%	Italy	-	8.1.1	●	●
> Coal	(MW)	4,939	4,616	7%	Italy	-	-	●	●
> CCGT	(MW)	5,005	5,005	-	Italy	-	-	●	●
> Oil/gas	(MW)	14,826	15,086	-2%	Italy	-	-	●	●
> Other	(MW)	2,132	2,130	-	Italy	-	-	●	●
CCGT incidence (power)	(%)	18.6	18.6	-	Italy	-	-	●	●
CCGT plant yield	(%)	53.0	52.4	1%	Italy	-	-	●	●
Unavailability for call into service - coal plants	(%)	3.6	4.8	-25%	Italy	-	-	-	-
Investment in efficiency	(mil €)	232	214	8%	Italy	EN19	8.1.1	-	●
Environmental investment	(mil €)	52	37	43%	Italy	EN19	8.1.1	-	●
<b>Green Energy</b>						-	-	●	●
Net efficient power from renewable energy	(MW)	15,314	15,210	1%	Italy	-	-	●	●
> Hydro	(MW)	14,363	14,318	-	Italy	-	-	●	●
> Wind	(MW)	277	247	12%	Italy	-	-	●	●
> Geothermal	(MW)	671	642	4%	Italy	-	-	●	●
> Other	(MW)	4	4	-2%	Italy	-	-	●	●
Development of renewable energy (net of divestments) <sup>(6)</sup>	(MW)	104	83	25%	Italy	-	-	●	●
Green-certificate production	(TWh)	1.3	1.4	-4%	Italy	-	-	●	●
Green-certificate coverage requirements	(%)	60.9	64.6	-6%	Italy	-	-	●	●
"Green Energy" sales	(GWh)	216.2	67.2	222%	Italy	-	-	●	●
Investment in renewable energy	(mil €)	262	335	-22%	Italy	EN17	-	-	●

(6) The value regarding 2004 published last year did not take into account divested capacity, amounting for 2004 to 42.5 MW.

## NETWORK ENERGY EFFICIENCY

Magnitude recorded	UM	2005	2004	2005-2004	Companies	GRI	CSR-SC	SAM	EIRIS
<b>Network energy efficiency</b>						-	-	●	-
<b>Electricity distribution</b>						-	-	●	-
Energy transported	(TWh)	251.0	250.7	-	Italy	-	-	●	-
Municipalities served	(#)	8,010	7,933	1%	Italy	-	-	-	-
<b>Extension of power lines</b>	(,000 km)	1,090.1	1,089.8	0%	Italy	-	-	-	-
Total LV lines	(,000 km)	736.0	734.9	0%	Italy	-	-	-	-
Total MV lines	(,000 km)	335.2	335.8	0%	Italy	-	-	-	-
Total HV lines	(,000 km)	19.0	19.1	-1%	Italy	-	-	-	-
% lines in underground cables	(%)	69.6	69.0	1%	Italy	-	-	-	-
% LV lines in underground cables	(%)	83.2	82.8	1%	Italy	-	-	-	-
% MV lines in underground cables	(%)	39.7	39.0	2%	Italy	-	-	-	-
Equipment and transformers with PCB / total <sup>(7)</sup>	(%)	7.1	8.7	-19%	Italy	-	-	-	-
<b>Gas distribution</b>						-	-	●	-
Gas leaks <sup>(8)</sup>	(#)	433	498	-13%	Italy	EN13	-	●	-
Kilometers of network	(,000 km)	29.4	29.4	0%	Italy	-	-	●	-
Network inspected	(%)	53.4	50	7%	Italy	-	-	●	-
Remote-controlled substations <sup>(9)</sup>	(#)	800	199	302%	Italy	-	-	●	-

(7) The decrease in equipment containing PCB is consistent with the process of PCB disposal in accordance with the requirements of the environmental regulations in force.

(8) This is the number of leaks detected during the planned inspection campaigns carried out during the year.

(9) The increase of remote-controlled substations is the result of the substation installation project initiated in 2004 and carried out mainly in 2005.

## RATIONAL USE OF ENERGY

Magnitude recorded	UM	2005	2004	2005-2004	Companies	GRI	CSR-SC	SAM	EIRIS
<b>Rational use of energy</b>						EN17	8.1	-	●
<b>Promotion of energy efficiency</b>						EN17	8.1.1	-	-
Titles of energy efficiency <sup>(10)</sup>	(#)	51,408	0	-	Italy	EN17	8.1.1	-	-
Micro-generation	(kW)	1,890	1,890	-	Italy	EN17	-	-	-
Digital meters installed	(,000)	26,954	20,801	30%	Italy	EN17	-	-	-
Customers with differentiated rates	(,000)	540	18	2986%	Italy	-	-	-	●

(10) Certificates representing the units of primary energy saved (1 title = 1 toe of certified energy saving). These certificates, which are valid for ascertaining the attainment of the energy saving objectives set by the ministerial decrees for obligatory parties, are negotiable.

