

ESPI report

Company: Photon Energy N.V.

Number: 17/2023

Date: 2023-03-21

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

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

Detailed data:

The Management Board of Photon Energy Group 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.

Legal basis: Art. 17.1 MAR.

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