

INVESTOR REPORT FOR WODS TRANSMISSION PLC

For the period ending 31 December 2023

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: **£175,475,115 as at 31 December 2023 (after the deduction of a scheduled partial principal repayment of £ 6,126,003 to be made on 02 January 2024).**

General performance

1. Health and Safety Performance

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

The 2023 HSE Operating Plan has been implemented successfully with the completion of the HSE safety, environmental, general, offshore, spares and control site reviews by the management service provider asset team. Matters arising have been agreed and entered into Ørsted's (on behalf of the Operations & Maintenance Provider) tracking system and monitored via the Monthly Operational meetings. All actions from preceding years process reviews have been completed and there are no areas of significance identified.

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 19 December 2023, was 99.49%. On an equivalent reporting basis, transmission system availability for the period from 28 June 2023 (being the day immediately following the end of the availability period reported in the last Investor Report) through to and including 19 December 2023 was 99.77%.

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General performance (continued)

2. Transmission System Availability Performance (continued)

We expect that availability for the performance year ended 31 December 2021 together with availability for the performance year ended 31 December 2022 and the performance year ending 31 December 2023 as reported to the Authority in accordance with the availability incentive mechanism requirements of the electricity transmission licence issued to WoDST (“the Licence”) will be amended in a future reporting period to exclude the impact of outages associated with the July 2021 fault outage and subsequent short investigative outages in 2022 and 2023. We have arrived at this conclusion on the basis that evidence to date indicates that these outages (including the investigative outages) should be excluded from the calculation of the availability incentive mechanism as these outages were either a) responsive to our obligations to disconnect the system for safety reasons or in the alternative b) the event meets the definition of an Exceptional Event under the Licence. The effect of these proposed exclusions from reported availability 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 19 December 2023 to 99.60%.

2.1. System Availability Performance from 1 January 2023 to 19 December 2023

Availability performance for the period 1 January 2023 to 19 December 2023 was 98.18%.

An extended outage to replace a Voltage Transformer was planned for July 2023 following the detection of a small SF₆ insulating gas leak. However, an unplanned fault outage that occurred in May 2023 led to a reconsideration of planned outages in 2023 – See “Outages planned for the remainder of 2023/24 and 2024/25” below.

The unplanned fault outage referenced above occurred between 7 May and 25 May 2023 following a fault on a separate Voltage Transformer. The faulty Voltage Transformer was replaced with the spare Voltage Transformer that was originally intended for the planned Voltage Transformer replacement in July 2023. All other Voltage Transformers have been checked to ensure their condition is in good order.

The failure of a Voltage Transformer is a highly unusual event as this equipment has an expected useful working life of 40 years and requires minimal maintenance. The root cause analysis being carried out into the failure of this Voltage Transformer is nearing completion and at this stage we believe that the circumstances of the event do not appear to meet the conditions that the Authority would accept for such a failure to be classified as an Exceptional Event as set out in the “Open letter on the Authority’s approach towards exceptional events for offshore transmission owners” dated 22 October 2014. As a consequence, we have currently taken the conservative view that the outage caused by the Voltage Transformer failure will result in a permanent reduction in availability performance for the performance year ending 31 December 2023 pending the definitive conclusion of the root cause investigation into the Voltage Transformer failure.

Forecast availability performance for the year ending 31 December 2023, calculated on the basis of that required when reporting to the Authority, reflecting actual availability performance through to 19 December 2023, is expected to be 98.22% (without adjustment for the effect of any potential permitted exclusions from this calculation) as no further outages for the remainder of December 2023 are expected.

2.2. Outages planned for the remainder of 2023/24

There are no further planned outages through to 31 March 2024.

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General performance (continued)

2.3. Outages planned for 2024/25

As noted above, a Voltage Transformer was due to be replaced in July 2023 following the detection of a small SF₆ insulating gas leak which would have resulted in a planned outage of circuit 1 while the replacement was installed.

