



חברת החשמל
Israel Electric

Israel Electric Corporation Ltd.



BdiCode ranking	2
INFRASTRUCTURE	1



Line of Business
Generation, Transmission,
Distribution and Supply of
Electricity

Established 1923

Mordechai Friedman
CPA, Chairman of the
Board of Directors
(correct to Dec. 31, 2009)

Amos Lasker
President and CEO

Israel Electric Corporation (IEC) is a public and government company, which generates and supplies electricity to all sectors in Israel, with 99.85% of the Company stock owned by the government. Its activities include: generation, transmission and transformation, distribution, supply and sale of electricity. The Company supplies available, reliable and high-quality electricity at a reasonable price, maintains a leading standard of service, and adheres to economic, commercial and environmental principles. Currently, about 13,000 employees provide service to 2.4 million homes.

2009 – Development Activities

IEC has stood at the forefront of developing the Israeli electricity sector for 87 years, and over the last decade has invested about USD 9 billion to this end. Although the Company is owned almost entirely by the State, the resources necessary to finance company development budgets originate from independent sources, by raising capital locally and abroad, and are not funded from the State budget. In 2009, the construction of two gas turbines in Ramat Hovav with 236 MW of installed capacity was completed, and electricity generation using natural gas began at Hagit. Commissioning of new units and the fast track approach to complete the new projects in Ramat Hovav, Hagit, and Eshkol, are part of the emergency projects system the Company has undertaken to reinforce the generation system's reliability and increase available reserves. Another seven new substations were started up and 13 kilometers of overhead circuits were added to the transformation system. At the end of 2009, Israel Electric's installed capacity totaled 11,664 MW.

Revenue, Capital Raising and Company Rating

In 2009, company revenues decreased by about 22.5% compared with 2008, and totaled some NIS 18 billion (about USD 5.5 billion). The Company rating, as determined abroad by Moody's, was Baa2/Stable Outlook, while S&P's rated the Company BBB/Negative Outlook. In Israel, Maalot S&P rated the Company AA/Negative Outlook.

Capital Raising Abroad:

- In January 2009, IEC raised USD 500 million from the investments banks JP Morgan and CITI Bank in the GMTN plan for institutional investors. These bonds were issued and registered for trade in the Singapore Stock Market (SGX).
- Approximately Euro 133 million were also raised by loans to finance the import of equipment, mainly to finance the emergency projects.

Capital Raising Locally:

- In February 2009, IEC raised some NIS 500 million by private bond issue for institutions.
- In March 2009, the Company borrowed NIS 250 million from the Discount Bank.

Debt Payoff:

- During 2009, the Company paid off debts totaling some NIS 5,619 million.

Electricity Demand and Peak Load

Electricity generation totaled 53,267 million KW in 2009, about 2.3% less than 2008. This decrease was a result of the economy crisis that contributed to an 8% decrease in industrial consumption. The water crisis, too, contributed a 12.5% decrease in electricity consumption for water pumping. Annual peak demand stood at 9,900 MW.

Continued Entry of Natural Gas into the Electricity Sector

During 2009, the trend to increase the role of natural gas in the Company fuel basket continued on account of fuel and diesel oil (the consumption of diesel oil fell by 70%).

Fuel use in 2009: some 151,000T fuel oil compared with 390,000T in 2008; about 203,000T diesel oil compared with 694,000T in 2008 – a decline that contributed to a significant reduction in cost and emissions; about 12 million tons of coal compared with 12.7 million tons in 2008; while in 2009, the use of natural gas rose by 17% from 2.8 million tons compared with 2.4 million tons in 2008. Natural gas usage in electricity generation in 2009 stood at 33%, an increase of 27%, compared with 26% usage in 2008. This sharp increase shows the Company's commitment to the environment to improve the standard of air in addition to the many other resources the company invests to reduce environmental damage.

The Yam Thetis Group supplied 63% of the natural gas and 37% was supplied by Egypt's EMG. As of 2004, Israel's economy has saved a billion dollars, compared to the alternative fuel basket had natural gas not been integrated into the system. According to the Ministry of National Infrastructure's policy, the proportion of electricity generated by natural gas is limited to 40% of the total generation in the country due to strategic considerations of reliability and availability of natural gas as the economy's principal fuel. Keeping this in mind and considering Israel's geopolitical position, there is great significance in energy-source diversification in the coming years.

Promotion of Sensible Use of Electricity and Energy Efficiency

In 2009, IEC continued to promote a national plan to save electricity, to prevent situations of electricity shortage management and reduce the urgency for installation of additional generation units. Demand Side Management (DSM) has been another central factor added to the plan; it is a long-term plan to change customers' electricity consumption habits, towards reducing increase in electricity demand, in general, and peak demand hours, in particular.

