



West of Duddon Sands Offshore Transmission

Investor Presentation | Period to 31 July 2020



Teams Conferencing Details

13:00 UK time 18 August 2020

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United Kingdom, London (Toll)

Conference ID: 261 411 644#

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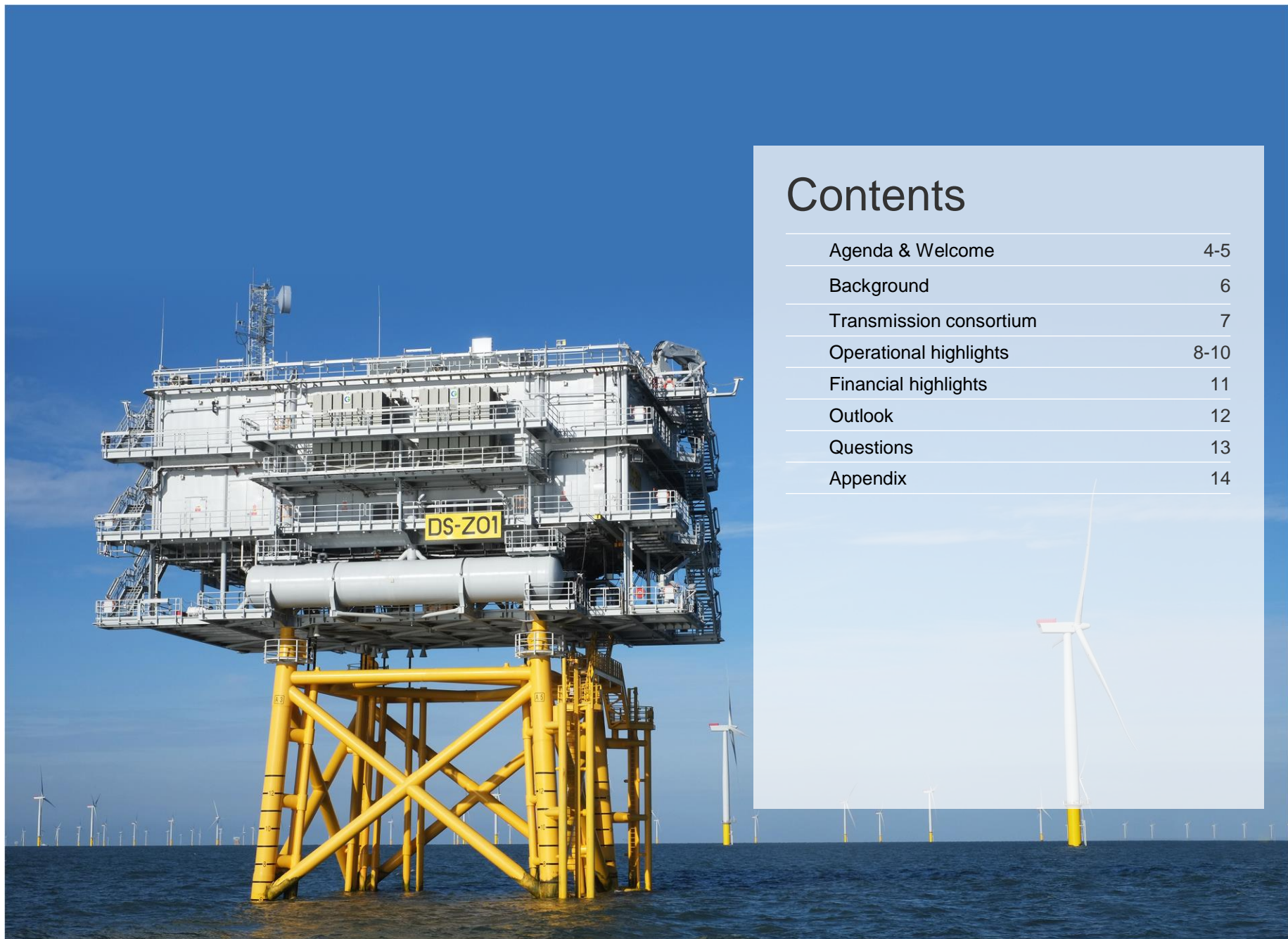
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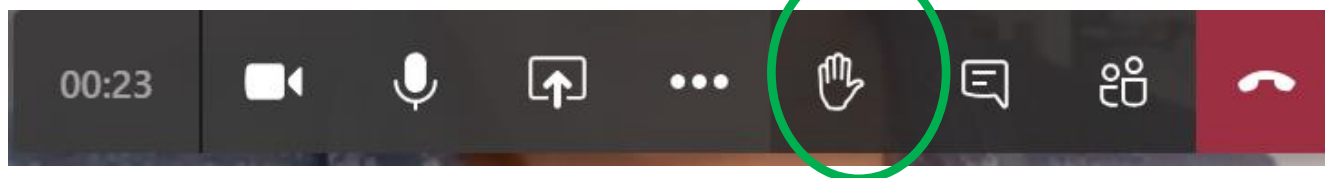
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Agenda

- We propose to present the key aspects of the Investor Report and will be happy to take questions at the end;
- Please indicate if you wish to ask a question stating your name & organisation at the appropriate time.