## ENVIRONMENTAL PERFORMANCE

Magnitude recorded	UM	2005	2004	2005-2004	Companies	GRI	CSR-SC	SAM	EIRIS
<b>Environmental performance</b>						-	8.1	●	●
<b>Resources used in productive process</b>									
<b>Fuels</b>									
Consumption of fossil fuels	(Mtoe)	18.0	20.1	-11%	Italy	EN3	-	●	●
Coal	(%)	39.6	37.6	5%	Italy	EN3	-	●	●
Oil	(%)	20.6	24.3	-15%	Italy	EN3	-	●	●
Gas	(%)	39.8	38.1	4%	Italy	EN3	-	●	●
<b>Geothermal fluid</b>									
Geothermal fluid	(mil t)	45.8	45.8	-	Italy	-	-	-	-
<b>Water</b>									
Specific requirements for thermal production	(l/kWh)	0.54	0.52	2%	Italy	EN5	8.1.2	-	-
<b>Materials consumed</b>						-	8.1	-	●
Materials consumed	(,000 t)	219.4	263.8	-17%	Italy	-	8.1	-	●
> Limestone	(,000 t)	162.4	211.8	-23%	Italy	-	8.1	-	●
> Ammonia	(,000 t)	19.7	22.3	-12%	Italy	-	8.1	-	●
> Caustic soda	(,000 t)	9.2	9.9	-7%	Italy	-	8.1	-	●
> Lime	(,000 t)	8.4	9.2	-8%	Italy	-	8.1	-	●
> Sulfuric/hydrochloric acid	(,000 t)	6.5	5.8	13%	Italy	-	8.1	-	●
> Other	(,000 t)	13.2	4.9	170%	Italy	-	8.1	-	●
<b>Polluting emissions</b>									
<b>Atmospheric emissions</b>									
Net specific emissions of SO <sub>2</sub> <sup>(11)</sup>	(g/kWh)	0.89	1.02	-12%	Italy	EN10	8.1.4	●	●
Net specific emissions of NO <sub>x</sub>	(g/kWh)	0.60	0.61	-2%	Italy	EN10	8.1.4	●	●
Net specific emissions of H <sub>2</sub> S	(g/kWh)	4.61	4.59	1%	Italy	EN10	8.1.4	●	●
Emissions of particulate	(g/kWh)	0.032	0.037	-14%	Italy	EN10	8.1.4	●	●
Emissions of greenhouse gases (CO <sub>2</sub> )	(g/kWh)	687.1	691.1	-1%	Italy	EN10	8.1.4	●	●
Emissions of greenhouse gases (CO <sub>2</sub> ) <sup>(12)</sup>	(mil t)	56.2	63.4	-11%	Italy				
Emissions avoided <sup>(13)</sup>	(mil t)	16.2	18.3	-12%	Italy	-	8.1.4	●	●
Emissions of other greenhouse gases (SF <sub>6</sub> )	(,000 kg)	4.2	4.2	1%	Italy	EN30	8.1.4	●	●
Other productive cycles (CH <sub>4</sub> )	(,000 t)	13.0	6.6	99%	Italy	EN30	8.1.4	●	●
Other productive cycles (CO <sub>2</sub> )	(,000 t)	24.4	30.0	-19%	Italy				
Asbestos disposal	(t)	3,376.0	2,047.5	65%	Italy				
<b>Emissions into water</b>						EN12	8.1.5	●	●
> COD	(t)	390.6	430.0	-9%	Italy	EN12	8.1.5	-	-
> BOD	(t)	76.6	71.2	8%	Italy	EN12	8.1.5	-	-
> Nitrogen	(t)	105.7	60.6	74%	Italy	EN12	8.1.5	-	-
> Metals	(t)	3.2	5.4	-40%	Italy	EN12	8.1.5	●	-
<b>Waste management</b>						EN2	8.1.6	●	●
Waste produced	(,000 t)	1,801	1,906	-5%	Italy	EN2	8.1.6	-	●
> Total hazardous waste	(,000 t)	45.4	36.1	26%	Italy				
Waste recovery	(%)	90.4	95.1	-5%	Italy	EN31	8.1.6	-	●
<b>Environmental litigation in Italy</b>						EN16	-	-	-
Environmental proceedings as defendant <sup>(14)</sup>	(#)	275	274	-	Italy	-	-	-	-

(11) The reduction in this value with respect to 2004 is due mainly to the decrease in production with coal and fuel oil.

(12) Value calculated with regard to specific plant factors of emission and certified pursuant to the emission trading regulations, while in the 2005 Consolidated Financial Statements the recorded value, amounting to 56.8 million tons, is an estimate based on standard factors of emission.

(13) The decrease in the value with respect to 2004 is due to the reduction in the total net production of electricity.

(14) The environmental proceedings are described on page 120 of the present Sustainability Report.



## PERSONNEL NUMBER AND COMPOSITION

Magnitude recorded	UM	2005	2004	2005-2004	Companies	GRI	CSR-SC	SAM	EIRIS
<b>Personnel number and composition</b>									
<b>Number</b>						LA1	1	●	●
Employees	(#)	51,778	61,898	-16%	Enel	LA1	1.1	●	●
Hours worked	(mil h)	87.8	103.9	-16%	Enel	-	-	-	-
<b>Breakdown by geographical area</b>									
Italy	(%)	90.1	97.1	-7%	Enel	LA1	1.1.4	-	-
Rest of Europe	(%)	9.2	2.1	345%	Enel	LA1	1.1.4	-	-
North America	(%)	0.4	0.3	33%	Enel	LA1	1.1.4	-	-
South America	(%)	0.3	0.4	-20%	Enel	LA1	1.1.4	-	-
Africa	(%)	0.0	0.2	-	Enel	LA1	1.1.4	-	-
Asia	(%)	0.1	0.0	-	Enel	LA1	1.1.4	-	-
Oceania	(%)	0.0	0.0	-	Enel	LA1	1.1.4	-	-
<b>Composition</b>									
<b>Breakdown by professional status</b>						LA1	1.1	●	-
> Executives	(%)	1.1	1.1	-5%	Enel	LA1	-	-	-
> Supervisors	(%)	7.9	7.8	1%	Enel	LA1	-	-	-
> White-collar	(%)	55.0	61.4	-10%	Enel	LA1	-	-	-
> Blue-collar	(%)	36.0	29.6	22%	Enel	LA1	-	-	-
<b>Education</b>									
> University graduate	(%)	11.3	11.3	-	Enel	LA1	-	-	-
> High school graduate	(%)	41.9	43.3	-3%	Enel	LA1	-	-	-
> Other	(%)	46.8	45.4	3%	Enel	LA1	-	-	-
<b>Average age</b>	(years)	45.2	44.1	2%	Enel	LA1	1.1.2	●	-
> Under 35	(%)	13.2	19.5	-32%	Enel	-	-	-	-
> From 35 to 44	(%)	27.0	26.7	1%	Enel	-	-	-	-
> From 45 to 54	(%)	48.5	44.7	8%	Enel	-	-	-	-
> From 55 to 59	(%)	10.6	8.5	25%	Enel	-	-	-	-
> Over 60	(%)	0.8	0.6	29%	Enel	-	-	-	-
<b>Average number of years at Company</b>	(years)	20.7	19.2	8%	Enel	LA1	1.1.3	●	-
> Less than 10	(%)	17.6	25.8	-32%	Enel	-	-	-	-
> From 10 to 19	(%)	26.4	23.0	15%	Enel	-	-	-	-
> From 20 to 29	(%)	32.2	35.2	-9%	Enel	-	-	-	-
> From 30 to 34	(%)	21.4	14.0	53%	Enel	-	-	-	-
> More than 35	(%)	2.4	2.0	19%	Enel	-	-	-	-
<b>Flexible labor: relations and modes</b>									
Fixed-term contracts	(%)	0.2	0.1	112%	Enel	LA1	1.1.6	●	-
Utilization of part-time	(%)	2.1	3.5	-41%	Enel	LA1	1.1.6	●	-
Utilization of overtime	(%)	5.9	5.0	18%	Enel	LA1	1.1.6; 1.1.5	●	-
Interns at Enel	(#)	96	159	-40%	Enel	LA1	1.4.3	●	-
<b>Changes in number</b>									
New hires	(#)	839	1,256	-33%	Enel	LA2	-	●	-
Terminations	(#)	3,316	3,214	3%	Enel	LA2	1.2.3	●	-
Personnel turnover	(%)	5.4	5.0	8%	Enel	LA2	1.2.1	●	-
Utilization of internal mobility	(#)	7,201	1,364	428%	Italy	LA2	1.2.1	●	-

