



# West of Duddon Sands Offshore Transmission

Investor Presentation | Period to 30 June 2017

## Audio Conferencing Details

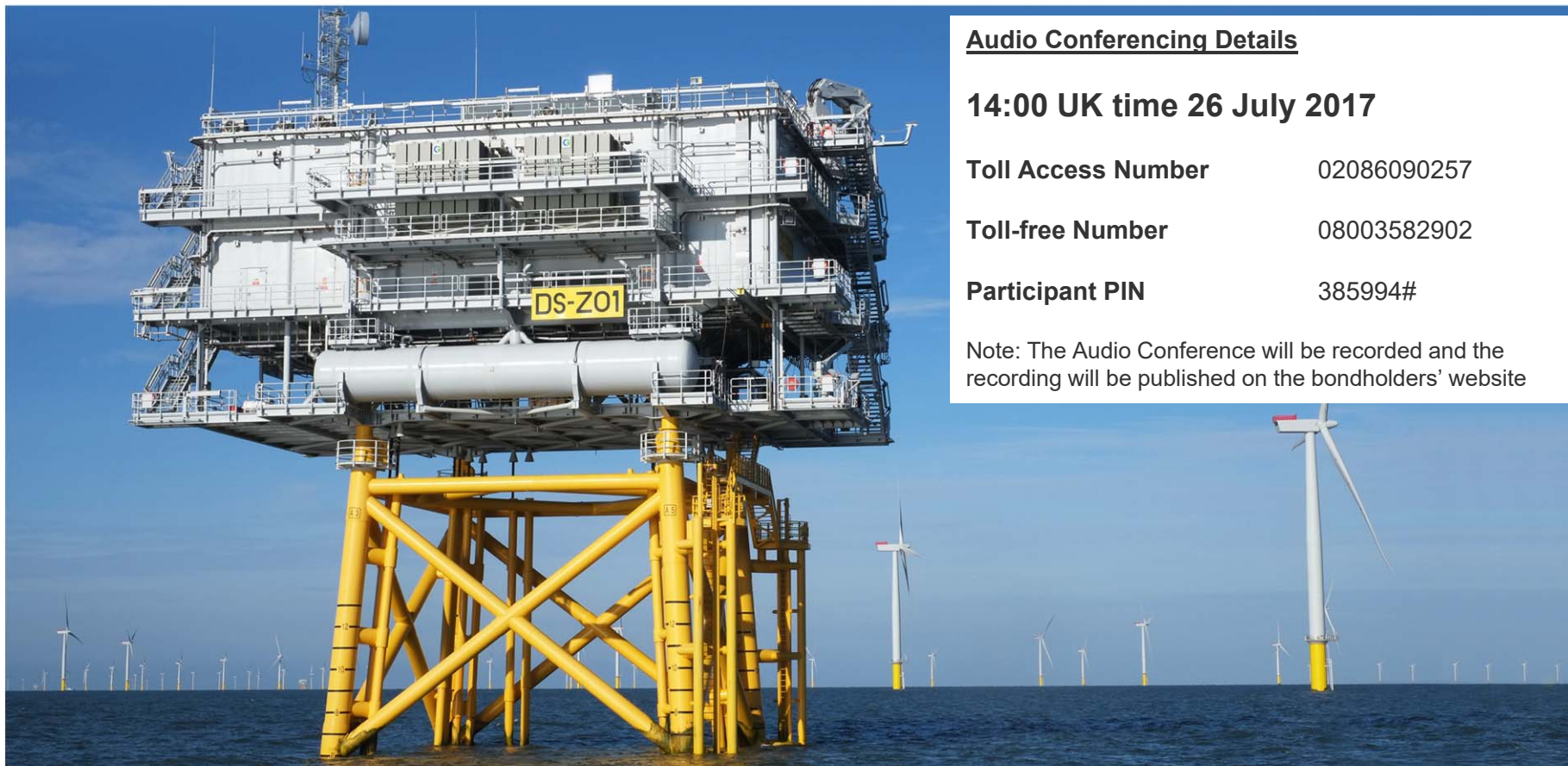
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Note: The Audio Conference will be recorded and the recording will be published on the bondholders' website



