

ESPI report

Company: Photon Energy N.V.

Number: 9/2024

Date: 2024-03-20

Market types: Warsaw Stock Exchange and Prague Stock Exchange regulated markets

Title: Photon Energy Group Secures Polish Capacity Market Contracts for 316 MW, Locking in Revenues of EUR 13 million for 2025

Detailed data:

The Management Board of Photon Energy N.V. informs that its subsidiary Lerta JRM Sp. z o.o. (part of the Company's New Energy Division) has succeeded in the additional 2025 Polish capacity auction with 315 MW of Demand Side Response ('DSR') capacity and 1.088 MW of renewable generation. With the previously contracted capacity of 10 MW for 2025, the Company's total capacity obligation of 316.088 MW will ensure PLN 56.1 million (EUR 13 million) in Capacity Market revenues for 2025.

On 14 March 2024, PSE S.A. (Polish Transmission System Operator) conducted its additional auctions for each quarter of 2025. Photon Energy participated and secured 316 MW in capacity, with 315 MW designated for DSR (Demand Side Response) units. Including previously contracted capacity, the Group's total maximum capacity contracted with PSE will be 326.088 MW in Q1 2025 and lower in the following quarters. The auction for Q1 cleared in the second round, while Q2, Q3, and Q4 cleared in the eighth round, reflecting lower demand for capacity in these quarters. Based on preliminary results, the Group secured an average price weighted by volume of PLN 172,168 (EUR 39,892) per MW/year, including the previously contracted capacity of 10 MW, ensuring contracted revenues of PLN 56.1 million (EUR 13 million) for 2025.

Though the contracted volume and revenues may seem lower compared to the Company's previous declarations, it is a deliberate strategy to maximize gross profit from the Virtual Power Plant business. After detailed analysis of auction parameters and potential price paths, the Photon Energy VPP team concluded that the original volume would depress prices to unsatisfactory levels of ca. PLN 85,000 (EUR 19,696) per MW/year. Given recent successes with secondary market optimizations, including purchasing additional capacity obligations, the Company chose to secure higher revenues from lower volumes and pursue additional transactions in the secondary market afterwards. The auction results affirm the effectiveness of this strategy, enabling the Group to secure revenues higher by PLN 18 million (EUR 4.2 million) compared to initial assumptions of 490 MW, while preserving significant potential for additional Capacity Market revenues from the secondary market. The Group intends to maintain its capacity growth, building on the very satisfying volume of 389 MW contracted for 2024 and is currently aiming to reach 430 MW in 2025.

The auction results are announced less than three months before the new related market opens in Poland - ancillary services provided by independent market participants. Scheduled to open on 14 June 2024, this market will enable the Company to monetize a significant share of assets currently managed for the Capacity Market by providing balancing capacity and energy during short-term needs. Unlike the Capacity Market, which is a long-term investment incentive and a relatively slow tool for grid support, ancillary services, particularly frequency restoration reserves, offer high availability and close-to-real-time grid balancing tools. This will utilize assets of independent participants, including aggregators like Photon Energy, and enable the Company to generate additional significant revenues on top of Capacity Market revenues from aggregated energy resources on both sides – generators (CHPs, PVPs, biogas units, etc.) and consumption (behind-the-meter energy sources, batteries, reserve diesel generators, pumps, HVAC, etc.). These innovative tools are being deployed across Europe

following the new Electricity Market Design directive, and the Group is preparing to launch in 2024 in three European markets: Poland, Hungary, and the Czech Republic.

Legal basis: Art. 17.1 MAR.