

Photon Energy Secures DSR Capacity of 389 MW and Locks-in EUR 24.8 Million in 2024 Revenue

- ▶ The Company secured DSR (Demand Side Response) capacity of 375 MW in the additional Polish TSO auction for 2024, on top of the previously contracted capacity of 14 MW for the same year.
- ▶ The contracts lock in PLN 116.8 million (EUR 24.8 million) in total DSR revenues for 2024.
- ▶ The Company intends to provide 600 MW of DSR capacity in Poland by 2026 and aims for 1 GW by 2030.

Amsterdam – 21 March 2023 – Photon Energy N.V. (WSE&PSE: PEN, FSX: A1T9KW) (the ‘Group’ or the ‘Company’) announces that its subsidiaries Lerta JRM Sp. z o.o. and Lerta S.A. (part of the Company’s New Energy Division) have succeeded in the additional 2024 Polish capacity auction with 375 MW of Demand Side Response (‘DSR’). With the previously contracted capacity of 14 MW for 2024, the Company’s total DSR capacity of 389 MW will lock-in PLN 116.8 million (EUR 24.8 million) in total DSR revenues for 2024.

The Additional 2024 Capacity Auction

On 16 March 2023 PSE conducted its additional auction for 2024. Photon Energy participated in the auction and secured 375 MW in DSR capacity. Including previously contracted capacity, the Group’s total DSR capacity contracted with PSE will be 389 MW in 2024. Reflecting tight supply, the auction for Q1 and Q4 2024 cleared in the first round, while Q2 cleared in the fifth round and Q3 cleared in the sixth auction round. Based on preliminary results, the Group managed to secure an average price of PLN 303,868 (EUR 64,515) per MW/year, including the previously contracted capacity of 14 MW, locking in contracted revenues of PLN 116.8 million (EUR 24.8 million) for 2024.

Polish DSR Strategy and Plans

After having contracted DSR capacity of 54 MW and 134 MW with PSE for 2022 and 2023, respectively, the result of the additional auction for 2024 and the resulting total capacity of 389 MW manifest a highly dynamic growth trajectory for the Group’s DSR capacity aggregation business in Poland, with total capacity growth of 190% and revenue growth of 224% between 2023 and 2024. Photon Energy’s revised strategic goal for the Polish DSR market is to reach 1 GW of DSR capacity in 2030 by adding approximately 100 MW annually to be contracted in the upcoming annual additional auctions as well as the main auctions for 2028, 2029 and 2030.

The Group’s growth strategy in the Polish capacity market is built on several pillars, including:

- ▶ a highly professional sales team able to win both large industrial energy users and SMEs to monetise their flexibility via DSR
- ▶ the expansion of DSR participants, as for 2025 flexible capacity in Germany, the Czech Republic, Slovakia, Lithuania and Sweden will be permitted to participate in providing DSR services to PSE; Photon Energy is gearing up to tap this new market potential
- ▶ a strong focus on integrating energy storage assets (both Photon Energy- and third-party owned) into the capacity offer in the upcoming auctions.

The Strategic Perspective

Photon Energy's success in the Polish capacity auction for 2024 is an important milestone on its journey to becoming the market-leading DSR provider in Poland, with a target of 1 GW in 2030. The PSE auctions are for the readiness to provide DSR services on-demand in case of grid stress events, which to-date have occurred rarely.

The flexibility embedded in the Group's DSR capacity portfolio remains available for other purposes, such as optimising its electricity-trading balancing circle, lowering the energy costs of its electricity customers and providing ancillary services to the power grid most of the time, all of which can generate additional revenues and cost savings. Revenues contracted in the DSR auctions represent a baseline to which material additional revenues will be added, especially once the ancillary services market commences operations, currently scheduled for 1 January 2024.

With the demand for DSR services growing across other markets where the Group maintains a presence, as well as markets such as Italy, Spain and Ireland introducing DSR services procurement mechanisms, Photon Energy has a rapidly expanding addressable global market.

