

INVESTOR REPORT FOR WODS TRANSMISSION PLC

For the period ending 30 June 2021

General Overview

Present Status:

Investors: **Funds managed by Dalmore Capital Limited** (PPP Equity PIP LP, Dalmore Infrastructure Investments 31 LP, Dalmore Infrastructure Investments 32 LP, Dalmore Infrastructure Investments 33 LP)

O&M Contractor: **Ørsted West of Duddon Sands (UK) Limited and Scottish Power Renewables (WODS) Limited**

O&M Guarantors: **Ørsted 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 Moody's Investors Service Limited: **A3**

Outstanding Principal Amount: **£202,527,570 as at 30 June 2021 (after a principal repayment of £5,434,939 to be made on 30 June 2021).**

General performance

1. Health and Safety Performance

The health and safety performance of WoDS Transmission PLC ("WoDST") since asset transfer has been good with no reportable incidents under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013.

One action arising from the 2019 HSE process review remains outstanding because of Covid-19 restrictions and will be completed during the forthcoming onshore and offshore site visits later this summer.

The 2020 HSE Operating Plan was successfully implemented with the exception of the offshore General Safety process review which was postponed due to Covid-19 restrictions. This will take place later this summer along with the onshore substation and control facilities process reviews set out in the 2021 HSE Operating Plan. Once completed, any findings from the offsite and onsite process reviews scheduled for 2021 will be progressed and monitored through the monthly Operations and Maintenance (O&M) liaison meetings held with the O&M provider.

As a result of Covid-19, WoDST and its associated organisations have ensured that working practices comply with government guidelines. In support of this WoDST, in partnership with other OFTOs through the Energy Network Association, has liaised with the Department for Business and Industrial Strategy (BEIS) to open up communication channels and ensure lockdown restrictions allow for suitable OFTO activities in operating and maintaining key national infrastructure. This includes arrangements for foreign key workers. Management Services provider (Frontier Power Limited) and the Directors of the Company commenced working-from-home arrangements in March 2020, while the O&M provider continues to work on-site. Since then and during the course of 2021, with the roll out of the vaccination programme and widespread use of workforce Lateral Flow Tests, restrictions have eased, and necessary work has progressed with much of the overdue work being picked up in a controlled manner whilst ensuring that there has been no significant impact on either HSE matters nor asset integrity.

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2. *Transmission System Availability Performance*

Cumulative transmission system availability calculated on a basis consistent with that reported to the Gas and Electricity Markets Authority (the “Authority”) since asset transfer on 25 August 2015 up until 27 June 2021, was 99.75% (reflecting a successful Exceptional Event claim – see “2.2 System Availability Performance for the performance year ended 31 December 2019” below). On an equivalent reporting basis, transmission system availability for the period from 22 December 2020 (being the day immediately following the end of the availability period reported in the last Investor Report) through to 27 June 2021 was 99.85%.

2.1. *System Availability Performance from 31 December 2020 to 30 June 2021*

Further to a fault on National Grid equipment at their Heysham 400kV substation, WoDST protection equipment correctly operated in response and de-energised one of the two WoDST circuits. As a consequence, availability performance was affected by an outage of Circuit 1 between 11th March and 15th March 2021 with an availability reduction of 16,977MWh equivalent to 5.97% of the maximum availability in March 2021. The circumstances of the event and subsequent restoration of WoDST availability are complex and are the subject of an investigation that has not yet concluded. However, we remain confident that the loss of availability during this period will be treated as an emergency de-energisation or as an Exceptional Event and excluded from the transmission service availability incentive calculation.

As a result of the automatic protection response on the 11th March 2021, an unrelated but concurrent fault occurred on Harmonic Filter One (auxiliary equipment designed to help maintain power quality). Harmonic Filter One remained out of service on the 15th March when Circuit 1 was re-energised, however a further outage of Circuit 1 on 9th April was taken to facilitate an investigation into Harmonic Filter One fault with a duration of 7hrs 57mins and an availability reduction of 1,313MWh, equivalent to 0.48% of availability in April 2021.

Other minor outages include a short duration outage of 2 hours 54 minutes (479MWh) to facilitate circuit inspection and two short duration outages of 4 hours 50 minutes (798MWh) (in aggregate) to rectify Harmonic Filter One and investigate imbalance issues with Harmonic Filter Two, which has been notified under warranty.

