



ENERGY IN A NEW REALITY



Never before have climate and sustainability attracted so much attention as in 2019. All over the country, from residential neighbourhoods to rural areas, massive investments are being made into solar energy. By embracing renewable energy, consumers, companies and governments are jointly building a new energy system. And Enexis is facilitating this drive across a large part of the Netherlands. Much has changed in our 10-year history as Enexis Groep. A new reality has emerged in the energy landscape.

As a grid operator, we are an increasingly visible link in the energy transition. Last year, we placed our signature on the Dutch Climate Agreement and were a prominent participant in the talks about the Regional Energy Strategies. We are contributing to the energy revolution and actively seeking cooperation. We need cooperation with market parties and energy suppliers in such areas as data exchange and privacy protection. We work together with training institutes to promote skills and knowledge development and to get young people enthusiastic about our work. With local administrators we work out sustainability plans and discuss regulatory amendments with ministries and supervisors. All these forms of collaboration enable us to coordinate our efforts, achieve objectives faster, and move the energy transition forward.



OUR DRIVE TO CONNECT SUSTAINABLE INITIATIVES

Whilst we are working hard to build the energy system of the future, the main thing for our customers is to have a secure energy supply every day. Reliable access to energy is a certainty in our society. Our low outage time, 14.2 minutes for electricity and 51 seconds for gas in 2019, is something we want to maintain. Enexis will therefore stick to its course amidst the turbulence of the energy transition. It is our task to ensure an energy supply that is safe, reliable, affordable and accessible to everyone, both today and in the decades ahead. That's a difficult assignment, because we must make long-term investments in renewable connections now, even though the definite design of the new energy system is not yet ready.

The number of renewable feed-in connections has tripled in the past five years. So far, Enexis Netbeheer has managed to keep pace with this development thanks to smart investments. But the potential for more large-scale renewable production on the electricity grid is currently limited. This became clear in 2019 when we sometimes had to say "no" to customers and were unable to connect all renewable projects to our grid. Disappointing customers in this way was a painful, but necessary decision. Because business-based renewable initiatives require a lot of transmission capacity and our grid is not always equipped to handle this demand, particularly in Groningen, Drenthe and Overijssel. Together with TenneT, we are trying to establish how we can create sufficient capacity and how much time this will take. To prevent the queue of customers growing in the meantime, a new legal obligation was introduced in 2019 for applicants for the SDE+ renewable energy grant scheme. They must now have a statement from the grid operator indicating that sufficient transmission capacity is available for their application. A subsidy application without confirmation of transmission capacity will not be processed. This increases the chance of grant-approved projects being realised, thus ensuring that the grants are actually used for renewable generation.

SCARCITY CALLS FOR MORE FOCUS

Last year, transmission constraints were compounded by a shortage of staff and materials. Both strike at the heart of our operational work and, hence, affect our customers. One question we ask ourselves daily is: how can we get the work done safely with a limited number of people? First and foremost, we were fortunately able to count on the loyalty of our staff in these extra busy times. We are proud that our teams stand ready day and night to get the job done. Secondly, we made choices in our work scheduling: what must we do now, and what can wait? The four priorities we set for 2019 were: safe working, customer-driven working, improvement projects for the customer and accelerating the energy transition.

Safety is always our highest priority. It is the cornerstone of our work and the energy system, a certainty that our employees, their families and customers can always rely on: we work safely or not at all. Everyone must return home safely and in good health every day. For several years now, our safety score at Enexis has been on an improving trend. We also notice that safety awareness within the organisation is steadily growing. In 2019 we focused on leadership and encouraged employees to challenge one another about potentially unsafe situations. Changing behavioural patterns is not always easy, but we are doing what we can to remove impediments by means of workplace discussions, for example. We are convinced that the reinforcement of our operational management will enable us to realise a growing work package. At the same time, more

technicians and IT staff are needed to achieve sustainable neighbourhoods and technological innovation in the grids. To address this problem, we run our own technical skills academy to train technicians. In the year ahead, we will continue to grow and place emphasis on skills and learning.

PRIORITY TO CUSTOMERS

Based on the priorities set in 2019, customer requests always came first last year. Maintenance and replacements were postponed, provided our grid and work remained safe. Despite this priority treatment, we could not realise consumer and business connections on time in all cases. That is annoying, because we know that delays can cause great inconvenience to customers. To discuss their expectations, we now more frequently contact customers in person. This personal approach is appreciated. And our consumer satisfaction ratings have risen. Large corporate users, however, were less satisfied due to the long waiting times. In the current conditions, it is difficult to increase customer satisfaction to a permanently higher level but we are not satisfied with where we stand now. By increasing our operational capacity, improving the planning and personal interaction with customers and suppliers we are working on continuous improvements. This helped us to strengthen the focus on our activities in 2019. That is why we stick to the same priorities in 2020: consistency is the best way forward.

NEW ENERGY TRANSITION ISSUES

The shape of the energy system of the future is still a big unknown. An integrated vision is key to make the correct decisions for our brand-new energy system. The Dutch Climate Agreement was a first step and its implications will be worked out in more detail in the coming months in the Regional Energy Strategies. In all our service areas we are arguing for an energy system that combines renewable electricity, green gas and sustainable heating. In this way, we are utilising the existing infrastructure to the full and keeping the transition on track.

Ensuring that energy remains affordable for everyone in the future is a crucial challenge. On the one hand, the energy system must be kept up and running at the lowest possible costs to society; on the other hand, major investments in the energy infrastructure are needed now. Together with other grid operators, we are working on a tariff structure that stimulates efficient use of the grid as well as a fair distribution of costs. Enexis will invest proactively to future-proof the energy infrastructure, although the period between costs incurred and their recovery under the regulatory framework needs to be shortened. This applies not only to our own investments, but also to TenneT's rising procurement costs.

In addition, regulatory adjustments are necessary to create room for the rapidly growing volumes of renewable solar and wind energy being fed into our grid. Grid operators are currently obliged to maintain reserve margins in transmission capacity. Permission to use this 'emergency lane' on the grid for intake from producers would create about thirty per cent more capacity. In addition, transmission capacity is built to cope with the peak output of customers. It would make a big difference in transmission capacity if energy producers curtailed a portion of their peak output. This can be done in various ways; temporary storage of peak production would also help.



MEETING CHALLENGES TOGETHER

As the Netherlands moves rapidly towards a more sustainable future, a new reality is emerging in the energy landscape. Alongside an integrated vision of the energy system, fundamental political and social choices must be made. One key issue concerns the role of solidarity in the provision of energy as a basic necessity. Our current task as a grid operator is to provide everyone with access to energy. But will this continue to be affordable in the future? Cooperation is crucial to achieve bigger goals. We feel supported by thousands of businesses which – like ourselves – are striving for a better world and committing to the Sustainable Development Goals (SDGs) of the United Nations. Last year, we again selected the goals through which we can make the biggest possible contribution to society. And in the coming period, we will continue to shape our corporate social responsibility activities in line with the OECD guidelines.

Irrespective of all the uncertainties, we are confident that our society can build a solid and sufficiently flexible energy infrastructure for the new era of renewable energy. Our employees deserve a big compliment for the increasing enthusiasm and mutual cooperation throughout the past year, as demonstrated in the employee survey as well as on many other occasions. At Enexis we all stand ready to help drive forward the energy landscape of the future.

Executive Board of Enexis Holding N.V.,

Peter Vermaat, CEO

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