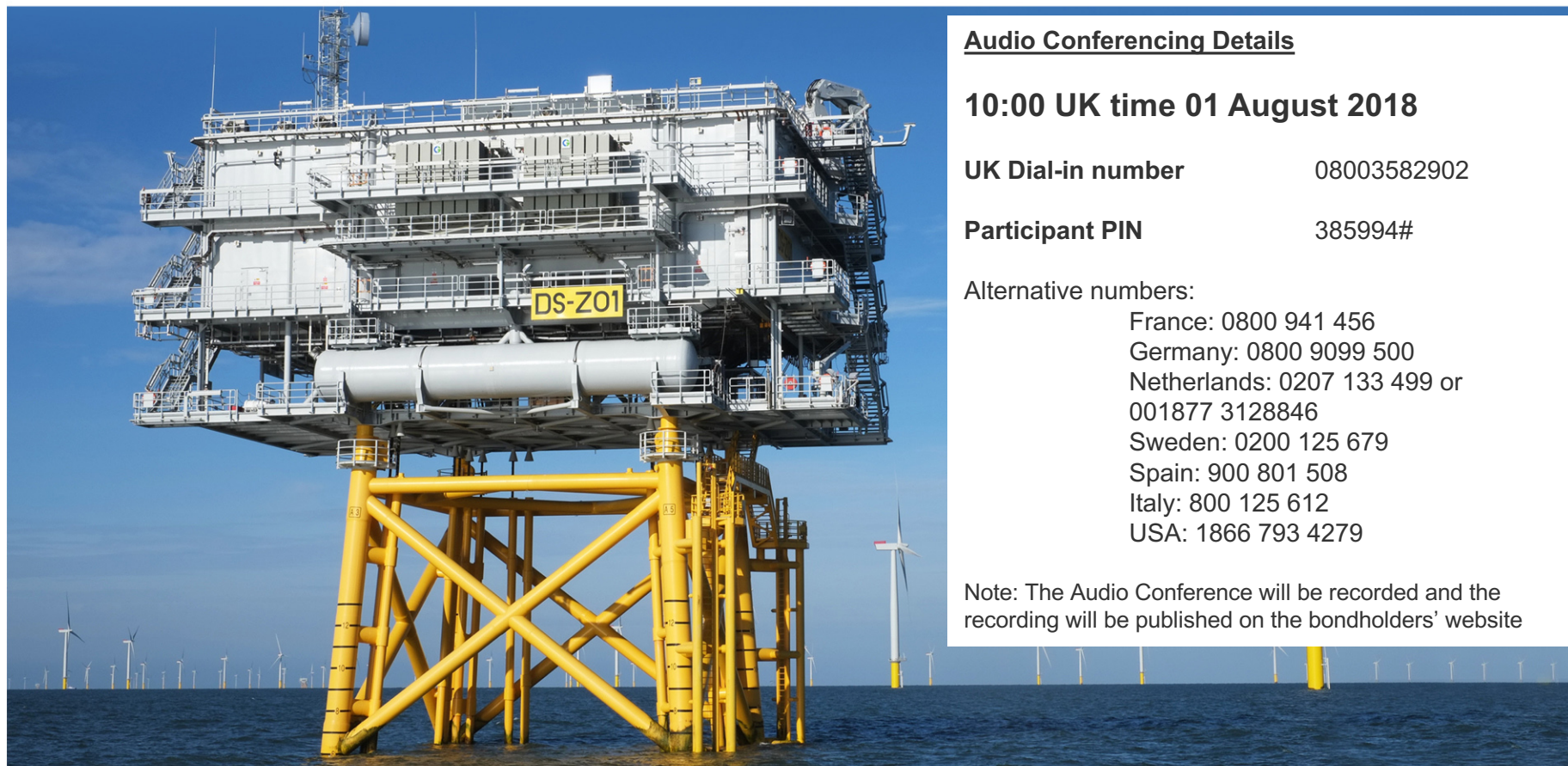




# West of Duddon Sands Offshore Transmission

Investor Presentation | Period to 31 July 2018



## Audio Conferencing Details

**10:00 UK time 01 August 