



# Eneco, at the heart of society

Annual Report 2012 Eneco Holding N.V.



# Purchasing

Eneco ensures that customers always have access to clean, affordable energy that is generated and transported in a safe manner. An increasing number of our customers generate part of their own energy. Eneco aims to supply the remainder of their energy demand from 100% sustainable resources.

Purchasing collectives, in which individuals and companies unite to jointly purchase energy, mainly focus on price. Eneco does not participate in such initiatives in the Netherlands, because it wishes to distinguish itself from other suppliers on the basis of sustainable energy, not on the basis of the lowest price.

## What did we aim to achieve in 2012?

Our aim is to win customers for our mission. We strive to make a connection between the old energy world and the new sustainable future, with the goal to reduce CO<sub>2</sub> emissions together with our customers. During the phase in which energy is not yet generated from 100% sustainable resources, we use gas since this is the cleanest fossil fuel. Our aim was to make optimal use of our new gas plant for this purpose, in particular in periods when the wind force is low. Customers must be able to count on the availability of electricity, gas and heating. Our goal is to keep the availability of our energy supply at a very high level. The average duration of interruption of the energy supply may not exceed 14.7 minutes. This number is the weighted average of the maximum interruption duration for electricity, gas and heating. See the section on Network reliability (page 34) for further details. Another important target was to increase the share of

dark green energy in our retail supply portfolio to 0.5% for gas and 20% for electricity.

## What have we achieved?

- With a result of 19.5 minutes, we did not meet the target for average interruption duration (target 2012: 14.7 minutes and realisation 2011: 13.8 minutes)
- With a result of 1%, we did meet the target for the share of dark green gas as a percentage of the retail supply portfolio (target 2012: 0.5% and result 2011: 0.4%)
- With a result of 16.1%, the share of dark green electricity as a percentage of the retail supply portfolio was below target (target 2012: 20% and realisation 2011: 14,3%)
- Introduction of HollandseWind®
- Customer base stabilises at 2.2 million (target 2012 and realisation 2011: 2.2 million)
- Eneco is successful in Belgium
- The utilisation rate of our Encogen gas plant was lower than planned, because the price of electricity generated from gas did not outweigh the price of electricity generated from coal in 2012

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## HOLLANDESWIND®

HollandseWind® is a product offered by Eneco consisting entirely of energy generated by Dutch wind farms. Customers receive an annual wind force discount, which is calculated on the basis of the average wind force in the Netherlands. The higher the wind force, the higher the discount. This way, we let customers profit from the force of the wind. When the wind blows harder, the wind turbines generate more energy. This results in a higher yield for Eneco. The product is available as a contract for one, two or three years, with a fixed price for the full term of the contract.

## Supply to the customer

### Consumers and SMEs in the Netherlands

Consumers and SMEs in the Netherlands can choose between the brands Eneco and Oxxio. In Belgium, we are expanding the brand Eneco.

The number of households in the consumer market in the Netherlands that switched supplier increased again after a few years of slight decrease. The number of suppliers with a licence to supply increased. Parties such as the Consumers' Association and the home owners association 'Vereniging Eigen Huis' have assumed the role of intermediary. In Belgium, the market was liberalised at a later stage and the Belgian government is currently applying an active policy to draw consumers' attention to the possibilities offered by the free market. Eneco's total number of retail customers for electricity and gas stabilised at 2.2 million in 2012. There was an increase in the number of Oxxio customers and the number of Eneco customers in Belgium and a decrease in the number of Eneco customers in the Netherlands. With its unique positioning of customers taking energy into their own hands, Oxxio was able to expand its customer base. The campaign to give customers insight into their consumption by means of the application MijnOxxio (MyOxxio) and an iPad is a clear example of this positioning. As of September, customers can choose between the products: Oxxio Budget, Oxxio iPad Inzicht and Oxxio Bewust.

### Campaigns increase brand awareness

In the Netherlands, we have introduced new products as part of the campaign 'All for sustainability', such as HollandseWind® and the thermostat Toon®. These products contribute to the realisation of our sustainability objectives. Consumers are becoming increasingly aware of our sustainability vision: in a survey conducted in 2012 they called Eneco the most sustainable energy company.

### HollandseWind® successful

HollandseWind® is wind energy combined with a wind force discount. One year after the introduction, the number of HollandseWind® customers amounted to nearly 100,000. Eneco

won an Effie award for the most effective advertising campaign for this product.

