



Integration

STRATEGY PLAN 2014

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Preface

Energinet.dk's mission is reliable energy for the Danish society. Combined with our vision of a sustainable and balanced energy system, we are facing a large, complex and critical task – ensuring continued high security of supply in terms of electricity and gas concurrently with an economically viable green transition.

We will not be solving this task alone. Energinet.dk is placed in the middle of the energy sector's value chain. Market players depend on our activities, and we depend on theirs, requiring us to make clear statements, consistent choices and engage relevant parties in our processes.

Our Strategy Plan 2014 sets the strategic course of Energinet.dk's activities for 2015-2017. During this strategy period we will continuously check and qualify our efforts based on this direction. We will be clear and measurable about our role and responsibility in the value chain, and we look forward to our dialogue and partnership with the market players.

Naming our strategy plan 'Integration' is a testament to our belief in a successful, responsible green economy transition by integrating each part of the energy system's value chain and by increasing integration with the energy markets in our neighbouring countries. At Energinet.dk, we also believe that in-house integration is necessary if we are to realise our ambitious commitments to society to innovatively and efficiently perform the most critical activities for this strategy period.



Peder Østermark Andreasen
President and CEO



Our direction



MISSION

Reliable energy for society

The purpose of Energinet.dk is to ensure energy for the Danish society – now, tomorrow and in the years ahead. Therefore, our mission is 'reliable energy for society'. As a transmission system operator and owner of the overall electricity and gas infrastructure, we play a central role in ensuring a reliable energy supply.

VISION

Balance in a sustainable energy system

Energinet.dk's vision is balance in a sustainable energy system concurrently with covering an increasing part of Denmark's energy consumption from renewable energy. Through international and market-based solutions, the balance must be achieved between the short and the long term, between the consumers' and the producers' interests and between the national and international initiatives.

Our commitments

Energinet.dk's benchmark for success is not our own bottom line, but economic profit which is primarily created outside our business. Therefore, we have formulated three commitments to the Danish society. The commitments state our role and how we expect to create value for society. The commitments should be regarded as a whole and not separately. The commitments are ambitious, as we want to realise all three at the same time. The three commitments express our measure for success. While commercial companies measure their success on a return on investment or similar, Energinet.dk needs another measure. Our commitments thus express the success metrics of our value proposition.

High level of security of supply

We guarantee high level of security of supply for electricity and gas – now and in the future.

The Danish security of supply is among the best in Europe. For many years, Danish electricity and gas customers have experienced a very high level of security of supply, enabling them to meet their energy demand around the clock. Energinet.dk guarantees the Danish society that the security of supply will remain at its current high level. In other words, the green transition must not reduce the level of security of supply. This commitment is not easy to uphold. It requires focus both now and in the future as well as new market solutions and close partnerships across the value chain.




A high level of security of electricity and gas supply is of great socio-economic value, just as it is an important foundation for many of the functions that are fundamental to the Danish welfare society. The consequences of insufficient supply vary depending

on which sector is experiencing the shortage. Interruptions to vital societal structures will have major consequences for contingency and economy.

Since the natural gas grid was established, Denmark has never experienced gas shortages. Decreasing gas production in the North Sea and instability in the total European gas supply have increased awareness of the Danish-Swedish supply situation. The newly completed expansion of the Danish gas transmission grid towards Germany has provided the necessary import capacity. It will therefore be possible to maintain the Danish-Swedish gas consumption in foreseeable future supplemented by the Danish North Sea reserve. As a consequence of the European emergency supply regulation, security of supply has also become a European concern, requiring increased international cooperation. New market solutions providing the market participants with clear instructions of risks and terms in a possible European supply crisis will be needed.

The security of electricity supply requires even more increased attention. The Danish electricity system is to an increasing extent integrated with foreign countries through electricity connections to our neighbouring countries. Both incorporation of large amounts of renewable energy into as well as a close integration with the electricity systems of our neighbouring countries are necessary for a viable transition of the electricity system to renewable energy – both in terms of climate and economy. The power stations no longer play the same role with a growing number of stations being replaced by wind power. Primarily wind turbines are already producing approximately one third of Denmark's domestic electricity consumption, and towards 2020, the

COMMITMENTS

-  We guarantee a high level of security of supply for electricity and gas – now and in the future
-  We take responsibility for an economically viable transition
-  We contribute to a healthy investment climate in the energy sector

expansion with new wind turbines will cause the share of wind power in the electricity consumption to increase considerably.