2.2. *System Availability Performance for the performance year ended 31 December 2019*

As previously reported, an Exceptional Event claim was lodged with the Gas and Electricity Markets Authority (“the Authority”) on 5 September 2019, who subsequently determined on 3 June 2020 that the circumstances giving rise to the outages associated with the SF₆ related remedial repairs met the definition of an Exceptional Event under the offshore transmission owner licence issued to WoDST. Consequently, this decision allows WoDST to adjust its prices to recover £1.1m in performance credits for the performance year ended 31 December 2019 from National Grid Electricity System Operator Limited. **The collection of these performance credits commenced from 1 April 2021.**

3. *Covid-19 and its impact on Operations and Maintenance*

The outbreak of the Covid-19 pandemic has not significantly affected the O&M activities by the O&M provider. Mitigations have been established to enable safe working in accordance with government guidelines for the energy sector and all essential maintenance and statutory inspections have been

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carried out as planned. Lower priority activities, for example process reviews requiring site visits, have been postponed until suitable relaxation of Covid-19 associated restrictions come into force.

4. Warranties

All equipment warranties have now expired with the exception of the 400kV switchgear SF₆ remedial work warranties which have been extended by 4 years from completion of the remedial work noted above. Prior to the equipment warranty expiry, two warranty defects on Harmonic Filter Two and an offshore transformer were notified to the suppliers concerned, however, these have not been rectified to date. These defects are not expected to affect availability performance materially and will be managed within the normal O&M activity.

5. Bathymetric Survey

Following recommendations from the O&M contractor, a seabed bathymetric survey was conducted in August 2020 to examine seabed mobility and potential cable exposure areas identified in the previous bathymetric survey undertaken in November 2018. The August 2020 survey interpretive report was made available in October 2020 and confirmed that, although further seabed mobility was observed, the overall cable protection and exposure levels were of a similar order to that observed in November 2018:

- Cable free spans - No cable free spans have been observed however there is continued seabed change that has led to some covering of previously eroded areas and potential exposure of other areas along the cable route.
- Barrow Crossing - The remediated areas of the crossing are currently stable: To the east and west of the crossing, there is continued seabed change that has led to some minor cable exposures.
- Offshore substation - The offshore substation shows scour at the two south platform legs however the structural integrity remains sound: This scour, which was identified in previous surveys, is developing over time and has lowered the seafloor however the O&M contractor has confirmed that the structural integrity of the foundations remains satisfactory.

None of these findings are considered to have an impact on the integrity of the assets. The O&M contractor has recommended that the next bathymetric survey should be undertaken in 2023.

6. Material Communications

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

7. Decommissioning

Following the publication of revised Decommissioning Guidelines by BEIS in March 2019, a number of amendments were introduced including changes to the security provisions required under which it is proposed that scrap value be excluded to offset the cost of decommissioning and include VAT on the resulting costs.

WoDST, along with other OFTOs through the ENA OFTO Forum, are in dialogue with the Authority and the Government department, BEIS, to clarify the implementation of the funding arrangements for the change in requirements. Until such time as clarification is provided, the submission of a revised decommissioning plan has been deferred.

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Regulatory and business update

There have been no new significant regulatory, business and performance developments since the last Investor Report except as disclosed under “General Performance” above.

There have been no significant announcements/publications by the Authority by or relating to the Security Group since the last Investor Report.

There have been no changes to the project ownership since the previous Investor Report.

Current Hedging Position

An inflation 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

The European Investment Bank (the PBCE provider) has provided a letter of credit that allows WoDST, in specified circumstances, to draw down certain amounts. At 30 June 2021, 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.

Project Documents

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

Ratios

We confirm that the ratios calculated as at 30 June 2021 (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:	1.24	1.10x	3.04	1.05x
Historic DSCR:	1.10	1.10x	2.84	1.05x
Debt Life Cover Ratio:	1.31	1.15x	1.46	1.08x

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 shown above amounted to £30,379,135. All ratios have been calculated based on actual data through to 31 March 2021 and forecast data through to 30 June 2021 and thereafter.

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Ratios (continued)

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

- (a) Projected DSCR – 1.24 (excluding undrawn PBCE)

Net Cashflow (Jul 20 – Jun 21)	£20,842k
Debt Service (Jul 20 – Jun 21)	£16,857k

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.

- (b) Historic DSCR – 1.10 (excluding undrawn PBCE)

Net Cashflow (Jul 20 – Jun 21)	£19,323k
Debt Service (Jul 20 – Jun 21)	£17,495k

- (c) Debt Life Cover Ratio – 1.31 (excluding undrawn PBCE)

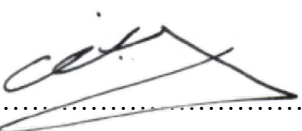
NPV of Net Cashflow plus DSRA, MRA, WCRA	
Plus, the residual balance of the proceeds account	£264,371k
Senior Debt	£202,528k

Confirmations

We confirm that:

- (d) No Default has occurred and is continuing;
- (e) The statements set out in this Investor Report are accurate in all material respects; and
- (f) The amount of any Restricted Payment made since the date of the last Investor Report amounted to £960,000.

Yours faithfully,



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Director

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

28 June 2021