



## INVESTOR REPORT FOR WODS TRANSMISSION PLC

For the period ending 30 June 2016

### General Overview

#### *Present Status:*

Investors: **3i Infrastructure plc and PPP Equity PIP LP**

O&M Contractor: **Dong Energy West of Duddon Sands (UK) Limited and ScottishPower Renewables (WODS) Limited**

O&M Guarantors: **Dong Energy Wind Power Holdings A/s and Scottish Power UK PLC**

Security Trustee: **HSBC Corporate Trustee Company (UK) Limited**

Principal Paying Agent: **HSBC Bank PLC**

Technical Adviser: **Ove Arup & Partners Limited**

Insurance Adviser: **Marsh Ltd**

Ratings by Moodys Investors Service Limited: **A3**

Outstanding Principal Amount: **£244,798,013 as at 30 June 2016 (after a principal repayment of £5,711,447 on 30 June 2016).**

### General performance

WoDS Transmission PLC (**WoDST**)'s operational performance has exceeded expectations and has recorded 100% transmission system availability since asset transfer date on 25 August 2015 through to the date of this report.

Onshore and offshore maintenance has been carried out as planned and completed successfully. The next planned outages (i.e. those affecting availability) are scheduled for late Summer 2016 as part of the planned maintenance activities and are in line with the Completion Date assumption of a minor maintenance outage in the first full year of operation.

The Vendors are progressing work that they are required to complete after Completion Date as set out in the Agreement dated 20 August 2015 for the sale and purchase of the offshore transmission assets relating to the West of Duddon Sands Wind Farm Project (the **SPA**) with most items now complete. Progress on minor snagging work is being monitored by WoDS and works signed off by WoDS on completion of same with one remaining item currently in progress, the disconnection of redundant metering equipment, with close out expected shortly.

The Vendors are also progressing agreed works required under the Cable Burial Agreement and the Barrow Crossing Agreement (the **BCA**), together with agreed additional works to address the further instance of seabed scour identified shortly after closure (see below), as a single programme of work, at their expense. This programme is currently underway and scheduled to complete by the Autumn of 2016.

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## General performance (continued)

WoDST continues to monitor the Temperature Anomaly and no further deterioration has been detected. Testing as specified in the SPA, to either confirm or rule out the presence of a technical issue protected by warranties contained within the SPA, is complete and the final report is awaited.

The O&M contractor continues to deliver HSE management in relation to the offshore transmission assets owned by WoDS. HSE performance since asset transfer has been good with no reportable incidents.

WoDST is managing and discharging its transferred obligations under the Marine Licence successfully.

There have been no material communication or reports delivered by WoDS or the National Electricity Transmission System Operator pursuant to the terms of any Transaction Authorisation since the date of the last Investor Report.

With respect to the additional area of seabed scour, now being addressed by the Vendor as outlined above, this may have been due to one of two berms located at key point 8.8 (8.8 kilometres along the route) and placed there by the Vendor to address shallow burial of the two export cables at that point. Due to the orientation of the South cable at that point, the berm for that cable is oriented across the prevailing tidal current and it is this, together with the nature and mobility of the seabed, that may have caused the presence of scour. A solution has been designed by the Vendor, signed off by their technical advisor, and reviewed by Arup as WoDST's lenders technical adviser, and is being installed at the Vendors' cost under an additional services agreement to the Operations and Maintenance Agreement with the indemnities available under that agreement applying.

## Regulatory and business update

1. There have been no new significant regulatory and business and performance developments since the last Investor Report.
2. There have been no significant announcements/publications by the Authority by or relating to the Security Group since the last Investor Report.
3. Since the last Investor Report, there have been no changes to the members of the Board of WoDST (the **Board**).

## Current Hedging Position

4. A hedging agreement is in place to swap a portion of the revenues over the life of the fixed rate secured bonds due August 2034.

## Current availability / drawn amounts under the PBCE

5. The European Investment Bank (the PBCE provider) has provided a letter of credit that allows WoDS, in specified circumstances, to draw down certain amounts. At 30 June 2016, WoDST was entitled (subject to specified conditions) to draw down under the letter of credit a maximum amount with a value equivalent to 15% of the outstanding principal amount of the fixed rate secured bonds due August 2034. No amount of the PBCE letter of credit has been drawn down as at the date of this report and WoDST has no current plans to draw down under this facility.

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## Project Documents

6. There have been no amendments to, or replacement of, any Project Document since the last Investor Report.

## Ratios

7. We confirm that the ratios at 30 June 2016 (together the **Ratios**) are as detailed in the tables below:

Ratio	Ratio for Relevant Period/Date (excluding undrawn PBCE)	Lock-Up Ratio Level (excluding undrawn PBCE)	Ratio for Relevant Period/Date (including undrawn PBCE)	Default Ratio Level (includes undrawn PBCE)
Projected DSCR:	1.21x	1.10x	3.63x	1.05x
Historic DSCR:	1.26x	1.10x	3.36x	1.05x
Debt Life Cover Ratio:	1.28x	1.15x	1.43x	1.08x

8. We confirm that the Ratios have been calculated using the most recently available financial information required to be provided by the Obligors under Schedule 2 (Obligor Covenants) of the Common Terms Agreement. The undrawn PBCE amount included in the calculation of the relevant Ratios included within the table at paragraph 7 of the Investor Report amounted to £36,719,702.

9. We set out below the computation of the Ratios for your information:

The numerator excludes the PBCE letter of credit facility

- (a) Projected DSCR – 1.21 (excluding undrawn PBCE)

Net Cashflow (Jul 16 – Jun 17) 18,424

Debt Service (Jul 16 – Jun 17) 15,203

Net Cashflow is comprised of Gross Revenue less Operating Costs, Capital Costs and Taxes.

Gross Revenue is net of RPI swap payments and movements in and out of the Decommissioning Reserve Account (DRA) and Working Capital Reserve Account (WCRA).

Debt Service includes all scheduled payments of interest and principal payable in respect of senior debt and any termination payments then due and payable under any hedging agreement.

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## Ratios (continued)

- (b) Historic DSCR – 1.26 (excluding undrawn PBCE)

Net Cashflow (Aug 15 – Jun 16)	21,881
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Debt Service (Aug 15 – Jun 16)	17,422
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- (c) Debt Life Cover Ratio – 1.28 (excluding undrawn PBCE)

NPV of Net Cashflow plus DSRA and WCRA Plus residual balance of proceeds account	314,118
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Senior Debt	244,798
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10. We confirm that:

- (a) No Default has occurred and is continuing;
- (b) The statements set out in this Investor Report are accurate in all material respects;
- (c) the amount of any Restricted Payment made since the date of the previous Investor Report amounted to £3,114,118.

  
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Director

Signing without personal liability, for and on behalf of **WoDS Transmission PLC**

**30 June 2016**