energetik™

BUSINESS PLAN SUMMARY

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Executive Summary

Energetik's position (where we are now)

The UK heat network sector is on a trajectory of significant expansion, projected to grow from supplying 3% of the nation's heat demand today, to approximately 18% by 2050. This growth is underpinned by up to £80 billion in potential investment from a mixture of government funding schemes and private investors. To facilitate this, the government is introducing regulations including heat network zoning, which identifies areas where heat networks are the most cost-effective low-carbon solution and will obligate certain buildings to connect.

Over the last 10 years, Energetik has established itself as a leader in the delivery of quality heat networks and customer service. The London Borough of Enfield (Enfield Council) and Energetik have received £81m in government backed loans and grants as well as £10m in PWLB loans to deliver its first, and arguably most difficult, phase of its business plan – to execute all key agreements and build the physical infrastructure needed to supply Enfield for the next 80 years. Despite a challenging business environment over the last five years, the company has connected around 1700 domestic customers as well as a hotel, various medical centres, and community spaces. The initial phase is now nearing completion and the company now needs to look forward in order to capitalise on the growing heat network market.

The company is uniquely positioned to maximise its advantage in the market both in terms of location and time:

- Its main infrastructure is nearing completion, including its 'trunk' heat network and energy centre.
- It has an in-perpetuity contract for waste heat in place with a heat capacity to serve tens of thousands of buildings across north London with very-low carbon heat.
- Its geographical location allows it to take advantage of an abundant very low carbon, low cost heat source, something not available to other boroughs, but very much in demand.
- Emergence / evolution of decarbonisation funding that favour very-low carbon heat connections such as Energetik's.

To date, the company focus has been on large-scale, new-build developments. These were intended to create early years income for the business through connection fees, as well as longer term heat sales revenue as developments were built out and heat loads connected. However, whilst connecting to large-scale council-led housing developments remains an important part of Energetik's long-term financial picture (contributing ~£99m in connection fees over the course of the business plan), this strategy has to date delivered slower than anticipated returns. Factors leading to this slowdown include:

- The pandemic, conflict in Ukraine and geopolitics, creating higher interest rates, increased inflation, labour shortages and higher construction costs (45% cost increase to heat network pipe installation in the last 2 years).
- The resulting slowdown in house building, meaning slower than originally forecast pace of connections at key anchor loads (e.g. Meridian Water)
- Historic reliance on council led development schemes that are being delivered slower than anticipated, due to impacts caused by the same market forces as above.

Refocused strategy (where we're going)

Given the significant changes over the last few years, after a thorough review of options available, Energetik's business focus needs to change. To combat the downturn in the housing market, maximise the benefits of its currently under-utilised heating infrastructure, and take advantage of significant government funding, all whilst limiting internal expenditure, the company will now:

1. **Focus on securing grant funding to connect and decarbonise existing public buildings.** To reduce reliance on Enfield Council developments, Energetik will make use of available funds that require little to no additional investment to deliver, such as the Government funded Public Sector Decarbonisation Scheme (PSDS) which provides capital funding up to 88% to replace end-of-life gas boilers. Using the recently approved £18.6m grant application as an example, connecting eight schools within Enfield provides Energetik with:
    a. 12km of new pipework to reach the schools, which can serve other buildings along the 6km route
    b. Ca~£21.4m of additional assets (pipework) at a cost to Energetik of ca. £1.6m
    c. Increased heat sale revenue equivalent to 1000's homes by 2028.

2. **Reduce capital spending wherever possible to limit additional borrowing, whilst remaining compliant with loan and grant terms (HNIP/MEEF).** Agreement has already been reached with HNIP to revise the scope and programme of its funded projects ("Tranche 3") to bring them within budget whilst remaining compliant with the agreements. Removing the Coppice Wood Lodge extension at the Arnos Grove satellite scheme, and the Tottenham extension to the South of Meridian Water, will **save approximately £7.5 million in capital expenditure. (£2m Coppice Wood, £5.5m Tottenham)**

3. **Continue to seek an equity partner to support Energetik's continued growth.** It is fully understood that Enfield Council's (Enfield Council) ability to lend is very constrained, but that it fully supports the company's continued expansion. Energetik will work alongside Enfield Council to find and negotiate with an equity partner to ensure it has the funding, skillset and resources to maximise its market position as the company grows.

Financial implications (what it will cost)

In summary, to deliver this updated plan, we need:

- To draw down the remaining £0.98m of the approved Tranche 2 funding
- To draw down the remaining £1.1m of the approved Interim T3 loan (cover A1 and A2 contracts)
- Release of the remaining approved Tranche 3 funding (MEEF loan £15m Council PWLB loan £10.141m)
- Extend current working capital facility's limit from £3.5m to £6m, as previously agreed by the Cabinet in 2021.
- An investment will be required of £1.6m in 2027/8 to complete PSDS works in 2028 as a condition of the PSDS funding.
- Extend the working capital facilities repayment date from May 2027 to Mar 2032.
- Authorisation for Energetik to seek external investment or lending to fund the projected short term cash deficits in second quarter 2026/27.

What's needed to achieve this (the ask)

To deliver the growth anticipated in this business plan, Energetik needs Enfield Council's support to make it happen. As well as formally noting the cancellation of the Coppice Wood Lodge and Tottenham extensions, reducing the scope of previously approved plan in order to bring the projects back within budget, Energetik needs Enfield Council to:

1. Continue to support Energetik to attract equity investment.
2. Release ringfenced funding in time, to allow Energetik to complete the 'Tranche 3' pipe network outlined in the Business Plan (HNIP and MEEF approved Jan 2025).
3. Agree to the removal of restrictions on procurement of new contracts and allow Energetik to deliver the agreed business plan in a cost-efficient manner within the parameters of this report, the law and the funding available.

Financial returns (what's in it for the Council)

This plan covers the period from 2026 to 2057 (the end of the original 40 year plan). Over that time the plan will deliver a forecast:

- IRR of 27.07%.
- NPV of £93.3m.
- Retained earnings (profits owned by the Council) in 2057 of £95.7m.
- Cash balance in 2057 of £82.7m.
- Balance sheet net assets in 2057 of £140.7m.
- Opportunity for dividend income from 2032, totalling circa. £82m by 2057.

By the end of the plan period, Energetik will have repaid all loans and working capital advances whilst enabling the Council to meet its loan conditions with funders (HNIP and MEEF).

