

INVESTOR REPORT FOR WODS TRANSMISSION PLC

For the period ending 31 December 2020

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: **£207,962,746 as at 31 December 2020 (after a principal repayment of £4,835,237 to be made on 31 December 2020).**

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 2020 HSE Operating Plan is being implemented with the exception of site-based process reviews which have been postponed due to Covid-19 restrictions. The postponed process reviews will be rescheduled when suitable mitigants have been established or when restrictions have been relaxed. The actions arising from the 2019 HSE process reviews are complete with the exception of two actions that are planned for completion January 2021 pending Covid-19 restrictions. Any findings from the offsite and onsite process reviews scheduled for 2020 when complete 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) executives and the Directors of the Company commenced working-from-home arrangements in March 2020, while the O&M provider continues to work on-site.

INVESTOR REPORT FOR WODS TRANSMISSION PLC

For the period ending 31 December 2020

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 21 December 2020, was 99.74% (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 26 June 2020 (being the day immediately following the end of the availability period reported in the last Investor Report) through to 21 December 2020 was 100%.

2.1. System Availability Performance from 26 June to 31 December 2020

There has been no reduction in system availability performance for the period 26 June 2020 to 21 December 2020. The expected annual availability of the system through to 31 December 2020 is 99.61%, following outages in the preceding 6 months to rectify an SVC circuit breaker SF₆ repair and offshore transformer GT2 oil top up, which is line with the financial model assumption.

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 WoDS. 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 will commence from 1 April 2021.**

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

The outbreak of the Covid-19 pandemic has not unduly affected the Operations and Maintenance 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. 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 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 a harmonic filter and 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 and will be managed within normal operations and maintenance activity.

INVESTOR REPORT FOR WODS TRANSMISSION PLC

For the period ending 31 December 2020

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 the Department for Business, Energy and Industrial Strategy (BEIS) in March 2019, a number of amendments were introduced including changes to the security provisions required which now must exclude scrap value 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 3i Infrastructure plc exited the project and sold their interests in the project to funds managed by Dalmore Capital Limited on 3 January 2020.

INVESTOR REPORT FOR WODS TRANSMISSION PLC

For the period ending 31 December 2020

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 2020, 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 31 December 2020 (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:	1.17	1.10x	2.93	1.05x
Historic DSCR:	1.12	1.10x	2.94	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 £31,194,376. All ratios have been calculated based on actual data through to 30 September 2020 and forecast data through to 31 December 2020 and thereafter.

INVESTOR REPORT FOR WODS TRANSMISSION PLC

For the period ending 31 December 2020

Ratios (continued)

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

- (a) Projected DSCR – 1.17 (excluding undrawn PBCE)

Net Cashflow (Jan 20 – Dec 21)	£20,725k
Debt Service (Jan 20 – Dec 21)	£17,736k

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 – 1.12 (excluding undrawn PBCE)

Net Cashflow (Jan 19 – Dec 20)	£19,292k
Debt Service (Jan 19 – Dec 20)	£17,185k

- (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	£272,317k
Senior Debt	£207,963k

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;
- (f) The amount of any Restricted Payment made since the date of the last Investor Report amounted to £994,958.

Yours faithfully,



Director

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

22 December 2020