### Eneco Belgium is growing

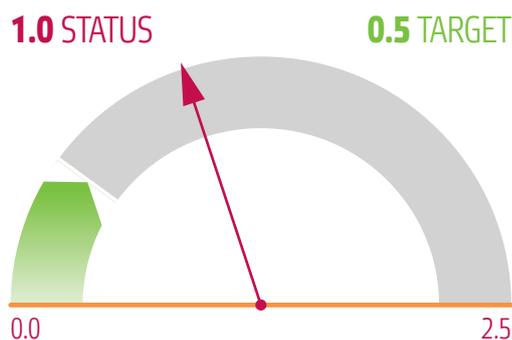
In 2012, Eneco's retail market share in Belgium increased substantially. More than 200,000 contracts were sold in a period of one year thanks to the clear sustainability positioning, which is also very popular in Belgium, and the frequent media attention. The ranking of Greenpeace Belgium and the decision of WWF Belgium to collaborate with Eneco confirm that Eneco is also one of the most sustainable market participants in Belgium. In just one year, Eneco's market share in Flanders grew to nearly 5%.

### Agreements with WWF

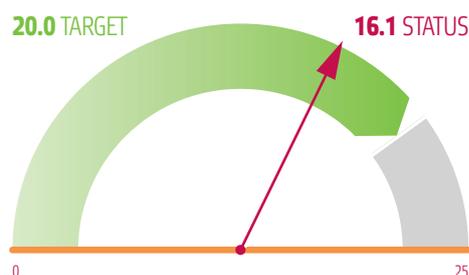
One of the agreements that we made with WWF is that we will supply dark green energy to consumers and SME customers. Dark green means investments in new sustainable resources. Most of the green electricity is generated by hydropower plants in Norway that have been operational for decades. Although this electricity is sustainable, it does not contribute to the necessary further increase of the sustainability of the energy supply. An increasing share of the 100% green electricity that Eneco supplies to consumers and SME customers is dark green electricity, because Eneco and its partners invest in new sustainable resources.

For 2012, we had set ourselves the target that 20% of the energy that we supply to our retail customers would be dark green energy. The introduction of the product HollandseWind® was a success. However, customer demand for dark green electricity was below our initial expectation. Consequently, the result of 16.1% (2011: 14.3) is below our 20% target. The fact that there is only a limited supply of dark green gas is apparent from our target of 0.5% for 2012. However, we have managed to exceed this target by far, with a result for 2012 of 1.0% (2011: 0.41%).

DARK GREEN GAS IN RETAIL SUPPLY PORTFOLIO



DARK GREEN ELECTRICITY IN RETAIL SUPPLY PORTFOLIO



## Network reliability

### Network reliability

Our energy networks are among the very best in the world. We aim to maintain this position and, at the same time, prepare our networks for enhancing the sustainability of the energy supply.

The reliability of our networks is measured in terms of the average interruption duration per customer over a period of one year. We have set maximum targets for our electricity, gas and district heating networks. (See table Interruption duration energy networks).

In 2012, Stedin made investments in the quality of our networks to the amount of €374 million (2011: €388 million).

### Electricity network

The investments in the electricity network include the construction of Station Oostland, the construction of an energy infrastructure for Maasvlakte 2 and the large-scale renovations in the municipality Ronde Veenen and on the island Goeree Overflakkee. Part of the investment is aimed at reducing risks. This is achieved by creating a stable network and limiting the number and duration of interruptions as much as possible. In addition, we are preparing the networks for sustainable and local energy production.

### Prevention and earlier detection of interruptions

Information technology plays an increasingly larger role in grid management. We install state-of-the-art station automation systems that enhance the efficiency of the management of the networks as well as our business operations. Another example of the smart application of ICT is the first self-healing grid in the centre of Rotterdam, which enables us to reduce the duration of an interruption to just a few seconds. Remote access fault indicators, in the form of meters in our operations centre that instantly show the location of the fault, enable us to trace defects more quickly and immediately send a field service engineer to the right location. To reduce the number of interruptions, we are installing the so-called Smart Cable Guard in another part of the centre of Rotterdam. This is a system that detects errors in cables and connection sleeves on the basis of partial discharges. The

degree of discharge is an indicator for possible interruptions, which we are thus able to prevent.