Some key metrics demonstrating the financial outputs of the plan are included in the table below: (these figures represent snapshots of the company's performance at five year intervals)

	2025/26	2029/30	2034/35	2039/40	2044/45	2049/50	2056/57
Residential Connections (housing units)	2,241	5,602	12,099	15,603	17,236	18,128	18,128
£000							
Heat Sales	2,176	5,997	12,313	16,769	20,169	23,217	26,669
Connection fees	7,325	9,193	4,240	2,053	1,428	-	-
Net profit before tax	**3,013**	**4,741**	**2,881**	**3,015**	**4,002**	**4,201**	**6,074**
Net profit before tax excluding connection fees	(4,312)	(4,452)	(1,359)	962	2,574	4,201	6,074
Fixed assets net book value	78,340	111,529	102,170	91,097	78,746	65,091	55,162
Total loans	(59,058)	(67,580)	(46,631)	(28,244)	(13,321)	(704)	0
Retained profits	**1,437**	**7,450**	**29,088**	**40,508**	**56,780**	**68,934**	**95,661**
Shareholders funds (retained profit plus equity)	20,951	43,602	65,240	76,660	92,932	105,086	131,813

Financial highlights

- The company is profitable in every year of the plan.
- Profitability before receiving connection fees will commence in 2038.
- The company is cash positive (cash balance is greater than loans balance) in 2043.
- All loans are fully repaid by 2051.
- Potential for dividends to the Council from 2032.
- By 2057 these dividends could total ~£82m (the cash Energetik holds).

It should be noted that the outputs and performance of this plan is based in part on development programmes received from the council. Should there be further significant delays, this would of course have an impact on these financial projections.

Conclusion (positive outlook & next steps)

It is an exciting time for Energetik and Enfield Council as its shareholder. The hard work to build infrastructure needed and finalise major commercial agreements is near complete. Coupled with a heat network market in the UK which looks set for significant expansion, Energetik, is in an enviable position to maximise its growth.

Despite considerable headwinds that Energetik has faced over the last 10 years, it is worth noting that Energetik has consistently delivered against budget since the company was formed. However, it is also fully aware of the current state of development delivery and constrained local authority finances. Reducing capital expenditure by rescoping funded projects, with agreement from funders, will ensure the company can complete the necessary infrastructure to deliver long-term income by laying pipeline to major development areas in Enfield.

In the shorter term, by focusing on securing low-risk government funding to connect existing buildings, it can increase its income through immediate heat sales on connection, extend the reach of its network, and generate earlier income than slower housing developments. At the same time, it will help Enfield to decarbonise its buildings faster and improve air quality, supporting Enfield to create a better place for its residents to live.

This new strategy produces stronger financial results than in the 2021 business plan addendum, despite reducing the reach of the heat network, and by tapping into government grant funding available, creates a repeatable strategy that could see Energetik become profitable far earlier than initially predicted.

Background

What's a Heat Network?

Heat networks (also known as district or communal heating) supply heat from a central source to consumers, via a network of underground pipes carrying hot water. They can cover a large area or even an entire city, or be fairly local supplying a small cluster of buildings. This avoids the need for individual boilers or electric heaters in every building.

Heat network energy centres can make use of any heating technology, and are not limited to one single source. Heat is transferred to each building through a heat exchanger, normally located in a basement or plantroom, and distributed to each home/unit via internal pipework. To the end user, the central heating and hot water system works in the same way as a domestic gas-fired central heating system, with the same amount of control, but without the need for any combustion to take place inside the building.

The UK heat market

The UK heat network market currently supplies around 3% of national heat demand across approximately 14,000 networks, serving 480,000 customers. Heating buildings accounts for nearly 23% of UK carbon emissions, making decarbonisation of heat a critical priority. To meet climate targets, heat networks are expected to expand significantly—potentially supplying up to 18% of heat demand by 2050 and requiring £60–80 billion in investment to achieve it.

The government is supporting this growth through schemes like the Green Heat Network Fund and is introducing a regulatory framework, with Ofgem as the regulator.

Heat network zoning, set to begin in 2025, will mandate building connections to low-carbon heat networks in designated areas to ensure scale, efficiency, and cost-effectiveness. These developments aim to create a sustainable, low-carbon market that leverages local heat sources, such as waste heat, to deliver affordable energy.

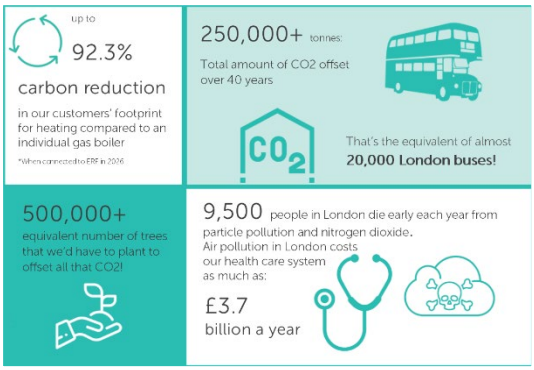
Deploying heat networks in London offers a highly effective way to decarbonise heat in buildings. These networks can make use of abundant local waste heat from sources such as energy from waste plants, data centres or the Underground to name a few, delivering a low-carbon, resilient alternative to traditional gas boilers. In a dense urban setting, they reduce air pollution, lower long-term heating costs, and bolster energy security while aligning with the city's ambitious net zero targets.

Furthermore, heat network systems can be easily adapted as technology develops—allowing for upgrades and efficiency improvements without requiring changes to individual property heating systems, ensuring a future-proof infrastructure investment.

What is Energetik?

Summary

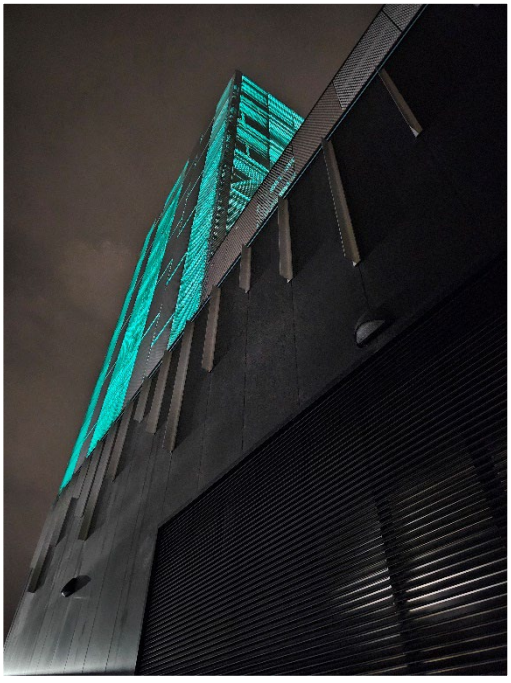
Energetik is a heat network utility company created and wholly owned by Enfield Council. It was set up in 2015, in advance of the rapidly growing heat network market that is emerging today. Its aim was to build high quality, large scale heat networks, connecting low-carbon waste heat to tens of thousands of homes and businesses in Enfield.