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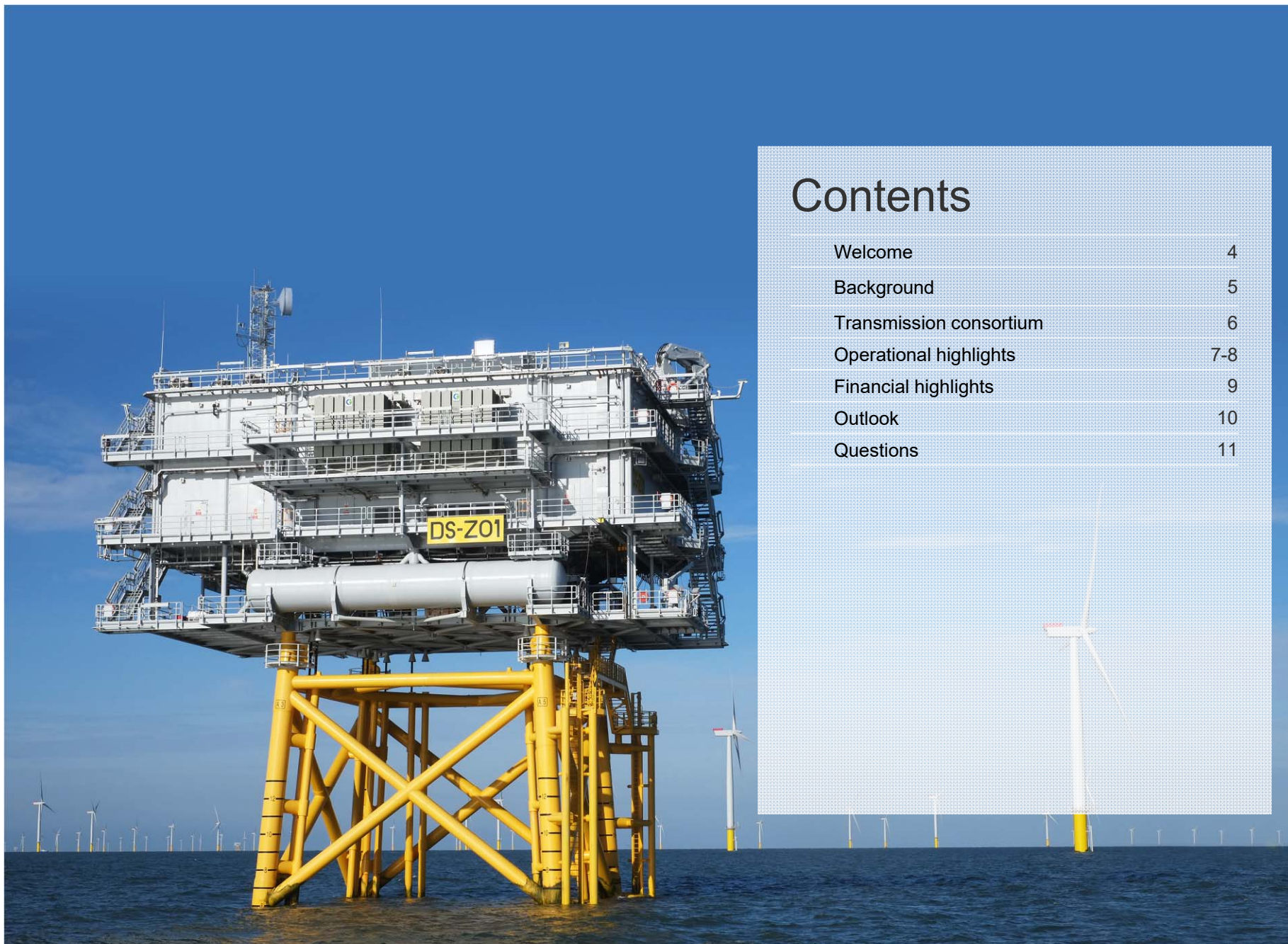
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# Welcome

