



## From Baseload to Flexibility: The Redefinition of Infrastructure Value in the Energy Transition

NOVEMBER 2025

**sosteneo**  
Infrastructure Partners

COMMUNICATION ONLY FOR PROFESSIONAL INVESTORS IN ITALY, FRANCE, AUSTRIA, GERMANY, SPAIN, PORTUGAL, AND LUXEMBOURG.

*For decades, energy infrastructure operated within a stable industrial logic: electricity demand was predictable, and supply was provided by dispatchable, centralised sources. Power generation fell into two distinct categories – baseload plants running continuously to meet minimum system needs, and peaking plants activating during demand surges. Capital flowed to coal, gas, and nuclear assets designed for high utilisation and efficiency. Utilities, operating under vertically integrated models, were the natural developers and owners of this infrastructure.*

*But the energy transition has rendered this model obsolete. The combined forces of technological change, energy independence, and capital constraints are reshaping both what we build and who delivers it.*

### THE RISE OF RENEWABLES AND THE FLEXIBILITY IMPERATIVE

As wind and solar power have gained prominence, the challenge has shifted from meeting stable demand to managing variable supply. These clean resources have near-zero marginal costs but are intermittent by nature, governed by daylight and weather rather than market signals. They are essential to decarbonisation, but they cannot be dispatched in the traditional sense.

This has upended the traditional baseload-peaking dichotomy. Instead of building systems around fixed generation, grids now require infrastructure that can flex dynamically. This includes grid-scale battery storage, which delivers services such as frequency stabilisation, voltage support, load shifting, and the seamless integration of intermittent energy resources. It also requires reinforced transmission networks and new interconnections to transport electricity from the remote locations where it is generated, balancing local variability and unlocking wider integration benefits.

What's emerging is a new system of decentralised, dynamic, flexibility-led operations. And for investors, it demands a redefinition of infrastructure value.

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### VALUE IS SHIFTING TO ENABLING INFRASTRUCTURE

Traditional fossil fuel-fired assets are being phased out, restructured, or displaced. Their economic rationale no longer holds. In their place, value is migrating toward enabling infrastructure which forms the backbone of the new energy paradigm: standalone and co-located storage, along with new and upgraded transmission connectivity.

These assets don't just support renewables – they make the energy transition operable. And they generate new forms of contracted cash flows, with value that is less tied to utilisation and more to system services and integration capability.

But building and financing this new class of infrastructure comes with challenges – and opportunities.

### UTILITIES ARE UNDER PRESSURE AND REPOSITIONING

Historically, utilities would have financed and delivered these assets themselves. Their balance sheets, regulatory mandates, and development capabilities made them natural stewards of the energy system. But today's transition demands unprecedented capital outlay to decarbonise generation, expand grid capacity, and build flexibility.

At the same time, utilities face macro headwinds: higher interest rates, increased regulatory scrutiny, and tightening credit conditions. These pressures are limiting their ability to deploy capital at the required pace and scale while satisfying commitments to shareholders, prompting a structural realignment.

Across Europe and beyond, utilities are increasingly engaging in platform carve-outs and co-investment strategies to maintain exposure to the transition while managing balance sheet constraints. These are not distressed sales but targeted moves to refocus capital, while turning to external partners for growth initiatives such as battery storage, grid reinforcement, and flexible generation.

This is where specialist energy infrastructure managers come in.

### A NEW PARTNERSHIP MODEL WITH UTILITIES, WITH PREMIUM OPPORTUNITIES

Utilities are not simply auctioning off assets. These partnerships are highly selective, relationship-driven processes where capital alone isn't enough. What utilities seek are investors who bring technical expertise, delivery experience, and innovative structuring – the ability to align institutional return targets with the utility's operational and financial goals.



This typically occurs when projects are ready-to-build, but require delivery certainty and off-balance sheet financing to proceed. Utilities often act as offtakers or operational partners in the resulting joint ventures.

For investors, this model creates premium access to high-quality, well-located assets with long-term contracted revenues, with strategic alignment baked in.

## THE ENEL LIBRA FLEXSYS CASE

A case in point is the Enel Libra Flexsys transaction. In this partnership, Sosteneo joined forces with Enel on a portfolio of utility-scale battery energy storage systems and peakers across Italy.

For Enel, it represented the first initiative under its “Partnership Business Model” – a staple of Enel’s capital light strategy with the aim of maximising capital productivity<sup>1</sup>. Revenues for the project are fully contracted for 15 years through capacity agreements with Enel as well as capacity payments from Enel that are backed by Terna, Italy’s transmission system operator.

Sosteneo brought the capital and structuring capabilities to deliver the projects without adding debt at the joint venture-level, while acting as an ideal partner thanks to its deep expertise in battery storage. This structure not only preserved balance sheet strength for Enel, but also created a high-quality, contracted investment opportunity for Sosteneo’s clients.

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<sup>1</sup>Source: Enel Group Investor Presentation, 2024, p.54

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## IMPLICATIONS FOR INVESTORS

Together, these shifts – from baseload to flexibility, and from utility ownership to partnership-led delivery – are redefining what it means to invest in infrastructure.

It’s about understanding how clean energy is integrated, where capital constraints lie, and who can deliver under real-world constraints.

It’s also about timing. Investors who can enter at the point of delivery – with the ability to structure capital, manage risks, and align with industrial partners – are best placed to capture sustainable value.

At Sosteneo, we believe these shifts present one of the most attractive opportunities in European energy transition infrastructure today. We are not simply bidding for output; we are partnering to operate and reshape the system from within.