**Personnel number and composition:** the 10,120-unit change in the number of employees with respect to 2004 is accounted for by -3,508 net terminations (mainly due to consensual early retirements with incentives), -7,633 former employees who worked for companies that are no longer part of the Group, and +979 new hires.

## PROFESSIONAL SATISFACTION

Magnitude recorded	UM	2005	2004	2005-2004	Companies	GRI	CSR-SC	SAM	EIRIS
<b>Professional satisfaction</b>						-	1.6	-	-
<b>Pay</b>						-	1.6	●	●
Cost per employee	(,000 €)	51.8	53.3	-3%	Enel	EC5	1.6.1	●	●
Incidence of variable pay	(%)	5.2	4.5	15%	Italy	EC12	1.6.1	●	-
Executives with stock options	(%)	85	90	-6%	Enel	LA12	1.6.3	●	●
<b>Development</b>						-	-	●	-
Evaluations	(#)	632	4,256	-85%	Italy	-	-	●	-
Diffusion of evaluations <sup>(1)</sup>	(%)	1.3	6.8	-81%	Italy	-	-	●	-
Internal development	(%)	79.0	68.4	15%	Italy	-	-	●	-
Status changes	(%)	12.9	12.6	3%	Italy	-	-	●	-
<b>Training</b>						LA9	1.4	-	●
Hours of training per employee <sup>(2)</sup>	(h)	17.3	25.0	-32%	Italy	LA12	1.4.2	-	●
Evaluation of DT course quality	(#)	4.5	4.5	-	Italy	LA9	1.4	-	-
Accessibility of EDLS	(%)	75.4	61.1	24%	Enel	LA17	1.4	●	●
Accesses from home	(#)	5,493	5,446	1%	Italy	LA17	1.4	-	●
Incidence of DT	(%)	9.5	3.4	179%	Italy	LA17	1.4	-	●
Courses available on line	(#)	5,192	4,872	7%	Enel	LA17	1.4	●	●
Productivity of EDLS channel	(%)	57.2	84.1	-32%	Enel	LA17	1.4	●	●
<b>Knowledge Management and Internal Communication</b>						LA17	1.10	●	●
Corporate intranet: employees with access (%)		90.4	71.0	27%	Enel	LA17	1.10	●	●
Expenditure on KM systems	(mil €)	5.8	5.7	2%	Enel	LA17	1.10	-	●
Intranet accesses per day	(#)	8,487	6,200	37%	Enel	-	-	-	●
Enel TV accesses per day	(#)	2,671	1,000	167%	Enel	-	-	-	●
Hard copies of <i>Enel Insieme</i>	(#)	54,000	22,000	145%	Enel	-	-	-	●
<b>Dissemination of sustainability</b>						HR8	1.4	-	●
Training on the environment and safety per employee <sup>(3)</sup>	(h per emp)	9.7	6.5	50%	Italy	-	1.4	-	●
<b>Corporate atmosphere</b>						-	1.12	-	●
Spontaneous supervisor and executive resignations	(#)	37	68	-46%	Enel				
Absences per employee	(h)	433	413	5%	Italy excl. executives				
Fringe benefits per employee	(€)	2,293	2,279	1%	Electr. workers Italy	EC12	1.12	-	●
<b>Litigation with employees</b>						-	-	-	-
Total proceedings	(#)	3,091	3,560	-13%	Enel	-	-	-	-
Incidence of proceedings as defendant	(%)	80.3	82.0	-2%	Enel	-	-	-	-

(1) The value for 2004 published last year (amounting to 93.4%) regarded only supervisors and executives, while the figure for 2005 regards all Enel employees.

(2) The value for 2004, excluding Terna and Wind, amounts to 16 hours per employee.

(3) Regards only GEM and MIR personnel.

**Professional development:** the number of expertise and performance evaluations decreased by 85% with respect to 2004, because they last two years and in 2005 were performed only for supervisors and executives.

**Litigation with employees:** labor litigation in which Enel is the defendant includes 1,763 lawsuits regarding economic matters and 61 regarding disciplinary matters and firings, while there are 25 proceedings in which Enel is the plaintiff.