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- This is the Second Investor Presentation by WoDS Transmission plc to Bondholders
- The following representatives are present to answer questions:
  - OFTO Directors – Adrian Peacock and Matt Edwards
  - OFTO Technical Directors – Bob Samwell and Mike Rawlins
  - OFTO Finance Managers – Steve Noonan (FrontierPower) and Gill Myles (IML)

# Background

- The West of Duddon Sands Offshore Wind Farm comprises 108 wind turbines with a total installed capacity of 389MW and ensures clean renewable energy for more than 270,000 UK households.
- It is located in the Irish Sea, approximately 15km off Walney Island, Cumbria, UK.
- The transmission assets comprise the offshore substation, the transmission cables to the onshore substation, and the onshore substation.
- WoDS Transmission plc purchased the transmission assets on 25 August 2015 and operates the transmission assets under a perpetual licence granted by Ofgem with a 20 year revenue entitlement period.
- WoDS Transmission plc is special purpose entity that is ultimately owned equally by 3i Infrastructure plc and PPP Equity PIP LP, a fund managed by Dalmore Capital Limited
- Frontier Power, an independent operator, asset manager and advisory business with deep specialisation in the power sector, undertakes the role of Management Services Provider.



# WoDS Transmission plc



## Shareholders



### 3i Infrastructure plc

- 3i Infrastructure plc (3iN) is an investment company listed on the London Stock Exchange. 3iN is a long-term investor in infrastructure businesses and assets focusing on economic infrastructure, greenfield and low risk energy projects in developed economies, principally in Europe.
- As at March 2017, 3i has infrastructure assets under management of c.£2.9bn.



DALMORE CAPITAL

### Dalmore Capital

- The WoDS Transmission OFTO investment is held by the PPP Equity PIP LP, a fund managed by Dalmore Capital Limited. Dalmore Capital is an independent fund management company focusing on lower risk opportunities for institutional investors in the infrastructure sector.
- As at 30 June 2017, Dalmore Capital had over £2.3 billion of assets under management.

## Management Services Provider

**FrontierPower**

### Frontier Power Limited

- Frontier Power Limited are engaged by the Directors of WoDS Transmission to provide management services and report to the WoDS Transmission Directors. Frontier Power team members each have significant experience in developing and running utility sector businesses around the world.

## Financial Services Provider



### Infrastructure Managers Limited

- Infrastructure Managers Limited (“IML”) provide financial and administrative services to WoDS Transmission.
- IML was formed in 2005 and is a leading specialist provider of management services to the PFI/PPP market across a wide ranging client base.

# Operational performance highlights

## Health, Safety & Environmental

- The O&M contractor continues to deliver HSE management in relation to the offshore transmission assets owned by WoDS Transmission.
- HSE performance since asset transfer has been excellent with no reportable incidents.
- WoDS Transmission is managing and discharging its transferred obligations under the Marine Licence successfully.

## Availability

- Cumulative availability since asset transfer has been 99.81% (base case in financial model is 99.55%)
- Availability from 1 July 2016 to 30 June 2017 was 99.64% which will generate incremental income in the form of performance credits
- WoDS Transmission availability compares favourably with figures published by Ofgem showing availability performance across the OFTO sector for the period April 2015 to March 2016\*

## Planned Maintenance

- Onshore and offshore maintenance has been carried out as planned and completed successfully.
- The next planned outages (i.e. those affecting availability) are scheduled for August 2017 to undertake routine maintenance activities and some additional work associated with warranty claims. The routine work would have required an outage of approximately 0.5 days but this has been extended to include the warranty works.

## Stakeholder Relationships

- Good relationships maintained with key counterparties including regulatory (NGET, Ofgem), financial (security trustee) and key contractors (DONG Energy and Scottish Power Renewables as developer and O&M service provider).

