



# Quarterly statement: Elia Group Q3 2021

## Regulated information

## Highlights

- Good progress on delivering the investment plan. 50Hertz received final permit approval for Ostwind 2 and substations of Rochefort and Pepinster are operational again after floods
- Europe approves Belgium's capacity remuneration mechanism and first auction successfully organized
- BNetzA sets return on equity for the next regulatory period
- Elia Group and Octopus Energy Group solidifying commitment to putting consumers at the heart of the energy transition
- First ESG rating for Elia Transmission Belgium
- A new way to communicate grid imbalances to market participants
- Nemo Link continues to deliver an outstanding operational and financial performance leading to an upwards revision of the outlook for 2021

### 50Hertz received final permit approval for Ostwind 2

50Hertz received the final permit approval for the Ostwind 2 project in mid-September 2021. By reaching this milestone, the overall project is fully approved and the project team can start the sea cable laying in the affected section of the route directly in front of the Arcadis Ost 1 offshore substation. For expanding the transmission capacity of the onshore substation Lubmin, new transformers have been delivered. Significant progress was also made in the production and laying of the cables. Once completed, the Ostwind 2 grid connection will be able to supply 750 megawatts (MW) of wind energy to German consumers.

### Further strengthening of the onshore grid

#### All substations operational again after floods

The urgent repairs that needed to be carried out in our Rochefort and Pepinster substations following the mid-July floods in Belgium have now been completed. Due to good cooperation with our subcontractors and the distribution system operators, the repair work was completed faster than planned.

#### Approval procedure started for the converter of the German-Swedish interconnector Hansa PowerBridge

To transport energy between the Swedish and German alternating voltage grids via the interconnector (across a distance of 300 km), the electricity has to be converted into direct voltage by the converters at either end of the interconnector. In Germany, the Hansa PowerBridge will be connected to the transmission grid via the Güstrow substation.



For further information

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The documents relating to a preliminary decision regarding the installation of the converter in Lüssow have been submitted to the relevant authorities. Receiving a positive preliminary decision will be the first step towards obtaining the permit for the construction and operation of the converter. The Hansa PowerBridge will transport about 700 megawatts of power and is due to be operational in 2026.

### **Work on Nordring Berlin can continue**

50Hertz can continue work on upgrading the Nordring, which runs over to the north of Berlin. The project involves replacing an existing 220 kV line with a new 380 kV line. The line is 75 kilometres long and is key to 50Hertz's ambition to supply consumers with an increasing amount of green electricity and integrate 100% renewable energy into its system. The project was temporarily halted after a complaint that has now been dismissed by the courts.

### **Commissioning of new substation**

50Hertz has commissioned a new substation near Altdöbern in the southeast of the 50Hertz control area, where a great deal of renewable energy is generated. While the region used to be highly dependent on lignite mining, a growing number of photovoltaic installations and wind turbines are now feeding electricity into the local distribution system. With the new substation, this electricity can be transformed into extra-high voltage and transported to load centers via the 50Hertz transmission grid. 50Hertz has invested approximately €40 million in Altdöbern to meet the greater demand for electricity from renewable energy sources in this region.

## **Europe approves Belgium's capacity remuneration mechanism and first auction successfully organized**

The European Commission has approved, under EU State aid rules, Belgium's capacity remuneration mechanism. The measure will contribute to ensuring the security of the country's electricity supply - particularly given Belgium's decision to phase out all of its nuclear capacity by 2025 - without unduly distorting competition in the European Single Market. It is the first capacity mechanism to be approved by the Commission following the introduction of the new Electricity Regulation.

Elia has published the results of the first capacity remuneration mechanism auction for the 2025-2026 delivery year. The results show that market players offered sufficient capacity as part of a competitive auction. Both traditional and new market players participated. 40 offers were selected, representing a total capacity of 4,447.7 MW. Based on this selection, the annual average price is €31,671.57 per MW. In 2024 (Y-1), a second auction will be organised for the 2025-2026 delivery year.



## **Elia Group and Octopus Energy Group solidifying commitment to putting consumers at the heart of the energy transition**

Beginning of November, Elia Group and Octopus Energy Group, a British supplier specialising in renewable energy, signed an MoU regarding the development and testing of consumer-centric energy services over a two-year period. The MoU also covers activities to be undertaken by re.alto, which was founded by Elia Group in 2019 and is the first European marketplace for the exchange of energy data, and KrakenFlex, an energy software company which was acquired by Octopus Energy in 2020. With this agreement, the parties will develop use cases to demonstrate how Elia Group's proposed consumer-centric market design (CCMD) will benefit consumers. It also relates to the further development of an open digital control system which will enable a flexible management of the grid and the development of use cases which will focus on ensuring connectivity to decentralised devices such as electric vehicles, boilers, heat pumps and solar panel inverters.

## **German regulator sets return on equity for electricity and gas networks for the next regulatory period**

BNetzA has published the future equity remuneration for all gas and electricity grid operators for the next regulatory period (electricity 2024-2028), at a pre-tax rate of 5.07%, post-tax 4.13%. For assets commissioned before 2006, this corresponds with a pre-tax rate of 3.51% post-tax 2.86%. By determining the regulatory return on equity, one of the elements of the regulation has been fixed by the BNetzA. Other components affecting the future regulatory return, such as industry efficiency factor ('Xgen'), individual system operator efficiency factor ('Xind') and individual cost base are not yet fixed, but should be determined within the next 15 months. The German regulatory framework for onshore investment remuneration will be transitioning from an investment measures regime to a capital cost adjustment model as from 2024.