The company was a pioneer in quality long before the industry began to follow – both technically and for customer service - setting the standard for what is achievable in heat networks when done well.

Since 2015 Energetik has been focussed on constructing a major primary pipe superhighway that can deliver over 80,000 homes worth of heat throughout Enfield. It has been very successful, despite challenging conditions, and to date the following milestones / achievements have been realised:

- Connected and supplying around 1700 residential customers as well as a hotel, medical centres, youth centres and community spaces, an increase of ~600 in 2024.
- Secured £92 million in low-cost government loans and grants to deliver its business plan, including £49 million to deliver its 'Tranche 3' project, approved in 2021, to extend its network beyond Meridian Water to Enfield town (and originally to extend west to connect Arnos Grove and Oakwood Satellite schemes). For this, Energetik has built:
    - **an £18 million, city-scale, energy centre** at Meridian Water capable of supplying over 60MW of heat, equivalent to 80,000+ homes.
    - **16km of pipework** (flow/return), a heating superhighway stretching 8km across Enfield from Meridian Water to Enfield Town (once complete) that will last into the next century (~80 years), sized to supply ~40,000 homes via branches connected to this section of the heating superhighway.
    - **Three additional 'satellite' heat networks at Ponders End, Arnos Grove and Oakwood**. These currently operate using gas fired Combined Heat and Power plants which generate heat and electricity which is exported to the national grid. Each also has gas boilers and is capable of being expanded in their own right to connect to other developments.



- Signed agreements with the North London Waste Authority (NLWA) to receive a low cost, very-low carbon heat source in perpetuity.
- Completion of the Meridian Water Energy Centre on the Edmonton EcoPark to transfer heat to connected developments on network.

- Installed 16 km of the primary pipe superhighway, stretching 8 km across Enfield (flow and return legs)
- Currently building a further 2km of primary pipe superhighway with another 8km in the planning stage
- Recently awarded grant funding of £18.21 million to connect 8 schools in Enfield, leading to an additional 6km pipe route to be installed by March 2028 and an estimated ~£490k pa in variable heat revenues and £192k pa in fixed revenue from 2028.

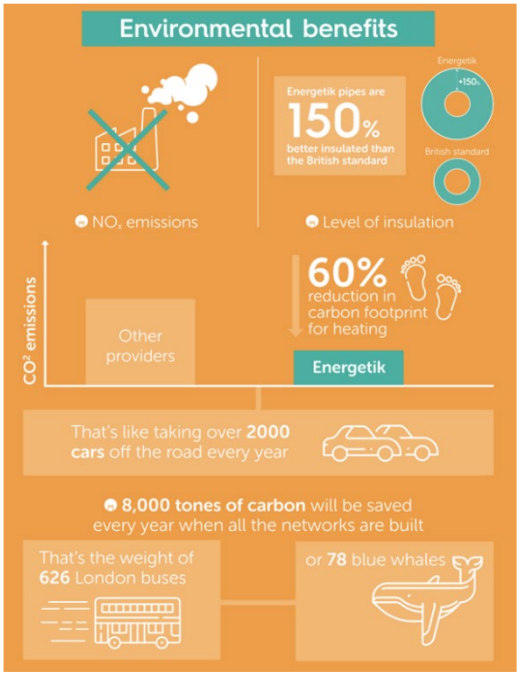
What still needs to be done? (milestones)

Energetik's initial construction phase, built over the last 5 years, is nearing completion. There are a number of activities remaining to complete this phase of the business plan:

Activity	Detail	Estimated completion
Construction		
Contract A1	Pipe install from Meridian Water to Edmonton Green	September 2025
Contract A2	Pipe install from Edmonton Green to Ponders End	January 2026
Contract A3	Pipe install from Ponders End to Southbury Road	December 2027
Contract D	Pipe install from Southbury Road to Enfield Town	December 2030
Contract B1	Pipe install from Meridian Water to Joyce & Snells / Upton & Raynham	July 2025
UTX at Meridian Water	Pipe link under the train line at Meridian Water station	May 2026
Satellite Scheme asset adoption	Completion of all plant adoption (connections are out of Energetik control – based on project build programme)	June 2025
Construct PSDS pipelines	If successful, construct all extensions to connect the schools	March 2028
Operation		
Meridian Water energy centre	Fully operational and supplying heat to connected customers	September 2026
Heat supply via "A1" and "A2" pipe	Supply of heat to customers at Edmonton Green and Ponders End along the A1 and A2 pipework	November 2026
Heat supply via "A3" pipe	Supply of heat to customers around Southbury area along A3 pipework	June 2028
Heat supply via "D" pipe	Supply of heat to customers in Enfield Town along D pipework	June 2031
Heat supply via "B1" pipe	Supply of heat to Joyce & Snells and Upton & Raynham via B1 pipework	November 2026

What's the Technology?

The technology used in Energetik's heat network is relatively simple, but delivered to a high standard, more akin to Scandinavian heat networks, through Energetik's own custom technical specification. This ensure efficiency and longevity of the equipment.

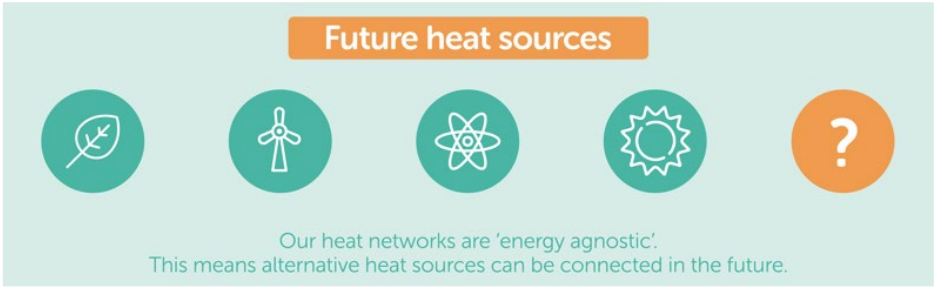


Essentially excess heat created in the disposal of waste products carried out by the NLWA will be captured before it is lost up the flues into the atmosphere. This wasted heat will be taken when cheapest to do so for short periods and used to heat massive thermal stores 'heat batteries' in Energetik's energy centre. From there Energetik pumps the heat through its network of large, highly insulated pipes to where it is needed at connected homes and businesses.