### Incidents in Rotterdam and Nieuwegein

Maintaining the security of supply on the electricity network at the usual high level posed a challenge in 2012. In general, the performance of the networks was good. However, this good general performance was undermined by three major interruptions in Rotterdam at the beginning of the year and an interruption resulting from strikes of lightning in the network in the municipality Nieuwegein. These interruptions caused substantial inconvenience for large groups of customers, of which we are well aware. In 2012, Stedin took a number of measures to prevent problems of this nature as much as possible.

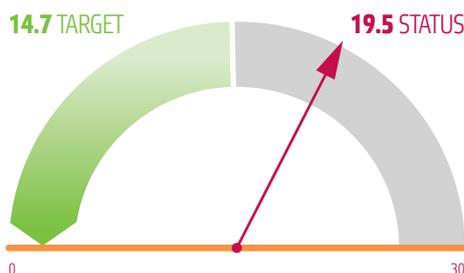
The events in and around Rotterdam were cause for Stedin to ask Kema to carry out an independent investigation. Kema concluded that these interruption were the result of a chance concurrence of events. The condition of the network in Rotterdam is good and Stedin carries out the management and maintenance of the network properly and has invested sufficiently in the network. The Kema's main recommendation was to pay more attention to security settings from the net. We have adopted this recommendation.

In addition, we have carried out a comprehensive risk assessment. On the basis of this assessment we have taken a number of measures, always putting the interests of our customers first. The crisis team has been strengthened and trained.

### Gas network

In 2012, the security of supply of the gas network was not as high as intended. The interruption duration amounted to 77 seconds, which is higher than the target of a maximum of 60 seconds. In addition to a number of defects, the increase was, for a large part, the result of safer working methods. By not letting employees and the fire department work in the proximity of a gas outflow but, instead, shutting the system down from a safe distance, customers are also cut off from the gas supply for a short period of time. A lot of attention is being paid to the replacement of cast

## AVERAGE INTERRUPTION DURATION ENERGY SUPPLY (ELECTRICITY, GAS AND HEATING)



iron gas pipes. Grey cast iron is vulnerable to damage in places where the ground moves, in certain types of soil and in places where work is carried out or where there is heavy traffic. In total, we will replace 2,000 kilometres of grey cast iron gas pipes. Stedin is still on schedule to complete this entire replacement process by 2029.

### Interruption duration district heating networks

The actual duration of supply interruptions was well below target in 2012. However, the target of 60 minutes will not be lowered for 2013. The reason for this, is that up to the end of 2012, supply interruptions only related to interruptions in the primary distribution system. As of 2013, the secondary system (only relevant for the district heating network in Rotterdam) will also be included in the calculations. In addition, a lower target would not have any effect on customer perception, since interruptions are only noticeable after a period of time due to the buffering functionality in the warm water system.

### INTERRUPTION DURATION ENERGY NETWORKS

Type of energy	Number of customers in millions.	Interruption duration (target 2012)	Interruption duration (realised 2012)	Interruption duration (realised 2011)
			35.6	
Electricity	2.1	25 minutes	minutes	25 minutes
Gas	1.9	60 seconds	77 seconds	50 seconds
District heating	0.1	60 minutes	26 minutes	33 minutes
Average interruption duration		14.7 minutes	19.5 minutes	13.8 minutes

## Gas strategy

Eneco has an optimal mix of long-term and medium-term contracts, price indexes and long-term and short-term flexibility. Eneco now also supplies gas from the new Gate LNG terminal to its energy plants and its customers. We have sufficient gas available to be able to supply extra gas in exceptional situations. The storage of gas in our gas storage facility Gasspeicher is also important for trading. The gas volume that we have at our disposal makes us less dependent on market prices. We will be even better able to balance the portfolio. In addition to using our own supply of gas, we also purchase gas and conclude purchase contracts with third parties. At present, we have sufficient flexibility to meet the demand for the next few years.

## Gas plants

The operational performance of all the gas plants in the Netherlands was lower than in the past in 2012. One of the reasons for this, is the low demand in combination with the extensive production capacity in the Netherlands. An even more important factor is the high gas price compared with the price of coal and the low CO<sub>2</sub> price. The regular supply of sustainable energy from Germany also plays a role. Consequently, gas plants are barely able to compensate their marginal costs, as a result of which, the number of operational hours is low.