However, this planned replacement activity, which will require an outage of the transmission system, is now rescheduled for the summer of 2024 following the expected delivery of a new Voltage Transformer. In the meantime, the gas levels of the leaking Voltage Transformer are being monitored and maintained to ensure ongoing performance of the equipment. Furthermore, other circuit 1 maintenance activities will be undertaken in parallel with the work required to replace the Voltage Transformer in order to minimise the overall impact on availability.

3. Warranties

All equipment warranties have now expired.

4. Bathymetric Survey

The 2023 bathymetric survey of the two export cables connecting the WoDST offshore platform to the onshore substation has been completed with an interpretative report in preparation by our O&M provider. We have yet to receive the completed report and intend to communicate the finding in a future Investor Report.

5. Decommissioning

In line with decommissioning requirements set out in the 'Decommissioning of offshore renewable energy installations under the Energy Act 2004: Guidance notes for industry' dated March 2019 (the 2019 Decommissioning Guidance), WoDST is required to establish a Decommissioning Programme to commence at the end of the Transmission Revenue Scheme (TRS) as it applies to WoDST in 2035. As part of these arrangements, WoDST is also required to undertake a mid TRS term Decommissioning Programme review by August 2025.

As a consequence of the requirements described above, in accordance with our obligations under the Energy Act 2004 and consistent with the 2019 Decommissioning Guidance, WoDST will commence preparing for a Decommissioning Programme review in 2024 with completion targeted for August 2025 when the mid-term point of the current TRS is reached. At this point, WoDST will start reserving for the decommissioning of its offshore transmission owner (OFTO) assets.

Regulatory arrangements are also being developed to allow for potential OFTO TRS extensions beyond the current 20-year period, which, in respect of WoDST, ends in 2035, which are subject to the wind farm generator's requirement to extend their operating life and the satisfaction of appropriate regulatory requirements. These arrangements may have implication for any decommissioning plan.

Decommissioning and OFTO life extension arrangements are currently under consideration by the Department of Energy Security and Net Zero (DESNZ) and The Office of Gas and Electricity Markets (Ofgem). WoDST is engaged in discussions with Ofgem and DESNEZ as these arrangements are refined, alongside other OFTOs, through the Electricity Network Association (ENA) OFTO Forum.

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General performance (continued)

6. *Material Communications*

There have been no material communications 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.

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 membership of the Board or in the ownership of the project 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 2023, WoDST is 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 2023 (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:	1.16x	1.10x	2.64x	1.05x
Historic DSCR:	1.16x	1.10x	2.64x	1.05x
Debt Life Cover Ratio:	1.34x	1.15x	1.49x	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 (CTA). The undrawn PBCE amount included in the calculation of the relevant Ratios included within the table shown above amounted to £26,321,267 (calculated after reflecting the scheduled partial repayment of principal on 2 January 2024). All ratios have been calculated based on actual data through to 30 September 2023, estimated data through to 31 December 2023 and forecast data thereafter.

In compliance with the requirements of the CTA - forecast data included in the computation of the ratios presented above after the 31 December 2023 have been based on data included in the Forecast as presented to investors at the 31 December 2023 Calculation Date.

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

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

Net Cashflow (Jan 24 – Dec 24)	£20,692 k
Debt Service (Jan 24 – Dec 24)	£17,823k

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)

Net Cashflow (Jan 23 – Dec 23)	£20,608k
Debt Service (Jan 23 – Dec 23)	£17,745k

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Ratios (continued)

(c) Debt Life Cover Ratio – 1.34 (excluding undrawn PBCE)

NPV of Net Cashflow plus DSRA, MRA, WCRA

Plus, the residual balance of the proceeds account £235,054k

Senior Debt £175,475k

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 £70,013.

Yours faithfully,

Daniel Pires

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Daniel Pires (Dec 20, 2023 10:49 GMT)

Director

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

20 December 2023