It's known as a fourth generation heat network, meaning it still uses and distributes relatively high temperature heat. Fourth, and now fifth generation heat networks (4G and 5G) differ primarily in how they distribute and manage heat. Fourth generation networks operate at lower temperatures (typically 50-80°C) than earlier systems (such as 120°C high temperature hot water networks), improving efficiency and compatibility with low-carbon heat sources like waste heat or heat pumps.

5G networks (which are considered a variant of 4G networks by the International Energy Agency) go further, using ultra-low temperatures (often close to ambient), and rely heavily on local, decentralised heat pumps to provide final-stage heating or cooling within each building. While 5G offers higher efficiency levels by operating at lower temperatures, it is more suited to new build developments designed to operate on a very low temperature network, as existing building heating systems operating at higher temperatures require a significant and usually commercially unviable retrofit of its heating systems to be able to connect.

Energetik's use of 4th generation heat network technology provides a distinct advantage by tapping into an abundant, cheap low-carbon waste heat source, which reduces the need for costly, high-specification equipment in each building. This allows for simpler and more cost-effective retrofitting to existing buildings, since the network can deliver usable heat without requiring extensive building fabric upgrades and building heating system replacement. As a result, the cost to connect to a 4G network like Energetik's is significantly lower than a 5G alternative, where building-level heat pumps often require expensive insulation improvements and complex installation, pushing up overall system and retrofit costs.



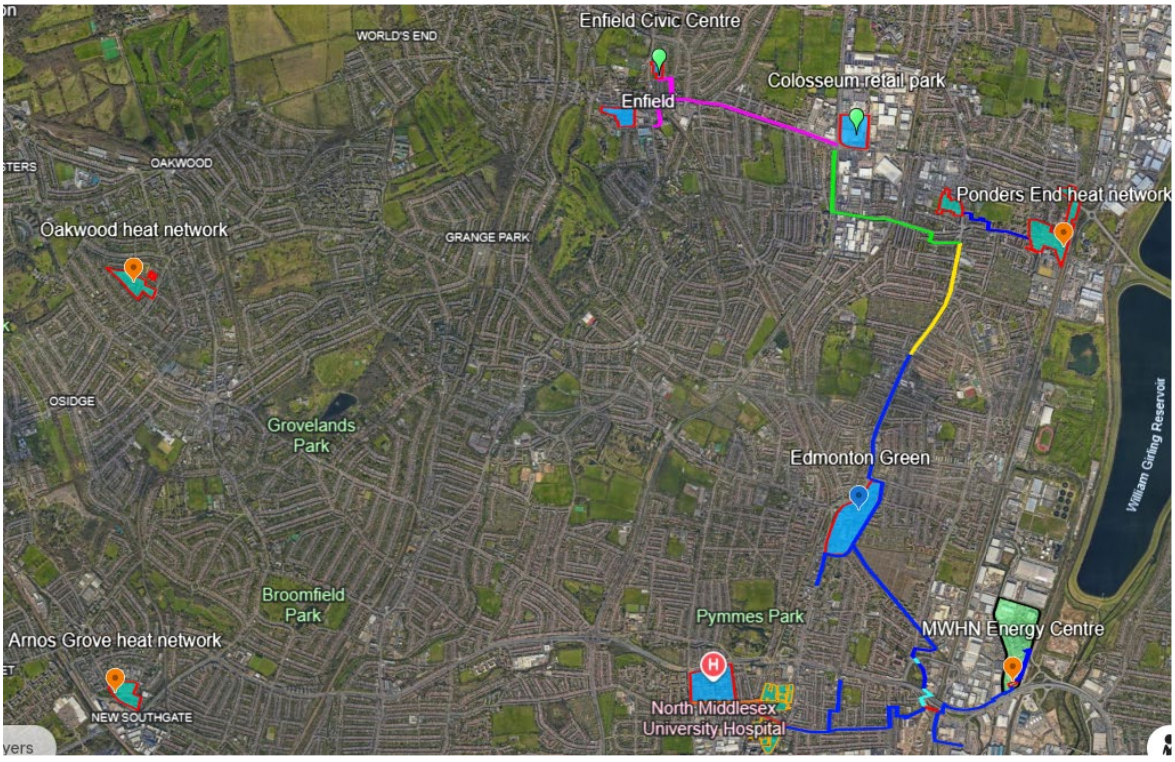
Where are we now

Since the last business plan was submitted in 2021 Energetik has seen a period of sustained growth and operational development. The table below summarises this growth in figures however a further milestone has been reached with the completion of the Meridian Water Energetik Energy Centre, due to come on-line in mid-2026. It will use its back up gas boilers to supply the Meridian Water development and will convert fully to waste heat on completion of the North London Waste Authority's new facility in 2028. This will reduce the wholesale cost of energy to Energetik by over 75% for those buildings connected to the mains network.

As at the end of December 2024 (including satellite networks):

	December 2023	**December 2024**	**Change**
Active Residential Connections	898	1,480	+582
Connections under construction		304	
Heat sales – Mar- Dec (£000)	£173.7	£297.3	+£123.6
Availability Charges – Mar- Dec (£000)	£310.1	£552.3	+£242.2
Gross Margin – Mar- Dec (£000)	£ (200.7)	£120.4	+£321.1
Connection fees – Mar-Dec (£000)	£751.8	£5,134.7	+£4,382.9
Interest charges – Mar – Dec (£000)	£936.5	£1,118.9	£ (182.4)
Pre-tax Profit/(loss) – Mar – Dec (£000)	£ (1,128.0)	£3,097.1	£4,225.1
Completed primary pipe (Km)	10km	16km	6km

Current Scope of Energetik's Mains Pipe Superhighway



Complete	Under construction to Nov 2025	Planned 2026/27	Planned 2028/29

Opportunities & Risk

The opportunity and what it means for Energetik

Energetik has access to a very low carbon heat source in perpetuity and has already installed an extensive pipe superhighway across Enfield. As a result, the UK's rapidly evolving heat network market outlined above represents a major strategic opportunity.

Whilst slower than forecast connections from housing developments has impacted on Energetik's forecast connection fee income (Meridian Water, other anchor loads at Edmonton Green / Southbury), the upcoming regulatory changes, and supporting funding streams, will likely drive a significant increase in customer connections to Energetik's networks.

Energetik has already done much of the hard work over the last 10 years. With a significant pipe superhighway nearing completion in key areas, and large scale energy centre built and ready to serve Enfield and North London into the next century, new connections can be made quickly and cost-effectively, while the very-low carbon heat and strategic location in London creates an enviable position for Energetik to grow.

