

INVESTOR REPORT FOR WODS TRANSMISSION PLC

For the period ending 30 June 2022

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: **£192,559,108 as at 30 June 2022 (after a principal repayment of £4,739,115 to be made on 30 June 2022).**

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 2022 HSE Operating Plan is being implemented without the impediment experienced in previous years as a result of Covid-19 restrictions. All actions from preceding years process reviews have been completed and there are no areas of significance identified with the offsite and onsite process reviews undertaken in 2022 to date.

WoDST and its associated organisations continue to ensure that working practices comply with government Covid-19 guidelines however, lateral flow testing and isolation procedures have remained in place for the O&M provider operational teams.

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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 27 June 2022, was 99.61%. On an equivalent reporting basis, transmission system availability for the period from 21 December 2021 (being the day immediately following the end of the availability period reported in the last Investor Report) through to and including 27 June 2022 was 99.22%.

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 “2.2 System Availability Performance from 1 January 2021 to 31 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 27 June 2022 and for the period from 21 December 2021 through to and including 27 June 2022 to 99.72% and 99.22% respectively.

2.1. *System Availability Performance from 1 January 2022 to 27 June 2022*

Availability performance for the period 1 January 2022 to 27 June 2022 was 99.18%.

On 26 June 2022, WoDS Circuit 2 tripped following an offshore Grid Transformer pressure release device operation. Investigations are being undertaken at the time of report submission, including transformer dissolved gas analysis. It is expected that re-energisation will take place this week. The impact on availability is included in the performance details within the report up to 27 June 2022.

Several outages have been scheduled for 2022 that combine anticipated maintenance, which is in line with financial model assumptions, and other exceptional work to minimise the overall impact on availability:

- a) **Circuit 2** required an outage to perform routine Super Grid Transformer 2 (SGT 2) maintenance and allow for the return to service of Harmonic Filter 2 (HF 2). This was successfully completed during April 2022 with an availability incentive impact of £125k;
- b) **Circuit 2** was also taken out of service for a short outage on 6 June 2022 for approximately 2 hours to investigate a HF2 filter imbalance issue that has re-emerged following its earlier return to service with an availability incentive impact of £4k; and
- c) **Circuit 1** requires an outage to perform routine SGT 1 maintenance in combination with protection system investigations following the events of July 2021 (see **2.2 System Availability Performance from 1 January 2021 to 31 December 2021** below) and to replace a Voltage Transformer (protection system measuring device). This activity is planned for September 2022 and is expected to take approximately 6 days to carry out the required works. We currently expect that the anticipated availability incentive impact will be in the order of £330k however, ‘Long day’ maintenance approaches are being pursued to minimise the impact on availability further.

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General performance (continued)

2.2. System Availability Performance from 1 January 2021 to 31 December 2021

As previously reported, WoDST experienced some interruptions to normal operation in 2021:

- a) Between 11 March and 15 March 2021 following a National Grid Electricity Transmission (NGET) fault, there was an outage on the WoDS transmission system. This outage has been reported to the Authority as an emergency de-energisation and excluded from the transmission service availability incentive calculation as permitted by the Licence;
- b) Further short duration outages were also undertaken to facilitate an investigation into Harmonic Filter One and circuit inspections with an aggregate duration of 15 hours 41 mins and loss of availability incentive impact of £34k;
- c) 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.

WoDST circuit 2 was re-energised on 23 July 2021, 25hrs 16 mins after the NGET fault. The loss of availability during this period has been reported to the Authority as an emergency de-energisation and has been 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 was a reduction of availability incentive of £319k. This outage is the subject of an Exceptional Event claim to the Authority, pending an investigation into WoDST SGT 1 protection arrangements which, as noted above, has been scheduled for September 2022 to coincide with other necessary maintenance, so as to minimise the impact on the availability of the transmission system.

3. Warranties

All equipment warranties have now expired with the exception of the 400kV switchgear SF₆ remedial work warranties which were extended to 2023.

4. Bathymetric Survey

The situation is unchanged from that reported in the December 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)

5. *Export Cable Protection System – This is deployed to hold the cable in a stable position between the Offshore platform and the seabed*

In 2021 Orsted, in its capacity as the generator, undertook a generator array cable inspection in the vicinity of the OFTO offshore platform using a remote operated vehicle and during that inspection they also surveyed the OFTO export cables and observed some signs of corrosion. The export cables and their protection system remain stable however, we have engaged a technical expert to assess any longer-term implications and to determine if any remediation is necessary. We are collaborating with the generator to manage the environment in the vicinity of the OFTO offshore platform as this also includes the generator array cables.

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. On 8 October 2021 Ofgem issued a letter advising that, after further consideration, they consider that BEIS has made changes to decommissioning requirements associated with the application of VAT and exclusion of scrap. Ofgem therefore intend to consult on modifications to licences to include specific protection that covers these additional costs.

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” and “Decommissioning” 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.

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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 2022, 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 2022 (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:	1.14x	1.10x	2.79x	1.05x
Historic DSCR:	1.18x	1.10x	2.90x	1.05x
Debt Life Cover Ratio:	1.30x	1.15x	1.45x	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 £28,883,866. All ratios have been calculated based on actual data through to 31 March 2022 and forecast data through to 30 June 2022 and thereafter.

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

- (a) Projected DSCR – 1.14 (excluding undrawn PBCE)

Net Cashflow (Jul 22 – Jun 23)	£19,949k
Debt Service (Jul 22 – Jun 23)	£17,497k

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 – 1.18 (excluding undrawn PBCE)

Net Cashflow (Jul 21 – Jun 22)	£19,916k
Debt Service (Jul 21 – Jun 22)	£16,834k

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

NPV of Net Cashflow plus DSRA, MRA, WCRA	
Plus, the residual balance of the proceeds account	£250,494k
Senior Debt	£192,560k

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 £2,902,644.68.

Yours faithfully,



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Director

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

28 June 2022