## EQUAL OPPORTUNITY

Magnitude recorded	UM	2005	2004	2005-2004	Companies	GRI	CSR-SC	SAM	EIRIS
<b>Equal Opportunity</b>						LA10	1.3	●	●
<b>Equal Opportunity</b>						LA10	1.3	●	●
Female employees	(#)	7,959	11,463	-31%	Enel	LA11	1.3.1	●	●
> Executives	(#)	59	67	-12%	Enel	LA11	1.3.1	●	●
> Supervisors	(#)	723	798	-9%	Enel	LA11	1.3.1	●	●
> White-collar	(#)	6,829	10,567	-35%	Enel	-	-	-	●
> Blue-collar	(#)	348	31	1,023%	Enel	-	-	-	●
Incidence of female employees	(%)	15.4	18.5	-17%	Enel	LA11	1.3.1	●	●
Female supervisors and executives	(%)	16.8	15.6	8%	Enel	LA11	1.3.1	●	●
Pay of female employees	(%)	86.0	89.5	-4%	Italy	LA11	1.3.2	●	●
<b>The disabled</b>						LA10	1.3.3	●	-
Disabled employees / protected categories	(#)	2,900	3,484	-17%	Italy	LA11	1.3.3	●	-

**Equal Opportunity:** the reduction in female personnel is in line with the decrease in total GEM personnel, which is due to both retirements and employee transfers to the Parent Company.

The decrease of female personnel, amounting to 3,504 employees, is mainly due to transfers.

## SAFETY

Magnitude recorded	UM	2005	2004	2005-2004	Companies	GRI	CSR-SC	SAM	EIRIS
<b>Safety</b>						LA5; LA7	1.11.1	●	●
<b>Serious and fatal employee on-the-job accidents</b>						LA7	1.11.1	●	●
Employee on-the-job accidents	(#)	15	13	15%	Enel	LA7	1.11.1	●	●
> Fatal accidents	(#)	4	3	33%	Enel	-	1.11.1	-	-
> Serious accidents	(#)	11	10	10%	Enel	-	1.11.1	-	-
Index of accident frequency	(#)	8.2	9.5	-14%	Enel	LA7	1.11.1	●	●
Index of accident seriousness	(#)	0.27	0.30	-11%	Enel	LA7	1.11.1	-	●
Expenditure on safety per employee	(€)	842	796	6%	Enel excl. executives	LA5; LA7	1.11.1	-	●
Medical checks	(#)	23,760	22,058	8%	Enel	LA5; LA7	1.11.1	-	●
<b>On-the-job accidents of contractor workers</b>						LA7	1.11.1	●	●
Total on-the-job accidents of contractor firms	(#)	19	38	-50%	Enel	LA7	1.11.1	●	●
Accidents involving third parties	(#)	76	56	36%	Enel	LA7	1.11.1	●	●
<b>Certifications</b>						LA6; LA14; LA15	1.11.1	-	-
OHSAS 18001 certified sites	(#)	70.2	83.0	15%	Enel	-	1.11.1	-	-

**Employee on-the-job accidents:** the seriousness and frequency indexes for all accidents are decreasing.



## RELATIONS WITH TRADE UNIONS

Magnitude recorded	UM	2005	2004	2005-2004	Companies	GRI	CSR-SC	SAM	EIRIS
<b>Relations with Trade Unions</b>						LA3	1.9	●	●
<b>Relations with Trade Unions</b>						LA3	1.9	●	●
Rate of union membership among electricity workers	(%)	74.2	73.9	-	Electr. workers Italy	LA3; LA4; LA13	1.9.2; 1.9.3	●	●

## ASSOCIATIONS, INSTITUTIONS, AND MEDIA

Magnitude recorded	UM	2005	2004	2005-2004	Companies	GRI	CSR-SC	SAM	EIRIS
<b>Extent of phenomenon</b>									
Meetings with associations	(#)	461	197	134%	Enel	SO1	7.3; 7.4	●	●
Subjects discussed with associations	(#)	31	38	-18%	Enel	-	-	●	-
<b>Relations with institutions</b>									
Taxes paid	(mil €)	2,480	1,828	36%	Enel	EC8	-	-	-
> IRES, IRAP, and other taxes	(mil €)	2,104	1,476	43%	Enel	EC8	-	-	-
> Foreign taxes	(mil €)	43	22	95%	Enel	EC8	-	-	-
> Other taxes and duties	(mil €)	184	195	-6%	Enel	EC8	-	-	-
> Fees net of contributions received	(mil €)	149	135	10%	Enel	EC8	-	-	-
<b>Corporate image</b>						PR9	-	-	-
Presence index	(#)	3,372	4,495	-25%	Enel	-	7.4	-	-
Global visibility index	(,000)	1,330	1,486	-11%	Enel	PR9	7.4	-	-
Qualitative index of visibility (from -1 to +1)	(index)	0.9	0.8	11%	Enel	PR9	7.4	-	-
Image profile (from 1 to 5)	(index)	3.7	3.4	11%	Enel	PR9	-	-	-

## INITIATIVES IN FAVOR OF COMMUNITIES

Magnitude recorded	UM	2005	2004	2005-2004	Companies	GRI	CSR-SC	SAM	EIRIS
<b>Initiatives in favor of communities</b>						EC10	7	●	●
<b>LBG approach</b>						EC10; SO1	7.2	●	●
% of EBT donated to social initiatives	(%)	0.50	0.45	11%	Enel	-	-	-	-
Largesse	(mil €)	8.6	8.1	6%	Enel	SO1	7	●	●
Investment in communities	(mil €)	12.4	10.5	18%	Enel	SO1	7	●	●
Business initiatives with social impact	(mil €)	2.1	2.2	-5%	Enel	SO1	7	●	●
Socially sustainable business initiatives	(mil €)	0.8	1.8	-57%	Enel	SO1	7	●	●

Initiatives in favor of communities: for the projects carried out in 2005 and those for 2006 approved by the Board of Enel Cuore Onlus, see the related Report published on the website: [www.enelcuore.org](http://www.enelcuore.org).