In summary, Energetik and Enfield Council as its shareholder has:

1. A significantly complete pipe superhighway installed across Enfield
2. Complete ownership of a large-scale heat network with strong long-term sustainable revenue
3. An in-perpetuity heat offtake agreement with the NLWA which will supply enough heat for 80,000 homes, which is lower in carbon than heat pumps.
4. A very favourable market outlook, with new legislation placing legal obligations for buildings to connect to the network under Heat Network Zoning
5. A route to decarbonise buildings in Enfield, reducing carbon content for heat and hot water by over 90% compared to gas, contributing to Enfield's net-zero ambitions.
6. Access to significant financial support for heat networks through grant funds available such as PSDS which could significantly increase Energetik's asset / overall value for very limited investment
7. An opportunity to extend beyond Enfield into other boroughs across North London, to supply their heating demands, in turn generating more income.

Risk & limiting factors

There are a number of risks and limiting factors that present challenges to Energetik in its current position:

Over-reliance on a single customer or anchor load

Explanation: Energetik's business model presently depends heavily on Enfield Council as its major customer to deliver connections and connection fee income. Any delay, renegotiation, or loss of one or more developments can impact financial stability.

Impact: Delayed profitability, lack of diversified portfolio, difficulty securing future investment.

Mitigation: diversify customer portfolio, focus on existing buildings that can be connected through grant funds

Financial constraints of the local authority

Explanation: As it is solely owned by Enfield Council, Energetik's ability to secure or draw down funding is tied to Enfield Council's ability to provide it. Strained budgets and borrowing caps, coupled with rules against Energetik raising its own finance, could limit future investment or expansion plans at a time when Energetik needs to continued investment.

Impact: Stagnant growth, project delays, inability to upscale, missed market opportunities, delayed return on investment

Mitigation: Seek investment / equity partner to bring new funding, skills, resource

Higher-than-forecast cost increases (CAPEX & OPEX)

Explanation: As the market has demonstrated over the last 5 years, construction and energy infrastructure projects are prone to cost inflation due to global events impacting supply chain, labour, materials or regulatory changes. Operational costs (e.g., fuel inputs, maintenance) may also exceed estimates if inflation rises beyond forecasts without adequate modelled allowances.

Impact: Reduced profitability, need for price increases, undermined business case.

Mitigation: Ensure conservative contingency estimates included in budgets

Slow decision-making processes

Explanation: As a publicly owned entity, Energetik can be subject to delays in approving key decisions. This can hinder its agility and ability to capitalise on opportunities if they arise.

Impact: Missed market opportunities, frustrated partners, delayed project starts.

Mitigation: Ensure important decisions are included within business plan approval, propose delegated authority for less significant decision making requirements

High cost and complexity of single dwelling retrofit connections

Explanation: Retrofitting heat networks into existing individual houses is often more complex and expensive than integrating into new developments. Technical issues, resident disruption, and planning hurdles increase both time and cost.

Impact: Reduced attractiveness of retrofit markets, lower ROI, difficulty meeting net-zero goals.

Mitigation: Pause single-dwelling retrofit works until/unless funding becomes available to make attractive.

Regulatory and policy uncertainty

Explanation: Changes in environmental policy, subsidies, or planning regulations can alter the viability of projects. Uncertainty may deter investors or complicate planning.

Impact: Riskier investment climate, stalled projects, need to pivot strategy.

Mitigation: Continue to monitor, engage via trade bodies, adjust business strategy accordingly

Updated Business Strategy

With a need to bring the project within budget and diversify Energetik's customer base to increase short term revenue streams, around twenty potential scenarios were modelled and discussed at length between Energetik and Enfield Council. For each scenario, two financial models were created which reviewed different ways to reduce the capital expenditure whilst retaining all grant and loan monies received from HNIP/MEEF:

- a **'Pioneer Case'** showing the likely heat connections to the network using current market intelligence e.g. already have planning and are committing to connect, and
- a **'Potential Case'** showing the possible long-term connections based on a more speculative view of available developable land identified through various sources, including Enfield Council's Local Plan.

For clarity and ease of interpretation, this plan and its financial summary present the Pioneer case. This section remains intentionally light on financial data, which can be found in the financial summary section of the report.

By reviewing and updating its business strategy, Energetik has identified a route and taken decisive steps to position itself for sustainable long-term growth in the UK's rapidly evolving low-carbon heat market. This updated plan focuses on driving growth and profitability while carefully managing budgets, meeting funder requirements, and accelerating heat connections. In summary, the company will:

- Reduce capital spend while fulfilling grant/loan requirements.
- Diversify and broadened its customer base.
- Focus on accelerating grant-funded connections that generate immediate revenue.
- Complete its infrastructure ready for future growth.

Following the many permutations of the scenarios modelled, analysed and eventually discounted, the following three strategic priorities detailed below have been refined to create the best situation for Energetik's profitability and growth.

Expand connections using available grant funding to connect and decarbonise existing public buildings.

Opportunity & Strategy

Connection fee income from housing developments still play a major part in Energetik's finances, but housing connections take time to grow and provide income. The PSDS grant however, offers a chance to rapidly connect public buildings to the network, significantly increasing Energetik's fixed assets, extending its network reach, and providing heat sale revenues from day 1 of connection.

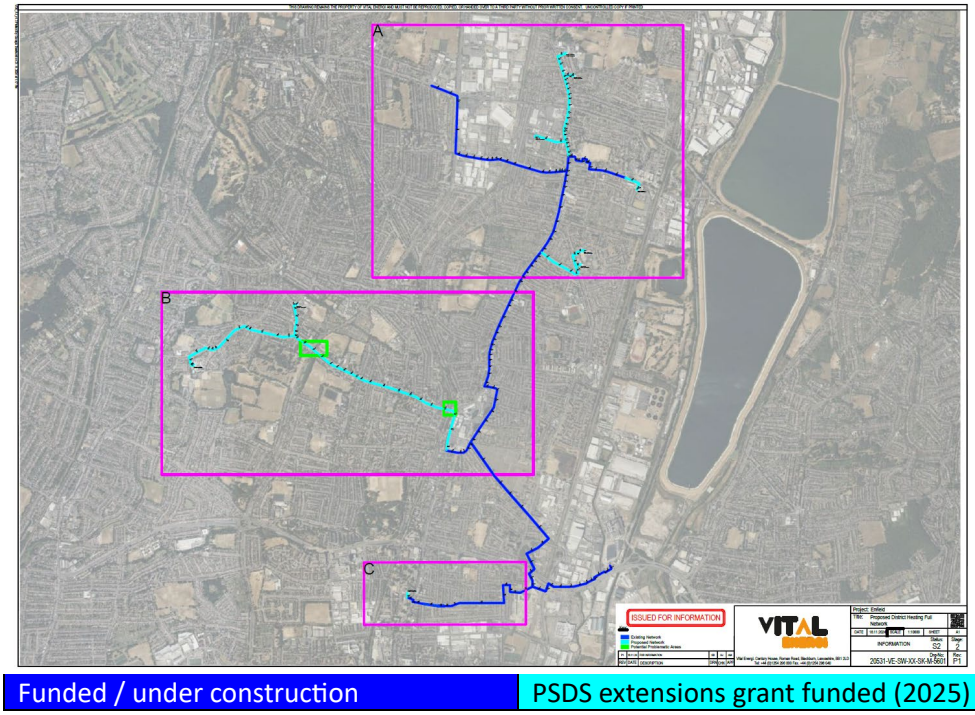
PSDS covers up to 88% of costs via grant funding, meaning Energetik can extend branches affordably, reducing reliance on delayed developments, with minimal financial risk.

