

INVESTOR REPORT FOR WODS TRANSMISSION PLC

For the period ending 31 December 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: **£197,298,223 as at 31 December 2021 (after a principal repayment of £5,229,347 to be made on 31 December 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.

The 2021 HSE Operating Plan was successfully implemented which, in addition to normal activities, sought to readdress the Covid-19 induced postponement of the 2020 offshore General Safety process review. All actions from preceding years process reviews have been completed. The findings from the offsite and onsite process reviews undertaken in 2021. There are no areas identified of significance.

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. Since the advent of Omicron, further O&M precautions have been introduced to minimise the impact on personnel and operations however most of the site-based resource activities have already been completed for 2021.

WoDST and its associated organisations continue to ensure that working practices comply with government guidelines and work in partnership with other OFTOs through the Energy Network Association (ENA), to liaise with the Department for Business and Industrial Strategy (BEIS) as necessary. Management Services provider (Frontier Power Limited) and the Directors of the Company continue to undertake the management of WoDST using working-from-home arrangements while the O&M provider continues to work on-site.

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General performance (continued)

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 through to and including 20 December 2021, was 99.65% (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 27 June 2021 (being the day immediately following the end of the availability period reported in the last Investor Report) through to and including 20 December 2021 was 98.49%. The transmission system availability figures quoted here exclude the impact of those outages treated as emergency de-energisations as permitted by the Authority – see “2.1 System Availability Performance from 1 January 2021 to 20 December 2021” below.

Reported availability for the performance year ending 31 December 2021 to the Authority will be amended in a future reporting period if the Exceptional Event claim in respect of the July 2021 circuit 1 outage discussed below under “2.1 System Availability Performance from 1 January 2021 to 20 December 2021” is successful. The potential impact of such a successful Exceptional Event claim is not reflected in the reported transmission system availability figures referenced above but would improve the reported cumulative transmission system availability from 25 August 2015 through to and including the 20 December 2021 and for the period from 27 June 2021 through to and including 20 December 2021 to 99.76% and 100% respectively.

2.1. System Availability Performance from 1 January 2021 to 20 December 2021

Further to a fault on National Grid Electricity Transmission plc (NGET) 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 11 March 2021 and 15 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 have been investigated and we are satisfied with the performance of the equipment and can confirm that the loss of availability during this period has been treated as an emergency de-energisation and excluded from the transmission service availability incentive calculation as permitted by the Licence.

As a result of the automatic protection response on the 11 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 15 March 2021 when Circuit 1 was re-energised, however a further outage of Circuit 1 on 9 April 2021 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.

On 22 July 2021 a second fault, unrelated to the incident on the 11 March 2021, occurred on NGET equipment at their Heysham 400kV substation which resulted in both WoDST circuits de-energising.

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General performance (continued)

2. *Transmission System Availability Performance - continued*

2.1. System Availability Performance from 1 January 2021 to 20 December 2021 - continued

WoDST circuit 2 was re-energised on 23 July 2021, 25hrs 16 mins after the NGET fault with a reduction of 4,826 MWh. The loss of availability during this period has been treated as an emergency de-energisation and excluded from the transmission service availability incentive calculation.

WoDST circuit 1 was re-energised on Wednesday 28 July 2021 at 14:54, some 143 hours 57 minutes after the fault. The impact of this outage on availability was a reduction of 24,441 MWh. This is subject to an Exceptional Event claim, pending an investigation into WoDST Super Grid Transformer 1 protection arrangements scheduled for April 2022.

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 ongoing 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 carried out as planned. We remain mindful however that, if necessary, lower priority activities that are not expected to impact on availability may be postponed if circumstances change going forward.

4. *Warranties*

All equipment warranties have now expired with the exception of the 400kV switchgear SF₆ remedial work warranties which were extended to 2023. Prior to the equipment warranty expiry, two warranty defects on Harmonic Filter Two and an offshore transformer were notified to the suppliers concerned. Harmonic Filter Two has been rectified however the offshore transformer is being managed within normal O&M activity as the impact on equipment reliability and availability is minor.

5. *Bathymetric Survey*

The situation is unchanged from that reported in the June 2021 Investor Report. The O&M contractor has recommended that the next bathymetric survey be scheduled to be undertaken in 2023.

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General performance (continued)

6. *Material Communications*

There have been no material communication or reports delivered by WoDST or National Grid Electricity Transmission System Operator Limited 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.

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 31 December 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.

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Ratios

We confirm that the ratios calculated as at 31 December 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:	1.16	1.10x	2.89	1.05x
Historic DSCR:	1.16	1.10x	2.82	1.05x
Debt Life Cover Ratio:	1.30	1.15x	1.45	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 £ 29,594,733. All ratios have been calculated based on actual data through to 30 September 2021 and forecast data through to 31 December 2021 and thereafter.

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

(a) Projected DSCR – 1.16 (excluding undrawn PBCE)

<u>Net Cashflow (Jan 22 – Dec 22)</u>	<u>£19,928k</u>
Debt Service (Jan 22 – Dec 22)	£17,130k

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 – 1.16 (excluding undrawn PBCE)

<u>Net Cashflow (Jan 21 – Dec 21)</u>	<u>£20,534k</u>
Debt Service (Jan 21 – Dec 21)	£17,751k

(c) Debt Life Cover Ratio – 1.30 (excluding undrawn PBCE)

NPV of Net Cashflow plus DSRA, MRA, WCRA	
<u>Plus, the residual balance of the proceeds account</u>	<u>£256,118k</u>
Senior Debt	£197,299k

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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 £960,274.

Yours faithfully,

Chris Field

[Chris Field \(Dec 21, 2021 12:42 GMT\)](#)

Director

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

21 December 2021

211231_WODS_InvestorReport_final

Final Audit Report

2021-12-21

Created:	2021-12-21
By:	Sophie Paine (admin@frontierpower.biz)
Status:	Signed
Transaction ID:	CBJCHBCAABAA8uWmYxaThzqisIOwyJbgy2Ky3gRaLPDV

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Document emailed to Chris Field (chris.field@dalmorecapital.com) for signature

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Email viewed by Chris Field (chris.field@dalmorecapital.com)

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Document e-signed by Chris Field (chris.field@dalmorecapital.com)

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