The replacement of power stations has caused concern about the their role and the strength of the system in the energy industry, as well as in the political and public debate. As opposed to wind turbines, power stations can turn electricity generation up and down according to demand, and deliver the properties required to maintain power system stability. Those properties are a precondition for ensuring operation of the electricity grid. With Denmark integrating more and more with the electricity systems of our neighbouring countries, conditions outside Denmark become increasingly important to security of supply in Denmark. On the one hand, our neighbouring countries are able to help in situations where generation capacity in the Danish electricity system is insufficient to meet the demand. On the other hand, close integration means that Denmark becomes more vulnerable to grid faults in our neighbouring countries. Therefore, it is necessary to identify responsibilities and obligations across borders in case of irregular operating situations.

In order to be able to maintain long-term cost-efficient security of supply, it is vital that more market players than today adjust their electricity consumption or electricity generation to the price signals, ie that they are flexible. Due to flexibility in consumption and generation, it is always possible to ensure balance between electricity consumption and electricity generation in the market. Combined with increased market competition, flexibility must support the security of supply in the future.

The energy's value chain is tied closely together by different IT systems, rendering the electricity and gas systems vulnerable to IT faults and insufficient information security. Maintaining high level of security of supply therefore requires key efforts across the value chain in order to prevent serious IT faults and threats to the information security.

Efficient transition

We take responsibility for an economically viable green transition.

Energinet.dk takes responsibility for ensuring that the transition of the Danish energy supply to renewable energy goes hand in hand with affordable consumer energy prices — now and in the future. Naturally, this cannot be our sole responsibility, but we commit ourselves to driving developments by making investments, providing efficient operation, illustrating possible courses of action through our holistic energy analyses and by ensuring continued close integration in well-functioning international markets.

The transition of the Danish energy supply to renewable energy will entail that a significantly larger share of the total energy production is supplied through the electricity system. The other energy system sectors – gas, heat and transport – must to an increasing extent interact with the electricity system. For example, the gas system can be used to store large amounts of energy. It tightens the requirements of interdisciplinary coordination and objective analyses that assess consequences and possibilities for development in a long-term, coherent and international perspective. It will provide the strongest professional foundation for an economically viable green transition.

It is possible to organise an energy system that is able to support the objective of a sustainable energy supply. It is not an easy or trivial task, and it can be solved only through extensive changes. According to Energinet.dk, the transition is most efficient by integration across energy systems and borders and by using market-based solutions that reward flexibility and increase competition. Incorporating very large shares of renewable energy will be possible by expanding the infrastructure in time, incorporating production systems and developing up-to-date market models.

If our industry succeeds in making the right choices in time, there is a significant socio-economic benefit in utilising the energy more efficiently, ultimately reducing total supply costs. Energinet.dk must also continue to be among Europe's most efficient TSOs to minimise our direct impact via tariffs. At the same time, we are ready to take on costs when it is economically viable.

Healthy investment climate

We contribute to a healthy investment climate in the energy sector.

In the coming years, extensive investments must be made in the energy sector as a whole. Energinet.dk's commits to contribute to creating a healthy investment climate that enables the market players to make the most informed investment decisions. To us, a healthy investment climate means clear objectives and frameworks with a clear direction for developing the energy systems we are responsible for. An investment climate that facilitates for investments, contemporary business models and drive in the electricity and gas sector.

With our commitment, we accept that Energinet.dk' size, economic regulation and central position in the value chain can have both positive and negative impacts on the rate of return of current and future investments in the sector. Therefore, it is decisive that we are able to contribute to a healthy investment climate.

Energinet.dk cannot realise this commitment by itself. Therefore, the energy sector players can expect us to make a special effort to cooperate with other stakeholders capable of contributing to supporting a healthy investment climate in the sector. The politically set frameworks, including subsidy schemes and organisation of the tax and duties system, also have a significant impact on the investment climate. Concerns about these frameworks can contribute to uncertainty in the energy sector.

During its strategy period, Energinet.dk will increase focus on how we can utilise our means to contribute to a healthy investment climate. We assess that increased knowledge and analyses of the future energy system can provide a better business case for potential investors. Short-term analyses, which can bridge the political objectives for the energy system in 2035 and 2050, can contribute to the required investments being made.

At Energinet.dk, we focus on the fact that a well-expanded infrastructure across national borders as well as well-functioning international markets are also important preconditions for the rate of return of the investments. If infrastructure expansions are carried out in the right places in due time, it can give providers improved sales potentials. Contemporary market models must provide a breeding ground for innovative solutions and for rewarding new products and business models when they, eg, contribute with a flexibility potential to balance the electricity system.