## **First ESG rating for Elia Transmission Belgium**

As of October 2021, Elia Transmission Belgium received an Environmental, Social and Governance (ESG) Risk Rating of 9.9 from Sustainalytics<sup>1</sup> and was assessed to be at a negligible risk of experiencing material financial impacts from ESG factors. Elia's ESG Risk Rating places it first in the electric utilities industry assessed by Sustainalytics.

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It demonstrates that Elia's ACT NOW sustainability action plan is paying off. Elia Transmission Belgium is embedding ACT NOW across all of its business processes; it is carrying out its daily activities with a strong focus in mind, leading to big impacts in terms of sustainability.

### A new way to communicate grid imbalances to market participants

The German Grid Control Cooperation (GCC) introduced a new 'traffic light system' that communicates grid imbalances to market participants. Every 15 minutes, the traffic light system indicates imbalances across the control areas of the four German transmission system operators (TSOs): 50Hertz, Amprion, TenneT and TransnetBW. The objective of the GCC's new system is to give market participants the opportunity to immediately identify imbalances in their respective balancing groups and allow them to undertake appropriate countermeasures. In this way, the TSOs ensure that system stability is maintained in a cost-efficient manner.

### Financial outlook for 2021 revised upwards

Elia Group has revised its full year guidance upwards in line with the good performance of the Nemo Link interconnector. Elia Group is confident to achieve an Adjusted Return on Equity (ROE adj.) of around 7%.

- In **Belgium** we are confident of achieving a return on equity (ROE) of around the mid-point of the full-year target of 5% and 6%. The execution of the investment programme, which is always prone to some external risks, is progressing well and Elia Transmission Belgium forecast to invest approximately €400 million in 2021.
- In **Germany** we are confident in our ability to deliver a return on equity (ROE) in the upper end of the targeted 8% - 10% range. We remain on track to achieve the announced investment programme of €850 million for the full year of 2021. The realisation of the investment programme is always prone to external risks.
- The **non-regulated segment and Nemo Link**, is expected to contribute positively in the range of €22 million to €27 million to the Group's result. This segment comprises the return of Nemo Link, the return of the non-regulated activities (mainly re.alto and EGI) and the operating costs inherent to the management of a holding company. The positive contribution is mainly driven by Nemo Link, reflecting its high availability and the current high market spreads observed in the market. The final performance of this segment will depend largely on the contribution of Nemo Link, which remains subject to volatility in the market spread of the electricity commodity price as well as the availability of the interconnector.



## Financial calendar

Publication of full-year results 2021	23 February 2022
Publication of 2021 Annual report	15 April 2022
General Meeting of Shareholders	17 May 2022
Quarterly Statement Q1 2022	18 May 2022
Ex-dividend date	30 May 2022
Record date	31 May 2022
Payment of dividend for 2021	1 June 2022
Publication of half-year results 2022	27 July 2022
Quarterly statement Q3 2022	25 November 2022

## Usefull Links

- [Press release](#)
- [2020 annual report](#)
- [2021 Capital Markets Day](#)
- [Elia Group EU Taxonomy Case Study](#)



## About Elia Group

### One of Europe's top five TSOs

Elia Group is a key player in electricity transmission. We ensure that production and consumption are balanced around the clock, supplying 30 million end users with electricity. Through our subsidiaries in Belgium (Elia) and northeastern Germany (50Hertz), we operate 19,276 km of high-voltage connections, meaning that we are one of Europe's top 5 transmission system operators. With a reliability level of 99.99%, we provide society with a robust power grid, which is important for socioeconomic prosperity. We also aspire to be a catalyst for a successful energy transition, helping to establish a reliable, sustainable and affordable energy system.

### We are making the energy transition happen

By expanding international high-voltage connections and incorporating ever-increasing amounts of renewable energy into our grid, we are promoting both the integration of the European energy market and the decarbonisation of society. We also continuously optimise our operational systems and develop new market products so that new technologies and market parties can access our grid, thus further facilitating the energy transition.

### In the interest of society

As a key player in the energy system, Elia Group is committed to working in the interest of society. We are responding to the rapid increase in renewable energy by constantly adapting our transmission grid. We also ensure that investments are made on time and within budget, with a maximum focus on safety. In carrying out our projects, we manage stakeholders proactively by establishing two-way communication channels between all relevant parties very early on in the development process. We also offer our expertise to different players across the sector in order to build the energy system of the future.

### International focus

In addition to our activities as a transmission system operator, we provide various consulting services to international customers through our third subsidiary, Elia Grid International (EGI). Elia (in Belgium) is also part of the Nemo Link consortium, which operates the first subsea electrical interconnector between Belgium and the UK.

*The legal entity Elia Group is a listed company whose core shareholder is the municipal holding company Publi-T.*

More information: [eliagroup.eu](https://www.eliagroup.eu)

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