## ENERGY EFFICIENCY OF PLANTS ABROAD

Magnitude recorded	UM	2005	2004	2005-2004	Companies	GRI	CSR-SC	SAM	EIRIS
<b>Generating plants</b>									
Total net efficient power	(MW)	3,786	3,688	3%	Enel	-	-	-	-
> Spain	(%)	69.6	69.8	0%	Enel	-	8.1.1	●	-
> Eastern Europe	(%)	14.5	14.9	-2%	Enel	-	-	-	-
> Latin America	(%)	5.2	5.2	0.7%	Enel	-	-	-	-
> North America	(%)	10.6	10.1	5%	Enel	-	-	-	-
Total net production	(TWh)	13.6	12.3	11%	Enel	-	8.1.1	●	●
> Spain	(%)	62.0	56.1	10%	Enel	-	-	-	-
> Eastern Europe	(%)	22.1	26.1	-15%	Enel	-	-	-	-
> Latin America	(%)	6.5	7.5	-14%	Enel	-	-	-	-
> North America	(%)	9.4	10.3	-8%	Enel	-	-	-	-
Net thermal production <sup>(1)</sup>	(TWh)	9.6	8.4	15%	Enel	-	8.1.1	●	●
> Coal	(TWh)	8.3	7.5	11%	Enel	-	-	-	-
> Oil/gas	(TWh)	1.0	0.7	57%	Enel	-	-	-	-
> Other (co-generation, etc.)	(TWh)	0.3	0.2	50%	Enel	-	-	-	-
Net renewable production (including biomass) <sup>(1)</sup>	(TWh)	4.0	3.9	2%	Enel	-	8.1.1	●	●
> Hydro	(TWh)	2.9	2.9	-	Enel	-	-	-	-
> Wind	(TWh)	0.9	0.8	22%	Enel	-	-	-	-
> Biomass	(TWh)	0.2	0.2	-5%	Enel	-	-	-	-
<b>Thermal generating plants</b>									
Net efficient thermal production	(MW)	2,215	2,214	-	Enel	-	8.1.1	●	-
> Coal	(MW)	1,410	1,410	-	Enel	-	-	-	-
> Oil/gas	(MW)	731	731	-	Enel	-	-	-	-
> Other (co-generation, biomass, etc.)	(MW)	74	73	2%	Enel	-	-	-	-
Coal plant yield	(%)	31.1	31.3	-	Enel	-	-	●	●
<b>Green Energy</b>									
Net efficient renewable power	(MW)	1,571	1,474	7%	Enel	-	-	●	●
> Hydro	(MW)	1,159	1,128	3%	Enel	-	-	●	-
> Wind	(MW)	412	346	19%	Enel	-	-	●	-

(1) The value regarding 2004 published last year classified production from biomass as thermal, while this year it has been classified as renewable.

## FOREIGN PLANT CERTIFICATION

Magnitude recorded	UM	2005	2004	2005-2004	Companies	GRI	CSR-SC	SAM	EIRIS
<b>Environmental certification</b>						-	8.2	●	●
ISO-certified organizations	(#)	15	6	150%	Enel	-	8.2	●	●
% installed power ISO 14001-certified	(%)	20.4	3.4	499%	Enel	-	8.2	●	●

## EFFICIENCY OF NETWORKS ABROAD

Magnitude recorded	UM	2005	2004	2005-2004	Companies	GRI	CSR-SC	SAM	EIRIS
<b>Electricity distribution</b>									
% of network cabled						-	-	-	-
> <i>Spain</i>	(%)	67.3	67.2	-	Enel	-	-	-	-
> <i>Romania</i>	(%)	37.6	n.a.	-	Enel	-	-	-	-

## ENVIRONMENTAL PERFORMANCE OF PLANTS ABROAD

Magnitude recorded	UM	2005	2004	2005-2004	Companies	GRI	CSR-SC	SAM	EIRIS
<b>Fuels</b>						EN1	-	●	●
Consumption of fossil fuels	(Mtoe)	2.7	2.4	14%	Enel	EN1	-	●	●
> <i>Coal</i>	(%)	84.3	86.7	-3%	Enel	-	-	-	-
> <i>Oil</i>	(%)	10.2	9.0	14%	Enel	-	-	-	-
> <i>Gas</i>	(%)	5.5	4.3	27%	Enel	-	-	-	-
<b>Atmospheric emissions <sup>(2)</sup></b>						EN10	8.1.4	●	●
Emissions of SO <sub>2</sub>	(,000 t)	284	286	-1%	Enel	EN10	8.1.4	●	●
Emissions of NO <sub>x</sub>	(,000 t)	28	27	1%	Enel	EN10	8.1.4	●	●
Emissions of CO <sub>2</sub>	(mil t)	10.5	10.0	5%	Enel	EN30	8.1.4	●	●
Emissions of particulates	(,000 t)	8	8	2%	Enel	EN10	8.1.4	●	●
<b>Waste management</b>						EN2	8.1.6	●	●
Waste produced	(,000 t)	1,799	1,961	-8%	Enel	EN2	8.1.6	-	●
> <i>Total hazardous waste</i>	(,000 t)	13.3	3.6	270%	Enel	EN2	8.1.6	-	●
Waste recovery	(%)	37.1	47.9	-23%	Enel	EN31	8.1.6	-	●

(2) The unit of measurement of this index has been changed from gr/kWh (used for 2004) to absolute values.

## FOREIGN ELECTRICITY MARKET

Magnitude recorded	UM	2005	2004	2005-2004	Companies	GRI	CSR-SC	SAM	EIRIS
<b>Customer portfolio</b>						EC1	3.1; 3.1.2	●	-
Volume sold abroad	(TWh)	11.4	4.5	155%	Enel	EC1	-	-	-
Customers abroad	(,000)	2,065.9	611.0	238%	Enel	EC1	3.1	●	-





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**(Translation from the Italian original which remains the definitive version)**

## **Report of the auditors on the sustainability report Attestation**

To the board of directors of  
Enel S.p.A.