Based on the recently approved PSDS application as an example:

Project Scope

- Lay 12 km of branch pipework to connect eight schools.
- Replace outdated gas boilers, cutting carbon emissions for connected schools by 90%.
- Add heat demand from day 1 equal to 2,100 homes,
- Unlocks future connections along the extension routes.
- As other public sector buildings on the route qualify for PSDS funding as gas boilers reach the end of serviceable life, Energetik will facilitate further connections to the network.

PSDS Extensions Funded By 2025 Grant



Funded / under construction | PSDS extensions grant funded (2025)

Financial Impact

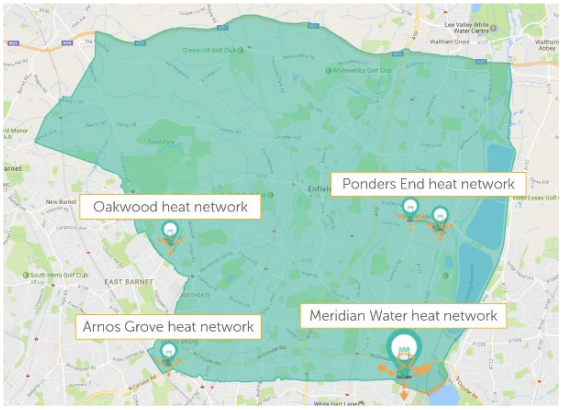
Adding the PSDS project to the truncated "Pioneer" route has the following impact:

- £21.6m project, mainly PSDS-funded, with £3m from schools & Energetik.
- Adds £21.4m in fixed assets at a cost of just £1.6m to Energetik.
- Adds £0.7m pa in revenues from 2028

Given the very attractive carbon savings that Energetik can generate for connected buildings, its chances of securing future PSDS applications are good, as demonstrated by success in the recent application. Energetik will begin applying for PSDS and other such funding schemes as may arise regularly, leveraging grants to decarbonise public buildings, expand the network, and increase profitability with minimal financial risk. It should be noted that in each instance, the company will take specialist advice on Subsidy Control (previously State Aid) to ensure it always remains compliant.

Reduce capital spending wherever possible to limit additional borrowing, whilst remaining compliant with loan and grant terms (HNIP/MEEF)

Cancellation of Arnos Grove / Coppice Wood Extension



Energetik has carried out a review of its satellite heat networks and proposed extensions and concluded that the extension to Coppice Wood Lodge is financially unviable following the loss of another anchor customer that helped the viability of the scheme. The Transport for London (TfL) development site at the Arnos Grove Underground station was permitted to use an alternative heating solution through the planning process, meaning the project to extend to Coppice Wood Lodge faced a £1 million funding gap. As the site generated only a modest return over a long period of time, it was deemed too slow to warrant continuation of the project investment.

Reduction in project scope for Tranche 3

The Tranche 3 expansion project was originally approved in 2021, which proposed extending the network north to Enfield Town, and west towards the satellite schemes at Arnos Grove and Oakwood. The project is supported by a government backed £49M funding package consisting of:

- Heat Network Investment Project: £12M loan (0.01%) + £12M grant
- Mayor's Energy Efficiency Fund (MEEF): £15M loan (2.4%)
- Enfield Council: £10.2M on-lending (4.8% assumed)

By March 2025, £28M has already been spent or committed, with 6 km of technically complex pipeline installed on the northern leg towards Southbury. However, significant cost inflation and housing delays since the project was approved, caused by the numerous factors already outlined above, has made the original scope unviable.

It is very important to note that it is not possible to simply stop the project altogether or cut out any undesirable elements. HNIP was created to help projects that needed financial intervention (grants/low-cost loans) to make them viable i.e. the expected returns on a project had to be too low to be investable without HNIP support. Cancelling wholesale elements of the project carries the risk of making the remainder of the project too financially viable i.e. it would be seen as investable without the need for HNIP support.

To achieve the requested reduction in capital spending whilst remaining compliant with HNIP funding terms, Energetik modelled numerous scenarios. The final decision was to terminate the extension south to Tottenham, saving £5.5M.

Due to the need to agree the amendment before the HNIP project closed (Spring 2025), a decision was needed from HNIP ahead of this business plan approval. With support of Enfield Council senior colleagues, the scope amendment to remove the Tottenham extension was submitted to, and approved by, the HNIP investment committee on 28th January 2025.

It is hoped that Energetik will still be able to extend south into Haringey in due course, by making use of the HNIP funding that was awarded to Haringey to create their own Energy Services Company (ESCO). As the creation of this ESCO is unlikely to proceed, but Haringey still have a need to decarbonise and significant large heat loads, it may be possible to re-utilise their funding to extend Energetik's network south.

Whilst at an early stage, officers in Haringey and at the GLA are supportive of this proposal. Should the project go ahead, a further paper will be submitted to Enfield Council for approval to proceed, but it should be noted that the project will only go ahead if it is profitable to Energetik and approved by both Haringey and Enfield Councils.

Summary

Overall, by cancelling both the Coppice Wood Lodge and Tottenham extensions, the company can reduce its capital spend by £7.5M whilst remaining compliant with funding terms.

Seek an equity partner to support growth

With most of the expensive and complex engineering work of the last ten years nearing completion, the future profitability of the company looks very healthy. Assuming the reduced scope of Tranche 3 noted above, the project is forecasting IRR of 27.07% from 2026 to 2057 with a potential increase in this figure if a policy of expansion through grant funding is adopted e.g. via PSDS or other funding scheme.

