



# “ FOCUSING ON FACILITATING THE ENERGY TRANSITION ”

FOREWORD BY THE EXECUTIVE BOARD

The Dutch economy is growing, undergoing a digital transformation, and becoming increasingly sustainable. We invested nearly one billion euros in 2021 to support this progress. In this manner, we are helping to build the energy system of the future and to ensure that customers can rely on energy every day. As this is the value that we contribute to society as a grid operator.

How strongly we are embedded in society as a grid operator became clearly visible in 2021 during the floods in Limburg. The impact of climate change suddenly came very close for our customers and employees. During the flood, our employees were on site day and night to help customers and to safely restore the energy supply. This dedication is part of our DNA. Right from the very beginning, we have been working hard to ensure lights keep burning and gas continues to flow. We continued to do so in 2021, also when the country was in lockdown due to COVID-19. Under these extraordinary circumstances, our employees - from home, in the field and behind the front door at customers - demonstrated their resilience again and again. Everyone made a huge effort for healthcare institutions, businesses and the thousands of people who were working from home for whom energy is indispensable. The average outage time in 2021 was 17.6 minutes for electricity (2020: 13 minutes) and 75 seconds for gas (2020: 81 seconds).



We are proud that we have still been able to maintain the level of reliability and safety now that the energy transition is increasingly demanding more from us. In all circumstances, safety is a number one priority for Enexis: for consumers and businesses in our environment, our employees and for the contractors with whom we work.

### **MAKING THE IMPOSSIBLE POSSIBLE**

Our work is dynamic and complex in this phase of the energy transition. In order to realise the climate goals, we are preparing our infrastructure for more renewable energy. In the meantime, the public debate regarding the exact route to 2050 is still being waged. This poses several structural challenges for us. How can we keep up with the pace of the energy transition? How can we build an infrastructure if we do not know exactly what the energy system will ultimately look like? And how do we ensure that the energy transition remains financeable and affordable? Over 670,000 customers fed renewable energy back into our grid in the past year; an increase of more than 25% in one year. One and a half up to two times as much capacity is required to be able to continue to facilitate this. Therefore, we have to upgrade and expand our grids in many areas.

We built a record number of new power stations and realised more transmission capacity than ever in 2021. We installed more than a thousand kilometres of cable. Nevertheless, the number of congestion points increased in the electricity grid. We were not always able to meet the demand for power and that has a large impact on customers. For instance, they did not always get a new connection or extra capacity on time. There was a shortage of capacity for feeding energy back into the grid in 2021. It may also occur in the coming years that there is too little grid capacity to meet the demand for power in some areas.

This could have major consequences for high-volume customers who wish to, for example, expand their businesses or need a new connection for a new to be built care centre. There is simply not enough capacity in the electricity grid. We are doing everything in our power to help our customers deal with this situation and to see whether there are possibilities in their area; however, unfortunately, expanding our grids takes a lot of time. Moreover, the capacity of TenneT's high-voltage grid will also have to be expanded. Despite the longer waiting times, customers appreciate it that we are transparent about processing times. In order to be able to work faster and more efficiently, we advocate planning and prioritising of activities by the government. This is necessary to be able to make clear choices regarding what the grid operators should give priority to, what can still wait a bit longer, and what does not have to be installed. At present, there is no prioritising framework and, as a result, we do not have any statutory possibilities to give priority to projects that have a high added value for society. We do not consider this desirable in this stage of the energy transition.

To ensure that energy remains accessible for everyone, we will have to start making more efficient use of the existing electricity grid in addition to a rapid and effective expansion of the grid. With energy regions, provinces, municipalities, project developers and customers, we are discussing what is possible in which areas and what is feasible in which timeframe. In addition, we are looking for and finding ways to transmit more electricity via the existing grid. For example in Emmen, where a solar farm could be connected safely by making structural use of the spare capacity of the grid. With this solution, we can realise around 1,000 MW in transmission capacity in our whole service area for interested initiators.

### **EXECUTION: FEASIBILITY AND AFFORDABILITY**

This workload in connection with the energy transition is so large that the all the work cannot be carried out at the same time. Creativity is required to find smart, pragmatic solutions together with our stakeholders. We are constantly looking for new employees to help us get the job done. A challenge, as there is already a huge shortage of experienced technicians, IT specialists, and data analysts on the labour market and this will probably not change in the coming years. We succeeded in hiring over 525 new employees in 2021 and we invested no less than € 38 million in training and education. In the coming year as well, we will do everything in our power to increase our workload capacity and make maximum use of the capacity of contractors.

To ensure that the energy transition remains feasible and affordable, we are also examining our approach and processes critically. How can data, digitalisation and innovation help us get more work done? What can we do more efficiently and faster? We have set ourselves the goal to take another step in working efficiently and thus reducing costs. To remain financially sound, it is also important that our revenues increase. Unfortunately, the new method decision of the Netherlands Authority for Consumers & Markets (ACM), which determines the revenues of grid operators for the coming years, is not sufficient to cover the strong increase in investments in the electricity grid. Together with two other large grid operators, we asked the government in 2021 if they could help us with the large funding requirement that we are facing as a result of the energy transition. Enexis was able to successfully issue a green bond loan of € 500 million again in April 2021.

### **FOCUS ON CORE ACTIVITIES**

The energy transition is one of this generation's biggest challenges. We are doing what we can, and we are carrying out more work year after year. However, we are aware that this is still not enough, and our customers are also experiencing this. At the same time, we see this as a unique opportunity to help the Netherlands become more sustainable. Approximately 50% of the national climate goals for renewable electricity generation onshore will have to be achieved in our service area in 2030. To be able to succeed in this task, we will have to focus on our core activities as a grid operator. This is the point of departure in our new strategy, which we will present in April 2022.

We are a co-facilitator of the energy transition in our service area. Therefore, it is our ambition to play an active role in designing the energy system of the future. We continue to develop plans, together with our stakeholders, for renewable energy generation onshore, the heat transition and electric mobility. In doing so, we will communicate our vision clearly and always aim for the most optimal choices for society. We continue to emphasise how important it is that we set priorities together in the Netherlands as it is simply not possible to do everything at the same time. In the meantime, we will continue to focus on getting the work done and we will concentrate our innovation capability on our core activities. We set the first concrete steps in 2021 in this area, with the intention to sell Fudura and by downscaling the activities of Enpuls. Our organisation has been restructured and is ready for the future.



Our contribution to the Sustainable Development Goals (SDGs) of the United Nations will remain equally substantial in the future. On the one hand, via our core business by connecting as many sustainable projects as possible. But also, by making conscious choices as an organisation in the area of sustainability. For instance, we have opted to remain CO<sub>2</sub> neutral.

### **LOOKING AHEAD**

Our company will continue to grow in the coming period, in investments, infrastructure, and relevance as well as in workforce. Fortunately, we can count on our dedicated and skilled employees to help us fulfil our task within society as a grid operator. Together, we are working on a historical transition that will have a lasting impact for generations to come. We are proud to be part of a community that is building a new, sustainable energy system and that is thus helping to mitigate climate change. With energy and a strong focus, Enexis is confident that it will be able to deal with the challenges that it will be facing in the future.

### **Executive Board Enexis Holding N.V.,**

Evert den Boer, CEO

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