

Growth strategy



GROWTH STRATEGY

AES Tietê is the main platform for the business growth of AES Brasil. The diversification of the installed capacity for generation of centralized or distributed energy is in line with the group's Sustainable Strategic Planning. The main goal is to have 50% of its EBITDA, by 2020, from non-hydroelectric energy sources with long-term contracts.

To drive growth, AES Tietê incorporates new technologies and energy sources, such as distributed generation and battery-based storage. Thus, we offer integrated solutions to our customers, supported by the experience shared with AES Corp., a company with a wide energy generation portfolio, including distributed generation, and a global leader in battery-based energy storage.

Distributed generation

We offer our customers an integrated platform of solutions and services with the development of projects in distributed generation. Our operating model concentrates all phases of development and operation of projects: economic feasibility, installation, maintenance, operations, and management of energy generated.

In Brazil, we have entered into three contracts of distributed generation and evaluated the construction of our first "solar farm" for generation in the remote self-consumption model.



Advancion energy storage system (Warrior Run, USA)

Energy storage

In the battery-based energy storage sector, AES Corp. is a leading company worldwide. The solutions are installed in countries such as the United States, Chile and England and meet the needs related to decreased risk of intermittence of wind sources, increased supply in peak hours, and increase of renewable sources in the energy mix. In Brazil, AES Tietê is a pioneer in offering this solution to customers.

In 2016, we held an international Energy Storage seminar in São Paulo, aimed at

promoting the continuous dialogue with organizations in the electric sector, presenting technology, their applications and benefits, as well as contributing for the improvement of the regulatory model, aiming to promote the growth of storage solutions.

In 2017, the implementation of an Energy Storage system will be completed in our Bariri plant (read more on page 16), which will present to regulatory agencies and other audiences the practical benefits of this technology.



Capacity expansion

In 2015, we initiated the development of the Água Vermelha solar power plant project, with an installed capacity of 150 MW and located in the municipality of Ouroeste in the state of São Paulo, approximately 3 km from the Água Vermelha hydroelectric power plant of AES Tietê. The project already has a signed land rental option agreement, an established connection solution and environmental license issued by CETESB in 2016, and is able to take part in bids throughout 2016 and 2017.

Our expansion strategy also includes two natural gas thermoelectric projects in the state of São Paulo, which will have a net generation capacity of 500 MW and 579 MW, and will ensure emission rates below the guidelines established by the strictest world legislations due to technologies to treat effluent gases. One of our challenges in these projects is the coordination of supply sources to establish long-term contracts, with flexibility and competitive costs. In order to enable delivery, we evaluated the construction of a re-gasification terminal off the coast of the state of São Paulo, which would be built along with a thermal power plant to create synergy and optimize costs in the gas supply chain.

In 2016, in addition to the thermoelectric plants mentioned above, we started to study the feasibility of developing a third natural gas thermoelectric plant in the

municipality of Pedreira, in the state of São Paulo, where another thermal power plant that uses the fuel is located. Environmental pre-feasibility studies are being conducted to define the output allowed, before starting the environmental licensing process.

With these actions, coupled with the construction of the small hydroelectric plants (SHEPs) of São Joaquim and São José, and two more contracts to purchase biomass energy from sugarcane, we also aim to comply with the obligation to expand our installed capacity by approximately 400 MW, as established in the Privatization Notice. This obligation to expand could not yet be completely fulfilled due to modifications in the regulatory model that occurred after the effective date of the concession agreement and also to regional difficulties in the state of São Paulo such as the low volume of viable unexplored water resources and the wind and solar potential with lower load factors when compared with other regions in the country.

In January 2017, we negotiated with Renova Energia S.A. a proposal for the acquisition of wind farms in the Alto Sertão II complex, located in Bahia. The complex has installed capacity of 386.1 MW and the energy produced has a 20-year contract through new energy auctions held in 2010 and 2011. The proposed total for the acquisition was BRL 650 million and final definition on the proposal depends, among other factors, on negotiations and approvals associated with the project.