However, although the future looks healthy, the company requires further investment to ensure it keeps expanding to maximise the opportunity. Energetik is fully aware that Enfield Council as its sole

shareholder and lender is currently facing its own financial challenges, as with most other local authorities that are feeling the significant pressure after years of austerity and funding cuts.

Energetik is now at a key turning point in its development. It has a compelling investment story in the growing green energy infrastructure sector, supported by:

- A government-backed revenue model, ensuring long-term stability (having received £88m of government funding, each requiring significant due diligence)
- Scalable expansion opportunities, with regulatory changes driving connections (e.g. two new Haringey estates are heat network ready).
- Attractive financial returns, with a forecasted cumulative EBITDA of £238.2m from 2017 to 2057.
- A resilient funding structure, leveraging grants to minimise debt exposure.
- PSDS grant funding connections to often distant public sector buildings, funds long pipeline providing access for later connections to energy intensive buildings (e.g. local police station, private hospital and Hamman).

As the single shareholder, by taking Energetik to the investment marketplace, Enfield Council is in an enviable position with an opportunity to reduce its financial risk, access debt free capital, and improve the company's commercial position, while growing the low carbon heating offer for the borough and its surrounding areas.

The future is promising for Energetik, and by leveraging legislation, funding, and strategic partnerships, the company is well-positioned for sustainable growth, commercial success, and profitability.

What will it take to achieve the plan

Key actions:

- Build the additional 6km pipeline route to connect the schools, funded via PSDS grant
- Identify further opportunities and apply again for PSDS next year
- Connect the schools detailed in the PSDS application to the network over next 3 years
- Negotiate and lobby the GLA to expand out of borough with support
- Negotiate with Haringey / government to explore the possibility of reprofiling Haringey's HNIP funding to secure connection
- Complete the creation of a market prospectus and engage with potential investors to discuss equity / investment opportunities

A little time

Over the last 5 years, Energetik has delivered around 16km of pipework in a very busy London Borough without serious accident or injury. Heat Network infrastructure is a major and complex infrastructure project, especially on congested London roads. To install a project like that approved by PSDS takes 2-3 years. However, that pipework will last 80 years, longer than gas pipes, so will hopefully will never need to be revisited.

Before pipes are installed, there's a significant amount of work to do, including:

- Securing funding with Enfield Council

- Negotiate and execute commercial agreements with end users (schools) to commit to connection
- Complete technical design of the network including ground surveys and trial holes
- Prepare and submit town planning applications for all sections of the route
- As part of town planning, work with highways, TfL etc. to minimise travel disruption
- Carry out procurement exercises to secure contractors to install the pipework
- Carry out the complex installation of pipework, followed by commissioning etc.
- To complete the installation and get pipes in the ground you need:
    - To close a carriageway, with a detailed traffic plan in place. This can only be done 100m at a time due to the busyness of the roads.
    - Digging and reinforcing deep trenches to receive pipework, which is usually installed below existing services
    - Storage, delivery and cranage of heating pipework (almost a metre in diameter, x2) into place
    - Final positioning, welding, insulation and testing of pipework
    - Backfilling, making good and reopening the carriageway.

Financial appraisal

Overview (what are we doing)

As set out above, in order to achieve the company's updated strategic goals, Energetik needs to:

Complete its planned heat networks - this means installation of the updated and approved Tranche 3 scope i.e. north to Ponders End, Southbury and Enfield Town, removing the satellite scheme leg, and extensions to Coppice Wood Lodge (Arnos Grove network) and Tottenham (Meridian Water network. Delivering this amended project reduces the CAPEX by £7.5m as requested by the Council but complies with funding obligations.

Submit further PSDS funding applications – with up to 88% of funding provided under PSDS, it provides Energetik a way of significantly extending its network at a greatly reduced capital cost. Connecting existing public buildings to Energetik is a win-win situation – it saves the buildings 90% of their carbon emissions (for heat and hot water) whilst generating heat sale revenues for Energetik. It increases asset value through additional pipework in the ground and extends network reach across Enfield which in turn provides the opportunity for future connections.

Complete connections to buildings covered by the PSDS Grant 2025 – the successful PSDS project approved in 2025 and included in this plan, requires a £1.6m investment. In return it will receive £21.4m in new network extensions, and heat revenues from the date of each connection, totalling ~£700,000 per annum once the project is complete in 2028.

Headline milestones and expenditure (what do we need to fund it)

Key funding dates and spending expectations are summarised below:

Project element	Description	Expenditure	Funder deadline
Tranche 2 completion	Meridian Water Energy Centre and heat network	- Draw down remaining **£0.98m** of T2 loan - Utilise **£4.2m** of connection fees	September 2026
Tranche 3 completion	Extension of Meridian Water heat network to Enfield Town via Edmonton Green, Ponders End and Southbury	- Draw down **£1.1m** of the Interim Tranche 3 loan - Access remaining T3 funding **£15m** MEEF and **£10.141m** PWLB loan - Utilise **£3.1m** of connection fees	March 2031
PSDS 2025	Connect the schools within the scope of the project application	- PSDS grant **£18.4m** - Contribution from connecting schools **£1.4m** - An investment of **£1.6m** is required to cover Energetik's contribution	March 2028

Working capital increase

An increased working capital facility of £6m (up from £3.5m) is required to support forecast operational cash requirements to July 2026. The increased deficit is due to capital expenditure of £4.2m being required ahead of connection fees being received under the Tranche 2 element of the project. Working capital will be used to fund operating expenses during this time so that connection fee receipts can cover the capital expenditure. Between now and July 2026, Energetik intends to secure an investment partner or non-council funder.

Working capital risk

As with all previous iterations of Energetik's business plan, its cashflow is highly reliant on connection fee income. It accounts for 73% of gross profit and cash over the next 10 years, but receipt of this income is dependent on developments being built out, and this has been extremely difficult for anyone to accurately forecast, even over a short period.

The latest plan has been developed in partnership with LBE who are best placed to advise on development timescales. Although a conservative approach has been taken, it should be noted that further development delays will result in Energetik requiring additional working capital.