- 1 We have carried out the compliance procedures and analyses on the sustainability report of the Enel Group at 31 December 2005, described in paragraph 2 of this report.

The aim of the procedures was to evaluate the board of directors' statement, included in the paragraph entitled "Methodology" of the sustainability report of the Enel Group at 31 December 2005, that such report was prepared in compliance with the "Sustainability Reporting Guidelines" established by the "Global Reporting Initiative" ("GRI") in 2002. The preparation of the sustainability report in accordance with such guidelines is the responsibility of the parent company's management.

- 2 In order to evaluate the board of directors' statement referred to in paragraph 1, we have performed the following procedures, in accordance with the International Standard on Assurance Engagements 3000 – "Assurance Engagements other than Audits or Reviews of Historical Information" established at an international level by the International Auditing and Assurance Standards Board ("IAASB") and in compliance with Research Document no. 1 of the GBS "Guidelines for auditing Social Reports":

- verification that the financial figures and information are consistent with those included in the consolidated financial statements of the Enel Group as at and for the year ended 31 December 2005, approved by the board of directors, and on which we issued our audit report dated 21 April 2006;
- analysis of how the processes underlying the generation, recording and management of quantitative data operate. In particular, we have performed the following procedures:
  - interviews and discussions with management delegates and personnel of certain group companies, to obtain an overview of the group's activity, to gather information on the IT, accounting and reporting systems used in preparing the sustainability report, and to document the processes, procedures and internal control system used to gather, combine, process and transmit data and information of the various group companies to the office that prepares the sustainability report;

- sample-based analysis of supporting documentation used in preparing the sustainability report to confirm the reliability of the interview-derived information, as well as the effectiveness of processes and their adequacy in relation to business objectives, and the internal control system in relation to the correct management of data and information;
- analysis of the completeness of the qualitative information included in the sustainability report and its consistency throughout. This activity was carried out in accordance with the previously-mentioned guidelines;
- verification of the stakeholders' involvement process, in terms of the methods used and analysis of the minutes summarising the salient features arising from meetings held with them and comparing them with the information disclosed in the sustainability report;
- obtaining the representation letter, signed by the parent company's legal representative, on the reliability and completeness of the sustainability report and information and data contained therein and on its compliance with the preparation guidelines and principles set out in paragraph 1.

Reference should be made to the report dated 16 May 2005 for our opinion on the prior year figures which are presented for comparative purposes as required by the relevant guidelines.

- 3 Based on the procedures performed, we believe that the sustainability report of the Enel Group at 31 December 2005 complies with the preparation guidelines described in paragraph 1. Moreover, the financial figures and information contained in the sustainability report are consistent with the figures and information included in the consolidated financial statements of the group and with the documentation we were provided with, and meet the content requirements established by the guidelines governing sustainability report preparation.
- 4 As mentioned in the disclosure provided by the directors in the sustainability report of the Enel Group at 31 December 2005, Enel Group is becoming an increasingly internationally integrated group. In the last few years, Enel Group has implemented a growth policy that has led to the Group's presence in 13 countries and laid the groundwork for further international development. In particular, Enel Group acquired 2,400 megawatt nuclear power capacity in Slovakia that will enable Enel to re-acquire the necessary expertise in this field.

Rome, 15 May 2006

KPMG S.p.A.

(Signed on the original)

Marco Maffei  
Director of Audit



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**(Translation from the Italian original which remains the definitive version)**

## **Independent assurance report on the compliance of the sustainability report with AccountAbility 1000 (AA 1000)**

To the board of directors of  
Enel S.p.A.

### **Introduction**

We have been engaged by Enel S.p.A. to carry out the compliance procedures and analyses on the sustainability report of the Enel Group at 31 December 2005, described in the paragraph entitled “Work performed” of this report. We issued an attestation dated 15 May 2006 of the compliance of the sustainability report of the Enel Group at 31 December 2005 with the “Sustainability Reporting Guidelines” established by the “Global Reporting Iniziative” (“GRI”) in 2002.

### **Respective responsibilities of directors and reviewer**

The management of Enel S.p.A. is responsible for the preparation of the sustainability report of the Enel Group and the information and statements contained therein, for determining the group’s objectives in respect of corporate social responsibility performance, and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.

Our responsibility is to express our conclusions on the reliability of the board of directors’ statement, included in the paragraph entitled “Methodology” of the sustainability report of Enel Group at 31 December 2005. We also report, to the extent applicable and significant, if:

- any of the relevant disclosures in the report are inconsistent with our findings;
- we have not received all the information and explanations required to carry out our work;
- we have become aware of further or different information and/or omissions in the board of directors’ statement or in the process of gathering and preparing information included in the sustainability report.



### **Basis of our work**

We conducted our work in accordance with the “International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Information” established at an international level by the International Auditing and Assurance Standards Board (“IAASB”) and with the AccountAbility 1000 Assurance Standard, established at an international level by AccountAbility.

These standards require that we carry out certain procedures on the organisation and the processes of gathering information and data relating to corporate social responsibility performance and detailed in the sustainability report.

We conducted our work with a multi-discipline team of corporate social responsibility assurance and financial audit specialists.

### **Scope our work**

The aim of our work was to evaluate the board of directors’ statement, included in the paragraph entitled “Methodology” of the sustainability report of the Enel Group at 31 December 2005, that such report was prepared in compliance with the AccountAbility 1000 Assurance Standard (“AA 1000”) issued by AccountAbility, in particular in relation to the requirements in terms of materiality, completeness and compliance with the legitimate expectations of the stakeholders.

### **Work performed**

We planned and performed our work to obtain all the information and explanations that we considered necessary for the aim of our engagement.