The recently introduced Wholesale Demand Response service in Australia, which enables the electricity market operator to avoid extremely high wholesale electricity prices, is a first step in another of Photon Energy's core markets. Furthermore, a new capacity mechanism sharing many similarities with the Polish Capacity Market has been announced, set to begin in 2025. On that basis, a roll-out in Australia is one of the Group's top priorities for 2023. Photon Energy is also in the process of obtaining an electricity trading license in Australia, which will create additional opportunities for revenue creation by utilising its VPP platform and integrated services.

'The great news is that our success in the Polish capacity auction, coupled with what we still believe to be significant growth potential for DSR services and the expected start of a market for ancillary services in Poland, is still only the tip of the iceberg. Markets for DSR, multiple forms of supply flexibility and ancillary services are being established in our current home markets in the CEE region and in Australia, as well as a rapidly growing number of markets worldwide, at a rapid pace. While EUR 24.8 million in contracted DSR revenues in Poland for 2024 represent a new strong pillar of stable revenues and underscore the financial logic of Lerta's integration into the Photon Energy Group, our ability to leverage our people, experience and VPP tool to address a rapidly developing global market is the even more exciting message for today,' commented Georg Hotar, **CEO of Photon Energy Group**.

Borys Tomala, New Energy Division Director of Photon Energy Group added: 'Today's capacity auction results once again confirm our ability to maintain a very satisfactory growth rate, which is primarily due to our transparent approach to our partners and the comprehensiveness of our integrated offer, including participation in DSR, energy supply and technical solutions such as photovoltaic power plants. We are also excited to continue our mission of transforming passive energy consumers into grid-saving flexumers, thus unlocking new revenue streams for them, now not only in Poland, but also in neighboring countries, and soon in Australia.'

About Photon Energy Group – photonenergy.com

Photon Energy Group delivers solar energy and clean water solutions around the world. Its solar power services are provided by Photon Energy; since its foundation in 2008, Photon Energy has built and commissioned solar power plants with a combined capacity of over 125 MWp and has power plants with a combined capacity of 97.6 MWp in its proprietary portfolio. It is currently developing projects with a combined capacity of 931 MWp in Australia, Hungary, Poland and Romania and provides operations and maintenance services for 380 MWp worldwide. Photon Energy's soon fully owned subsidiary Lerta owns electricity trading licenses in Poland, the Czech Republic, Slovakia, Hungary, Romania and Serbia and through its Virtual Power Plant (VPP) aggregates energy generators and consumers with a total capacity of nearly 300 MW. Lerta is the third largest provider of DSR services to the Polish TSO with 134 MW of contracted capacity for 2023. The group's second major business line, Photon Water, provides clean water solutions including treatment and remediation services, as well as the development and management of wells and other water resources. Photon Energy N.V., the holding company for Photon Energy Group, is listed on the Warsaw, Prague and Frankfurt Stock Exchanges. The company is headquartered in Amsterdam, with offices in Australia and across Europe.

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Balancing the power grid has been rendered ever more challenging by the fundamental change in the energy mix, as mostly non-renewable baseload generation capacity is retired and the share of mostly intermittent renewable energy capacity is growing rapidly. Furthermore, the physical expansion of the power grid is not keeping pace with the demand for new renewable and flexible energy generation capacity.

As a result, the only viable solution is a significantly more efficient utilisation of the power grid. This can only be achieved by converting as many currently inflexible and intermittent energy users as possible into 'flexumers'.

Flexumers are energy users with a high level of control over their energy consumption, ideally possessing on-site energy generation and storage capacity and thus having significant flexibility in the timing of their power grid usage. As a result, flexumers can benefit from intra-day lows in energy prices as well as generate incremental revenues by providing support to the power grid.

Flexible peak generation capacity (mostly gas) is, in many markets, fully utilised and expensive. DSR, the reduction of electricity consumption on demand by the transmission system operator ('TSO'), is increasingly becoming a vital tool in keeping the power grid balanced.

Photon Energy aggregates DSR capacity from a fast-growing number of flexumers and delivers it to TSOs. During a system stress event in the Polish power grid in the evening hours of 23 September 2022, the Polish TSO PSE S.A. ('PSE') called upon all contracted peak generation and DSR capacity to avoid a blackout following the temporary unavailability of 16 GW of coal generation capacity and low production volumes from wind power plants. As most DSR capacity in Poland outperformed their committed reduction volumes it is accurate to say that it played a vital role in keeping the lights on.