The company encouraged its large customers to agree to divert their electricity consumption from peak-demand to low-demand hours. It promoted DSM tariffs and special arrangements such as load shedding by private generators, the 20/10 accord to reduce demand in the summer of 2009, regularization of photovoltaic installations, etc. Of course, efforts to save electricity and promote energy efficiency are also practiced by the Company itself as "we practice what we preach."

During 2009, the first stage of the Customer Relationship Management

Project was completed. Five Contact Centers replaced the 19 that existed previously. Once the project is completed, a computerized system will come on line to manage "customer files" and provide a comprehensive response to a customer inquiry from a single service representative.

In efforts to improve service, about 25% of the Company's strategic customers joined a service arrangement to receive account status updates and consumption data at any given time. Haifa and Jerusalem Districts have already begun reading meters by the "walk-by" automatic meter-reading system, allowing for remote meter-reading by hand-held computers.

Structural Change, Plan for Organizational Change and Increased Efficiency

The structural change in the electricity sector is a complex problem pending for more than ten years. During that time, the Electricity Sector Law underwent many amendments. At the beginning of May 2009, Company management, several government departments, the Histadrut and IEC Workers' Union agreed to start negotiating the structural changes in the electricity sector, organizational changes and efficiency increase. In the beginning of 2010, the parties began their talks that continue currently, to reach an understanding on all these issues.

Business Development

As of March 2007, IEC began selling its expertise in constructing projects in Israel and abroad aiming to achieve a billion shekel income by 2012. The Company also takes commercial advantage of the byproducts of the electricity generating process, such as coal ash and gypsum, and encourages the development of marine agriculture nourished by emission gases and the sea water used to cool generating units. With the foreseen entry of electric cars into Israel, the Company is preparing a wide range of services to realize its objectives as an essential service provider in this field. It has instigated business cooperation with entrepreneurs involved in the electric car market to construct the necessary infrastructure.

During 2009, Israel Electric was granted a license to establish a pilot in Kiryat Shmoneh with Internet and Telecommunication companies. Pilot participants will be connected by optical fiber to the home (FTTH) via the electricity-grid infrastructure, will benefit from broad-band internet service (110 megabytes per second), and telephone services on the internet network (VOB). The Company also intends to install solar antennae on electricity poles, and participates in national efforts to increase energy efficiency in factories and institutions, by using solar energy and renewable energy sources to generate electricity.

In the international arena, IEC has expanded its involvement in power station planning projects in South Africa, Greece, and Spain. It is also active in the field of renewable energy (wind, photovoltaic cells, and hydro-electric energy) and is developing markets in the Balkans, Turkey, and Africa.

The Environment

As a result of IEC's activity in environmental conservation, the Company has succeeded in significantly reducing emissions per KWH, including CO₂ emissions, known as the global greenhouse gas. This was achieved by the integration of natural gas and increasing operation of combined-cycle generating units. This trend in emission reduction has continued for more than a decade, and is expected to continue, as the existing coal generating units are upgraded. The Company insists on using high quality coal (low sulfur content) in its power stations, and continues installing emission reduction measures to reduce nitrogen and sulfur oxide emissions. Designing the installation for treating urban sewage was completed at the Orot Rabin Power Station in Hadera; while demolishing and removal of the installation and infrastructure at the fuel store at the Reading Power Station has started. In Alon Tavor, the use of treated sewage waste water as cooling water for the combined-cycle units was commissioned. The Company continues to ready itself, together with the Ministry of Environmental Protection, for the Clean Air Law, which is expected to come into force by January 2011.

The Technology Innovation Unit in Israel Electric (KARAT) invites inventors and entrepreneurs to submit proposals for innovative technological ideas in energy and environment. In return, it provides professional, financial, legal, and strategic support to promote commercial success. In 2009, two companies were approved and further efforts are being made to identify additional companies.

Company Involvement in the Community

Israel Electric maintains an extensive network of community work, based on the belief that it has a responsibility and obligation to the community. There exists a long list of projects with the cooperation of the Ministry of Education, the Ministry of Environmental Protection, local authorities, *Eshkolot Pais*, *Taasiyeda*, universities, and the Israel Association of Community Centers, and others.

The many activities specially singled out are: the "Young Leadership" Project in cooperation with the Israel Management Center (IMC); "Green Sparks Electricity" Project, an educational-community program for 8th graders; and the "Technicians and Matriculation" Project, in cooperation with the Manufacturers Association of Israel, awarding a Technicians Diploma – Matriculation Certificate.

The "Nativ HaOr" Project promotes safe and sensible electricity use through fun-educational activities. This year, some 936 schools in 93 local authorities throughout the country participated in the program, with the voluntary assistance of 256 company employees and 55 pensioners.

Risk Management and Continued Business Activity

Like all organizations, Israel Electric is exposed to risks which may affect its modus operandi and achievement of objectives. In 2009, IEC carried out a number of risk management surveys in its operational and construction sites, and held professional training sessions for division management and executive assistants.