We have performed the following procedures:

- interviews with the personnel of the Enel S.p.A. department responsible for implementing the corporate social responsibility programme in order to obtain and understand:
  - the methodology of data and information gathering on the basis of the preparation of the sustainability report and the related corporate social responsibility programme;
  - their opinion on the progress of the corporate social responsibility programme within the different corporate activities;
  - management’s statements included in the sustainability report relating to the corporate social responsibility programme.
- interviews with the personnel of the internal audit department to analyse the checks they performed in relation to the company’s internal procedures relevant for the aim of our engagement;

- verification of the stakeholders' involvement process, in terms of the methods used and analysis of the minutes summarising the salient features arising from meetings held with stakeholders and comparing such minutes to the information disclosed in the sustainability report;
- obtaining the representation letter, signed by the parent company's legal representative, on the reliability and completeness of the sustainability report and information and data contained therein, with special reference to its compliance with AA 1000.

Such procedures consist of a review in accordance with the relevant auditing standards. The review was limited primarily to gathering information through inquiries with Enel S.p.A. personnel and excluded other audit procedures such as compliance checks or other procedures, with a scope significantly less than an audit. Accordingly, we do not express an audit opinion.

### **Conclusions**

Based on the procedures performed and reported above, nothing has come to our attention that causes us to believe that the board of directors' statement, included in the paragraph entitled "Methodology" of the sustainability report of the Enel Group at 31 December 2005, over the sustainability report's compliance with the AA 1000 standards issued by AccountAbility, is not fairly stated.

Rome, 15 May 2006

KPMG S.p.A.

(Signed on the original)

Marco Maffei  
Director of Audit





# THE WORDS OF ENERGY 2005

## Acquirente Unico (Single Buyer)

A corporation formed by Gestore della Rete di Trasmissione Nazionale to ensure the supply of electricity at competitive prices and in conditions of continuity, safety, and efficiency to “regulated customers” so as to allow such customers to also benefit from the advantages of the liberalization of the industry.

## Basel Committee

The Basel Committee on Banking Supervision was instituted in 1975 by the heads of the central banks of the countries in the Group of Ten. Its members are high officials of the supervisory authorities and central banks of Belgium, Canada, France, Germany, Italy, Japan, Luxembourg, the Netherlands, Spain, Sweden, Switzerland, the United Kingdom, and the United States. The Committee's purpose is to develop guidelines for the regulation of international banking. While not having the power of law, its proposals are accepted as binding regulations in more than 100 countries.

## Biomass

Non-fossil organic matter utilizable as a source of energy: agricultural and forest remains, food-industry waste, dung, organic parts of urban waste, expressly cultivated plant species, and other vegetal species used to purify organic sewage.

## Co-generation

The combined production of electricity and heat under the conditions established by the Electricity and Gas Authority.

## Combined cycle (CCGT)

A technology used in electricity generation plants, comprising one or more sets of gas-turbine generators, whose exhaust heats a boiler (which may also be fired by a supplementary fuel). The steam produced by the boiler is used to drive a steam turbine coupled to a generator.

## Commodity risk

The risk regarding the businesses of electricity generation and the sale of electricity and gas deriving from changes in oil prices and the euro-dollar exchange rate.

## CO<sub>2</sub> equivalent of average specific emission

Emission of greenhouse gases expressed in terms of CO<sub>2</sub> (according to the total heating potential of the single gases) and with regard to the net total production of electricity.

## Dispatching

The activity that coordinates the use and operation of generating plants, the transmission network, and auxiliary services.

## Eco-Efficiency

The production at competitive prices of goods and services that satisfy human needs and the quality of life and at the same time gradually reduce environmental impacts and the intensity of resource use through the entire life cycle to a level that at least corresponds to the Earth's ability to absorb them. In short, creating more value with less impact.

## Electricity and Gas Authority

The independent body, established by law no. 481 of November 14, 1995, that regulates and supervises the services of the electricity and gas industries.

## Electricity pool

A market that all producers, eligible customers, and Acquirente Unico may access to buy and sell electricity.

## Electrolysis

The process that transforms electric energy into chemical energy, and is thus the opposite of what occurs in a battery. The electrolysis of water produces gaseous hydrogen and oxygen.

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**Eligible customer**

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A natural or legal person who is able to enter into electricity supply contracts with any producer, distributor or wholesaler both in Italy and abroad, without depending on the distributor whose network he is connected to.

Since July 1, 2004, all customers other than domestic ones have been eligible.

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**EMAS**

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Eco-Management and Audit Scheme. A scheme of environmental management and auditing according to EU Regulation 761/2001.

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**EPD®**

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Environmental Product Declaration is a scheme of voluntary product certification created in Sweden, but of international significance. It was developed to apply the ISO/TR 14025:2000 - Type-III Environmental Labeling.

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**Fuel cells**

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Electrochemical devices that convert the energy produced during chemical reactions directly into electric energy. They are classified according to the electrolyte used in the process: PEFC (polymeric electrolytes), AFC (alkaline electrolytes), etc. A number of fuels may be used, including natural gas, liquefied petroleum gas (GPL), and hydrogen.

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**Gasification**

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A process that converts coal (or other fossils) into gaseous compounds (carbon dioxide, methane, carbon monoxide, hydrogen, and mixtures of them that can be burned to produce energy). It takes place through a reaction with air, steam, oxygen, or mixtures of them.

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**Geothermy**

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The natural phenomenon, and its exploitation to produce electricity, of the heat (geothermal heat) present in large quantities in strata of the Earth's crust as deep as several thousand meters, which is made available through geothermal fluid (mainly water or steam) at relatively high pressures and temperatures.

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**Gestore del Mercato Elettrico - GME (Manager of the Electricity Market)**

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A company incorporated by Gestore della Rete to which is entrusted the organization and economic management of the electricity market, according to criteria of neutrality, transparency, objectivity, and competition among producers, and which also ensures the economic management of an adequate availability of the power reserve.

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**Gestore della Rete di Trasmissione Nazionale or Gestore della Rete - GRTN (Independent System Manager)**

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A corporation that is responsible for the transmission of electricity on the high- and very-high-voltage network – the management of which is entrusted to the company as a concession (Ministerial Decree of July 17, 2000) – as well as for dispatching, the activity that coordinates the functioning of the production plants, the national transmission network, and the networks connected to it, as well as the auxiliary services of the electric power system.