Council funding assumptions

The table below provides a summary of the funding assumptions that have been made in order to achieve the business plan, to be provided or have been provided by LBE:

Item	**Description**
Loans	Tranche 3 loans to complete this element of the project: - HNIP **£12m** at 0.01% interest rate – already being provided - MEEF **£15m** at 2.4% interest rate – release requested - Council loan (PWLB) **£10m** at estimated 4.8% interest rate – release requested
Grants	- HNIP **£12m** already received in return for equity - PSDS **£18.4m** been awarded, to be passed to Energetik by the Council
Working capital	- Increase limit from **£3.5m** to £6m – requested - Extend term of facility from May 2027 to March 2032

Comparison with the 2021 plan

The table below compares key financial metrics of this current business plan with that approved by LBE in 2021 (Tranche 3 investment):

Metric	2021 approved plan	2025 Plan Pioneer
No of residential connections	Ca. 20,000	18,128
Additional funding required	£37m	£37m
Retained earnings in Energetik	£89.3m	£95.7m
Interest Premium to Council	£18m	£18m
Peak cash utilisation	£76m in 2024	£69m in 2028
Total loans	£77m	£77m
Full loan repayment	2048	2051
Cash net positive	2042	2043
Net profitable with connection fees	2023	2025
Net profitable without connection fees	2039	2038
Profit before tax 2030	£3.9m	£4.7m
IRR from start	4.41%	5.24%
NPV	£10.1m	£20.8m
IRR 2026 - 2057	26.62%	27.07%
NPV 2026 - 2057	£103.7m	£93.3m

Note - The NPV and IRR for the 2025 plan with PSDS are calculated using capital expenditure net of the PSDS grant

Key highlights

- Whilst the overall number of residential connections is lower than in the 2021 plan, this shortfall is compensated for by more commercial connections that will be delivered by the PSDS project.

- The IRR from 2026 to 2057 is extremely positive, showing a 27% return, and an NPV of £93m.

- Profitability before connection fee income has come forward a year, now expected in 2038.

- The IRR has increased in this plan to 5.24%, up from 4.41% in the 2017 40 year plan (when PSDS capital spend is net of the grant funding. Without adjustment it is slightly lower at 4.1%).

- The key feature in the profit and loss account for the years to 2038 is that the business would have been loss making without connection fee income. Since there are no direct costs attributed to this income (the construction works behind it are capitalised and funded by long-term loans), it is pure profit and more importantly cash to cover operating costs, including loan interest and capital repayments.

- Between 2026 and 2032 (when Energetik is forecast to become self-sufficient and has repaid its working capital facility) connection fees are forecast to total £42m, or 67% of the total gross profit over that period. Whilst PSDS is a vehicle to provide grant funded pipework and significant additional heat sales, it does not provide the profit and cash injections that connection fees do, and which the business plan relies on.

- Depreciation increases significantly from £1.3m in 2026 to £2.8 by 2030 as more assets are completed and brought into use. Additionally, interest charges increase as more loan drawdowns are made, rising to £2.2m in 2030.

Balance Sheet

Key highlights

- For the first 3 years of the plan there is a high level of capital expenditure as Energetik continues to build out the heat network. The net book value of fixed assets grows from £67m in April 2025 to £111m in March 2028.

- This growth in fixed assets is mirrored by an increase in loan liabilities rising from £51m in April 2025 to £67m in March 2028, through £23m of loan drawdowns less £6m of loan capital repayments, and an increase in shareholder equity of £18m for the first payments of the PSDS grant money.

- The balance sheet shows a positive cash balance throughout 2025/26 and most of 2026/27. However, this masks a requirement for additional working capital funding in some months as the cash balance is comprised mainly of money from loans that can only be used for specific capital works. This is explained fully in the cashflow section below.

- The cash difficulties are resolved by 2031/32 thanks to the cumulative effect of several year's connection fee receipts. These receipts enable the working capital facility to be fully repaid.

- The model does not show any dividend payments over the period of the business plan so that Energetik's full cumulative earnings can be clearly seen. However, Energetik would be able to start making dividend payments of £1m - £2m from 2032 when it has retained earnings of £20m and cash of £4m (all operational funds). It should be able to continue making dividend payments each year. This would only be possible if the connections forecast in the model happen.

High level SWOT Analysis

Strengths **Strength**	**Explanation**
Public Ownership and Alignment with Net Zero Goals	Backed by local authority, mission-aligned with UK climate targets—positions Energetik as a credible, values-driven operator.
Established Operational Experience	Proven track record in heat network design, delivery, and operation builds trust with stakeholders.
Strong Local Relationships	Close links with planning departments, developers, and communities create barriers to entry for competitors.
Long-Term Contracts	Customer agreements over decades and a heat supply in perpetuity provide revenue certainty and planning confidence.

Weaknesses & Mitigations

Weakness	**Explanation**	**Mitigation**
Over-reliance on Single Anchor Load	Dependency on one major customer increases financial risk i.e. Enfield	Diversify customer base across multiple developments and sectors; seek funding to connect existing buildings via available grants
Local Authority Financial Strain	Public funding constraints limit expansion capital.	Explore blended financing: government grants and private investment partnerships.
Inability to Lend Further	If borrowing limits are reached, growth may stall.	Develop commercial models that reduce capital burden and seek external finance.
Slow Decision-Making	Public sector governance can delay responses to market shifts.	Delegate more decisions to the board; use pre-approved frameworks and business cases to speed up internal approvals.
High Cost of Retrofit	Retrofitting into existing stock is expensive and disruptive.	Prioritise “low-hanging fruit” retrofit sites (e.g. estate regeneration projects that can be funded); secure early engagement with landlords.
Cost Overruns	Inflation or unexpected technical challenges raise CAPEX/OPEX.	Use contingency planning, early contractor involvement, and fixed-price contracts where possible.

Opportunities

Opportunity	Explanation
Policy Push for Decarbonisation	UK heat decarbonisation policies (e.g., zoning, gas phase-out) create a favourable environment for heat networks.
New Development Pipelines	Urban growth and housing demand - i.e. Enfield Local Plan - provide steady pipeline of potential connections.
Public Awareness and Demand	Rising environmental awareness increases customer acceptance of low-carbon heating solutions.
Funding Availability	National schemes (e.g. HNES, HNIP, Green Heat Network Fund, PSDS, SHDF) can support capex costs.

Threats & Mitigations

Threat	Explanation	Mitigation
Private Sector challenge	Agile, well-capitalised developers may try not to connect.	Emphasise local reinvestment, community benefits, and long-term pricing stability. Build strategic partnerships with developers.
Policy or Regulatory Changes	Shifts in government support or compliance rules can disrupt business models.	Maintain close liaison with DESNZ and industry bodies; adapt strategy to align with emerging regulations.
Customer Reputation Risks	Pricing concerns or service failures may attract negative press.	Continue to invest in customer service excellence, maintain transparent pricing models, and proactive community engagement.