2018**

**UK Dial-in number** 08003582902

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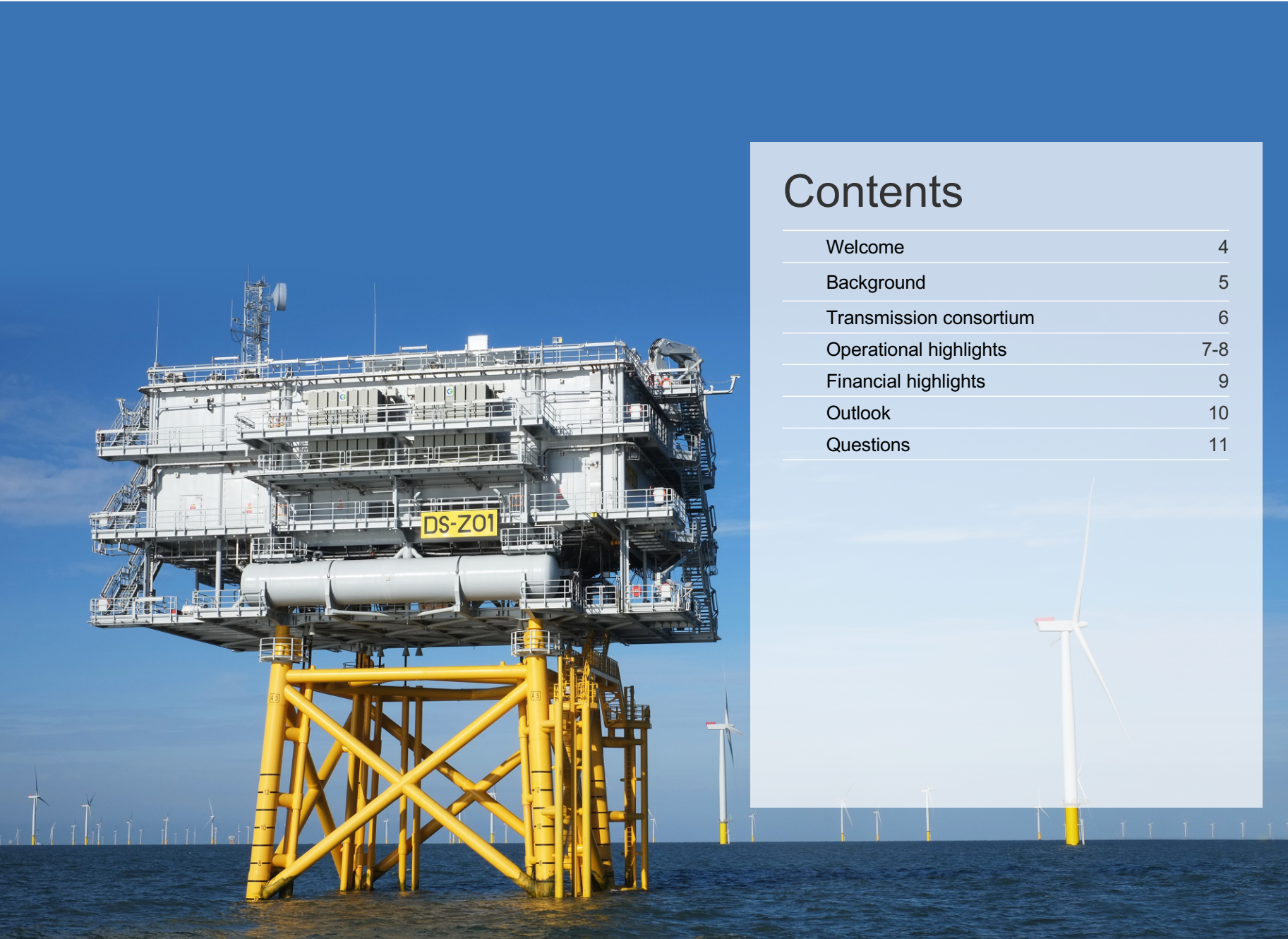
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# Welcome

