

Energy Western Europe

Market West

Alpiq exceeded its sales and profit expectations in Spain and France, consolidating its position as the most important alternative to established energy suppliers. A series of internal and external growth projects helped Alpiq to retain and further strengthen this position. New customer acquisitions more than offset the decline in electricity consumption of some customers, especially in Spain.

Within just a few years, Alpiq's Spanish subsidiary, Atel Energia S.A. (from March 2010, Alpiq Energia España S.A.), has established a name for itself as the most important alternative electricity supplier for end customers in the industrial and service sectors. And it has done so in a market that continues to be dominated by the traditional national energy utilities. Three years after entering the market, Atel Energia is already supplying 1,000 customers throughout the country and has more than doubled its workforce. One major new customer is the Barcelona underground transport authority. Atel Energia won the bid against some big-name competitors.

Spain: new office in Madrid

At the end of 2009, Alpiq took over EDF's Madrid-based sales company, Hispaelec, thereby expanding its leading position as an independent electricity supplier. Atel Energia and Hispaelec collectively sell more than three TWh of electricity per year. With the integration of Hispaelec to increase Atel Energia's geographical reach, customers are assured of optimal service from the two offices in Barcelona and Madrid.

The structure of the Spanish market changed last year. The main changes involved the takeover of Union Fenosa by Gas Natural and the abolition of all types of supply tariffs for industrial and service enterprises. On the procurement side, gas-fired combined cycle power stations played an increasingly important role in Spain's generation mix. Falling demand and increased output from wind and hydroelectric facilities resulted in a sharp drop in electricity prices compared to 2008.

France: regulatory uncertainty

In the French market, Alpiq (Alpiq Energie France SAS) successfully defended its position as a leading electricity supplier alongside EDF despite the difficult regulatory environment. A new market regime looks set to replace the current market organisation in January 2011, although state-regulated tariffs will remain. Due to this regulatory uncertainty, many customers are reluctant to sign new energy delivery contracts with alternative suppliers. However, with its prudent sales and hedging strategy, Alpiq has successfully addressed this risk. Alpiq Energie France delivered 10 TWh of electricity to customers last year and won several tenders against strong competition.

Market Italy

Despite the unfavourable economic climate, Market Italy posted a positive performance last year. Although consumption across the country dropped by 7%, the business unit bucked the negative trend and delivered good results that exceeded expectations. Business with end customers and optimisation of the portfolio helped to offset the market fluctuations and low spot prices.

Wholesale energy business declined year on year due to lower demand in the wake of reduced energy consumption, coupled with a higher supply of energy provided by new power stations. Total revenue was also down due to the fall in energy prices and consumption.

Regulatory and market challenges

Besides the implications of the economic crisis, the main factor affecting the outlook for 2010 is the new legal framework and, in particular, the new decree governing a review of the energy exchange. Other challenges facing Market Italy in 2010 are consolidation of the reseller market, further development of the end customer market, alignment of the retail market, the functionality of the new sales platforms and development of services for them.

It is difficult to predict the extent to which the new legislative decree will affect the energy exchange, settlement services and green certificates. Decisions by the new energy and gas authority on quality standards such as bid transparency and billing have prompted a review of internal processes. By offering services throughout the electricity value chain and with its balanced portfolio strategy, Alpiq Energia Italia is well positioned to address these changes.

Market Nordic

The Market Nordic unit continues to expand. While the number of large customers rose, the number of household customers remained stable. In 2009, Alpiq acquired 170 new customers with an energy consumption of 450 GWh from Enteca. An important contract for more than 590 GWh was signed with the Norwegian Defence Estates Agency. Another successful move was the introduction of portfolio management in Denmark, which resulted in a number of new customers. While the customer base in Denmark is limited due to the relatively low number of large consumers, the list of customers acquired so far looks highly promising.

Dark clouds were gathering over the Scandinavian market at the beginning of 2009. The market slumped in the first quarter as a result of the financial crisis, but recovered in the second quarter. The downturn took its toll on Alpiq customers, too. Economic conditions in the Nordic market are expected to recover next year. The legal framework to achieve further harmonisation of the Nordic market is scheduled for implementation in 2011. This offers Alpiq an ideal opportunity to position itself in good time.

Power Generation West

Power generation in Italy experienced its most difficult year since Alpiq started generating electricity there from its own power stations. Profitability suffered particularly in areas which saw a reduction in steam supply to industrial customers. On the other hand, construction of the two gas-fired combined cycle power stations in San Severo, Italy, and Bayet, France, is progressing according to plan.

San Severo and Bayet soon up and running

Since 2007, Alpiq has been building a modern 400 MW gas-fired combined cycle power station in San Severo, southern Italy, via EnPlus. A milestone was achieved in September 2009 with the delivery of a 300-tonne gas turbine, which has since been installed. The turbine was transported more than 2,000 kilometres by land and sea to the power station in southern Italy. The San Severo power station is scheduled to go into operation as early as the end of 2010.

Alpiq is implementing its first large-scale power generation project in France: a modern 400 MW gas-fired combined cycle power station to be built in the Auvergne, on a site in the small rural community of Bayet. The remote location is right next to the gas and electricity grids. Construction will be over a period of three years and involve cooperation with local businesses and around 300 local personnel. The new plant will go into operation at the beginning of 2011.

Renewable energies

Alpiq is stepping up its commitment to renewable energies. Alongside its activities in Italy and acquisitions of a 10.5 MW wind farm and a small hydroelectric power station in France, Alpiq has signed several cooperation agreements with wind farm developers in Norway, Sweden and Finland. The licensing procedures are currently under way and should allow Alpiq to start building, or at least ordering, the first wind farms by 2013.