## Proximity Agreement – Walney Extension

- An offshore Proximity Agreement was negotiated and executed with the Walney Extension wind farm project associated with the installation of offshore cables approximately 500m from the WoDS transmission cables.
- The cable installation works have been completed without incident and post installation survey reports are awaited.

\* [https://www.ofgem.gov.uk/system/files/docs/2016/12/offshore\\_transmission\\_ofto\\_revenue\\_report.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/12/offshore_transmission_ofto_revenue_report.pdf)

# Operational performance highlights

## O&M activities

### Snagging works

- The Vendors have completed snagging works, identified in the SPA that they were required to complete, a lower risk solution to that described in the SPA for the metering has been agreed with the lenders Technical Advisor.

### Warranty work

- Circuit 1, investigate oil leak on GT1 offshore, 400kV GIS, repair gas leaks.
- Circuit 2, remake earth on fibre optic cable onshore, replace offshore distance protection relay, investigate leak on SGT2 onshore.

### Temperature anomaly

- WoDS Transmission continues to monitor the temperature anomaly that was identified on the south cable prior to asset transfer and no further deterioration has been detected. The Vendors have been informed that it is the OFTO's view that the indemnity provided under the Sales and Purchase Agreement should remain in force for the remainder of the agreed four-year term.

### Pre-emptive MMO Marine Licence

- WoDS Transmission is seeking a whole life Marine Licence for pre-emptive marine cable repairs and maintenance works.

### Cable reburial

- The OFTO signed off the completion of the works, which are subject to trending of survey results, the last of which were received in July 2017. The final maintenance survey of works at the Barrow crossing is due in October 2017, following which a maintenance sum to be provided by the Developer will be agreed.

### Sea bed mobility trend analysis

- In line with good industry practice WoDS Transmission is undertaking modelling of routine survey data to update the seabed mobility trend analysis along the cable route to inform planning of ongoing monitoring and reburial requirements.

# Financial performance highlights

## Senior Debt Structure

- As at 30 June 2017 the company's senior debt structure reflects the following :
  - Senior bonds outstanding £237,974k due August 2034
  - RPI Swaps for 75% of revenue
  - PBCE Letter of Credit of 15% of bond principal

## Key Ratios

As at 30 June 2017	Ratio for Relevant Period/Date (excluding undrawn PBCE)	Lock-Up Ratio Level (excluding undrawn PBCE)
Projected DSCR:	1.21x	1.10x
Historic DSCR:	1.16x	1.10x
Debt Life Cover Ratio:	1.32x	1.15x

## Commentary

- Transmission revenue of £22,045k, including performance credits of £943k, for the financial year ending 31 March 2018 is being invoiced in 12 equal monthly instalments and continues to be settled in accordance with industry standard conditions. The performance credits of £943k reflect actual transmission system availability of 99.86% for the performance period 1 January 2016 through to 31 December 2016.
- Operating costs to 30 June 2017 are in line with budget.
- Payments to key contractors have been made in accordance with payment terms.
- Key financial deliverables will be met, including the filing of regulatory accounts for the year ended 31 March 2017 with the Authority.
- No Event of Default has occurred.
- Cumulative debt service for the period from financial close through to 30 June 2017 was £32,626k in line with the financial close and current operational model.
- PBCE remains undrawn. PBCE Letter of credit stands at £35,696k as at 30 June 2017.

# Outlook

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- Key operational priorities for the next 12 months:
  - Maintain focus on health, safety, environment
  - Manage outages on Circuit 1 and Circuit 2 in August 2017
  - Maintain high availability performance
  - Finalise maintenance provision by the Developer for works at the Barrow crossing
  - Continue to apply Good Industry Practice and maintain close working relationship with O&M provider
- Regulatory reporting will be submitted to Ofgem prior to 31 July 2017

# Questions ?

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- When invited, please indicate if you wish to ask a question stating your name & organisation