As part of a group, Gestore della Rete incorporated Acquirente Unico and Gestore del Mercato Elettrico, corporations of which it is the sole shareholder.

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**Gigawatt (GW)**

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One billion watts (one million kilowatts).

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**Gigawatt-hour**

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One million kilowatt-hours.

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**Green energy**

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A commonly used term indicating electricity produced from renewable energy sources, that is, ones that are able to continuously renew themselves, such as hydro, geothermal, solar, wind, and biomass sources.

### Greenhouse effect

The increase of the temperature of the Earth's surface and atmosphere caused by the accumulation in the atmosphere of gaseous substances that absorb infrared radiation. These substances ("greenhouse gases") are produced mainly by the combustion of fossil fuels such as wood, coal and oil for use in industry, transportation, and households and can change the degree of transmission of the heat of the atmosphere by limiting its dispersal outside.

### Greenhouse gas

A gas deriving from human activity and potentially capable of increasing the greenhouse effect. The Kyoto Protocol of 1997 identifies six gases with a greenhouse effect (carbon dioxide, sulfur hexafluoride, methane, nitrogen protoxide, hydrofluorocarbons, and perfluorocarbons) and sets goals for their limitation.

### Greenhouse gas emissions

Gaseous pollutants released into the atmosphere by the combustion of fossil fuels or otherwise, which increase the greenhouse effect. The greenhouse effect is generally considered the cause of global climate change.

### Gross efficient power (in MW)

The maximum quantity of electric power that can be continuously produced during a given, sufficiently long period of operation, assuming that all parts of the plant – from the terminals to the generators – are functioning.

### Gross production (in kWh)

The total quantity of electricity (including that generated by pumping) produced by all the generating units concerned (thermal prime motor and one or more electricity generators coupled mechanically), as measured at the output terminals of the main generators.

### Hydroelectric

A hydroelectric plant is a plant in which the potential energy of water is transformed into electric energy. There are three kinds of hydroelectric plants: run-of-river, storage, and pumped storage. They basically consist of two parts: a powerhouse (turbine-generator units and connected works) and hydraulic works (dikes, reservoirs, intakes, conduits, etc.).

### ISO 14001

The international standard for the adoption of environmental management systems issued by the ISO (International Organization for Standardization).

### Kilovolt (kV)

One thousand volts.

### Kilowatt (kW)

One thousand watts.

### Kilowatt-hour (kWh)

One thousand watts supplied or demanded for one hour.

### Kyoto Protocol

In December 1997, more than 160 nations met in Kyoto, Japan to negotiate an obligatory limitation on greenhouse gas emissions for developed countries in accordance with the objectives of the Framework Convention on Climate Change of 1992. The results of the meeting are contained in the Kyoto Protocol, in which the developed countries agreed to limit their emissions of greenhouse gases to the 1990 levels.

### Megavolt ampere (MVA)

The unit of measure of total electric power (active and reactive).

### Megawatt (MW)

One million watts.

### Megawatt-hour (MWh)

One thousand kilowatt-hours.

### Micro-generation

The generation of electricity with small plants that, because of their flexibility, can be installed all over.

### Milligrams per normal cubic meter

A measure of the concentration of atmospheric pollutants.



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**Net efficient power (in MW)**

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The maximum quantity of electric power that can be continuously produced during a given, sufficiently long period of operation, assuming that all parts of the plant are functioning, as measured at the point of entry into the network; that is, net of the power absorbed by the plant itself and the power lost in the transformers required to raise the voltage to the network value.

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**Net production (in kWh)**

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Gross electric power production net of the electricity absorbed by auxiliary generation services and losses in the main transformers.

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**Orimulsion**

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A fossil fuel from the basin of the Orinoco River in Venezuela, consisting of very fine bitumen dispersed in water.

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**PACI**

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The “Partnering Against Corruption Initiative”, sponsored by the World Economic Forum, which was endorsed in January 2005, in Davos, by about 60 international companies active in the energy, construction, and mining industries. Enel was one of them.

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**Photovoltaic**

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The direct transformation of the energy of light into electric energy.

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**Power transformer**

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A static device that transforms a system of alternating current into another system – generally with a change in current and voltage, but at the same frequency – in order to transmit electric power.

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**Rating**

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A concise judgment expressed by a firm specialized in the analysis and assessment of companies, in the form of a letter or number representing the financial situation of the company analyzed.

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**Regulated customer**

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A customer who may enter into an electricity supply contract exclusively with the distributor that provides the service in the area where the customer is located.

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**Risk management**

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Processes and instruments whose purpose is to prevent and manage unforeseen circumstances and exceptional events that can have impacts of various kinds and intensities on a company.

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**Sustainability index**

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Stock-market index based on the trading of shares of listed companies selected according to requisites of economic, environmental, and social responsibility.

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**Switching rate**

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The percentage obtained by calculating the balance between customers acquired and customers lost divided by the number of customers at the end of the period.

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**Terawatt-hour (TWh)**

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One billion kilowatt-hours.

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**Thermal**

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A thermal plant is a plant that uses fossil fuels (coal, natural gas, fuel oil, orimulsion) to generate electricity.

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**Unavailability for call into service**

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The fraction of nominal power that is unavailable because of unscheduled and/or unplanned causes during the periods in which the plant is called upon to produce.

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**Volt**

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The basic unit of electric force.

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**Watt**

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The basic unit of electric power.

This Sustainability Report uses photographs from the "The Seasons of Energy" photographic contest, which highlighted the creativity and artistic sensibility of Enel employees. Both Italian and foreign colleagues took part in the contest. They submitted more than 1,400 photos to tell about the four seasons of the year, the manifold aspects of nature, and the ways in which people experience their environment. Thousands of colleagues voted in a week and chose the 12 shots they thought best succeeded in combining energy and art, while seeking new forms of expression.

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