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- This is the Third Investor Presentation by WoDS Transmission plc to Bondholders
- The following representatives are present to answer questions:
  - OFTO Directors – Nick Axaam and Matt Edwards
  - OFTO Technical Director – Bob Samwell (Frontier Power)
  - OFTO Finance Managers – Steve Noonan (FrontierPower) and Sam Baxter (IML)
- The following acronyms are used in this presentation:
  - “WoDS” – WoDS Transmission plc and or WoDS Transmission plc and its subsidiaries as the context requires;
  - “SF<sub>6</sub>” – Sulphur hexafluoride gas used for its insulating properties in electrical switchgear - this is also a greenhouse gas;
  - “NGET” – National Grid Electricity Transmission plc;
  - “O&M” – Operations and maintenance;
  - “HSE” – Health, Safety and Environmental;
  - “Developer” and “O&M contractor” – Ørsted West of Duddon Sands (UK) Limited and Scottish Power Renewables (WODS) Limited;
  - “The Authority” – the Gas and Electricity Markets Authority.

# 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 purchased the transmission assets on 25 August 2015 and operates the transmission assets under a perpetual licence granted by the Authority with a 20 year revenue entitlement period.
- WoDS 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 31 March 2018, 3i has infrastructure assets under management of c.£3.4bn.



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 2018, Dalmore Capital had over £4 billion of assets under management.

## Management Services Provider

**FrontierPower**

### Frontier Power Limited

- Frontier Power Limited are engaged by WoDS Transmission plc to provide management services and report to the WoDS Transmission plc 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 plc.
- 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.
- HSE performance since asset transfer has been excellent with no reportable incidents.
- WoDS is managing and discharging its transferred obligations under the Marine Licence successfully.

## Availability

- Cumulative availability through to 31 July 2018 since asset transfer has been 99.70% (base case in financial model is 99.55%).
- Availability from 1 July 2017 (being the day immediately following the end of the availability period reported in the last Investor Presentation) to 31 July 2018 was 99.49% which will generate incremental income in the form of performance credits.

## Planned and unplanned Maintenance

- Onshore and offshore planned maintenance has been carried out to programme and completed successfully.
- The next planned outages that impact availability are scheduled for April 2019 to undertake routine maintenance activities.
- It is likely that other outage(s) will be required at some stage during 2018/19 to repair SF<sub>6</sub> gas leaks found on 400kV switchgear. WoDS is pursuing a warranty claim (see next page for detail) against NGET, under the provisions of the original contract for the supply and installation of the 400kV switchgear and the necessary defect notices have been issued and accepted by NGET. The potential impact of loss of availability is the subject of an Exceptional Event claim to the Authority and the services of a specialist expert in these matters to support WoDS in this work has been engaged.
- A protective relay mal operated in March 2017 and caused a short term loss of availability of one export cable. The impact of this outage on availability was a reduction of 7,233 MWh, equivalent to 2.545% of the maximum possible availability in March 2017. A technical report has been prepared by the relay manufacturer and is being used to inform an Exceptional Event Claim which is in progress.

## Stakeholder Relationships

- Good relationships have been maintained with key counterparties including regulatory (NGET, the Authority), financial (security trustee) and the O&M Contractor and Developer.

## Proximity Agreement – Walney Extension

- Work under an offshore Proximity Agreement negotiated and executed with the Walney Extension wind farm project associated with the installation of offshore cables approximately 500m from the WoDS subsea cables has been concluded.
- We anticipate receiving confirmation from our technical Advisors (Arup) that the work has been concluded in accordance with the Proximity Agreement, in the very near future. Once received, WoDS can formally approve the conclusion of the works.

# Operational performance highlights

## O&M activities

### Warranty work

- Warranty work in August 2017 on Fibre Optic Cable earthing, repair of minor oil leaks on one 400kV transformer onshore and one 155kV transformer offshore have been completed. Replacement of the suspect offshore distance relay associated with the March 2017 mal operation has been completed.
- New warranty work on offshore cable support trays and a small oil leak on the other offshore 155kV transformer have been identified and are in progress.
- Remediation of SF<sub>6</sub> leakage on one item of 13.8kV switchgear associated with the Static Voltage Compensation system, will be co-ordinated with an associated future 400kV outage.
- Following further investigation of 400kV switchgear SF<sub>6</sub> gas leakage, a comprehensive programme of root cause analysis, repair strategy formulation and repair has been initiated. Repair of the 400kV switchgear is covered by the provisions of the contract warranty with NGET, although there is likely to be a consequential loss of availability which is not the subject of the contract warranty provisions – however, as noted previously this will be the subject of an Exceptional Event claim under the Transmission Licence.
- The full extent and duration of any outages necessary to carry out the required warranty work referenced above has not yet been determined.

### Pre-emptive MMO Marine Licence

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

### Barrow Crossing Agreement

- The final maintenance survey of works at the Barrow crossing has been completed. These survey results are used to inform the estimated cost of any ongoing Maintenance Works required over the remaining period of the Offshore Electricity Transmission Licence to be paid to WoDS by the Developer as a one-off lump sum in accordance with the Barrow Crossing Agreement. However, following discussions with the Developer it was not possible to agree the maintenance sum payable and as a consequence an expert has now been appointed to determine the amount of any monies that might be payable to WoDS, such a determination being binding on both parties. Arup as Lenders Technical Adviser, are also advising us on the expert process alongside OWC.
- We expect a determination to be made later in the year.

### Sea bed mobility trend analysis

- In line with good industry practice WoDS is undertaking further modelling of routine survey data now including survey results from 2017 and spring 2018 to update the seabed mobility trend analysis along the cable route to allow ongoing monitoring and targeted reburial work in specific areas for which earlier provision has been made.



# Financial performance highlights

## Senior Debt Structure

- As at 30 June 2018 the company's senior debt structure reflects the following :
  - Senior bonds outstanding £230,470k 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:	1.18x	1.10x
Historic DSCR:	1.20x	1.10x
Debt Life Cover Ratio:	1.31x	1.15x

## Commentary

- Transmission revenue of £22,584k, including performance credits of £664k, for the financial year ending 31 March 2019 is being invoiced in 12 equal monthly instalments and continues to be settled in accordance with industry standard conditions. The performance credits of £644k reflect actual transmission system availability of 99.23% for the performance period 1 January 2017 through to 31 December 2017.
- Operating costs to 30 June 2018 are in line with budget.
- Payments to key contractors continue to be made in accordance with payment terms.
- Key financial deliverables have been met, including the filing of regulatory accounts for the year ended 31 March 2018 with the Authority.
- No Event of Default has occurred.
- Cumulative debt service for the period from financial close through to 30 June 2018 was £48,269k in line with the financial close and current operational model.
- PBCE remains undrawn. PBCE Letter of credit stands at £34,571k as at 30 June 2018.

- Key operational priorities for the next 12 months:
  - Maintain focus on health, safety, environment;
  - Maintain high availability performance generally;
  - Proactively manage the 400kV switchgear warranty investigation, complete the root cause analysis of the related SF<sub>6</sub> gas leaks and minimise the impact on availability during any of the outages necessary to carry out the warranty works to prevent further SF<sub>6</sub> leaks;
  - Manage any necessary warranty repairs on the 400kV switchgear under the provisions of the original contract with NGET;
  - Manage other warranty repairs which are in progress;
  - Pursue and secure a successful Exceptional Event claim under the transmission licence to exclude the impact of any outages arising from the warranty work carried out in relation to the 400kV SF<sub>6</sub> leak repair on the Company's performance incentive mechanism;
  - Pursue and secure a successful Exceptional Event claim under the transmission licence to exclude the impact of the outage arising from for the March 2017 relay mal operation;
  - Finalise the maintenance sum payable by the Developer to WoDS for any ongoing maintenance works at the Barrow crossing; and
  - Continue to apply Good Industry Practice and maintain close working relationship with O&M provider.

# Questions ?

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