Please use the Teams application to indicate you have a question.



Welcome

- This is the annual investor presentation by WoDS Transmission plc to Bondholders
- The following representatives are present to answer questions:
 - OFTO Directors – Nick Axa and Graham Farley
 - OFTO General Manager – Humza Malik (Frontier Power)
 - OFTO Technical Director – Mike Edgar (Frontier Power)
 - OFTO Finance Manager – Steve Noonan (Frontier Power)
- This presentation uses a number of acronyms or other abbreviations and these are defined in an appendix to this slide deck.

Background

- The West of Duddon Sands Offshore Wind Farm comprises 108 wind turbines with a total installed generation capacity of 389MW and ensures clean renewable energy for approximately 350,000 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 with a Transmission Export Capacity (TEC) of 382MW.
- 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 a special purpose entity that is ultimately owned by funds managed by Dalmore Capital Limited
- Frontier Power, an independent operator, asset manager and advisory business undertakes the role of Management Services Provider.



Shareholders



- The equitable interest in WoDS Transmission plc is ultimately vested in the following funds: PPP Equity PIP LP, Dalmore Infrastructure Investments 31 LP; Dalmore Infrastructure Investments 32 LP and Dalmore Infrastructure Investments 33 LP
- These funds are managed by Dalmore Capital Limited - an independent fund management company that seeks to provide its institutional investors with access to long-term investment opportunities in limited volatility infrastructure assets
- As at 31 July 2020, Dalmore Capital had over £5 billion of assets under management.

Management Services Provider



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 - 1

Health, Safety & Environmental

- The O&M contractor continues to deliver HSE management for 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.

Planned and unplanned Maintenance

- Onshore and offshore planned maintenance has been carried out to programme and completed successfully.
- As previously reported, remedial work to repair SF₆ insulating gas leaks from 400kV switchgear was successfully completed during 2019. Monitoring is continuing and the repair has proven to be sound.
- Maintenance and repair work to SVC 13.9kV circuit breaker 2K0B and Offshore Transformer GT2 required an outage of one of the two transmission circuits between 21 and 25 April 2020.
 - This outage is expected to reduce the annual availability of the system to approximately 99.6% (incentive performance), assuming that full availability is maintained for the rest of the annual performance period ending 31 December 2020, which is line with the financial model assumption.
- No further maintenance outages are planned for 2020 however, the harmonic filter compound is being monitored to ensure that weed growth is limited such that the insulation gap between weed / ground level and live equipment above is within tolerance to prevent flashover. If weed growth were to breach the insulation gap, a short outage would be required to remedy.

Operational performance highlights - 2

Warranty work

- All original equipment warranties have now expired. However, prior to the warranties expiring, equipment was inspected, with defects notified to manufacturers and most of the rectification work undertaken.
- Four warranty legacies exist and are being managed to optimise availability and longevity of assets. These are:
 - SVC circuit breaker 2K0B which requires a bushing replacement to complete the repairs undertaken in April 2020;
 - Offshore transformer GT2 that has a small weep of oil. (~ 1% of transformer capacity over 5 years);
 - SVC Filter protection settings to overcome a minor imbalance between phases; and
 - Warranty extension on 400kV switch gear following the 2019 SF₆ repair.

Pre-emptive MMO Marine Licence

- WoDS was granted a licence under Part 4 of the Marine and Coastal Access Act 2009 on 17 Sept 2018. This allows WoDS to undertake specified maintenance activities over the WoDS project lifetime without unnecessary delay and sets the conditions under which work can be undertaken and the actions required to notify stakeholders.

Sea bed mobility trend analysis

- As background, the last seabed bathymetric survey was completed in Nov 2018. The key findings were:
 - No WoDS cable free spans but some possible cable exposure
 - Barrow Crossing - The remediated areas of the crossing are currently stable. To the east and west of the crossing, there is continuing seabed change that has led to some minor cable exposures.
 - Offshore substation - Shows some scour at the south western platform leg. This scour is developing over time and has lowered the seafloor by 4m since pre-construction. The O&M contractor has confirmed that the structural integrity of the foundations is satisfactory
- 2020: A bathymetric survey is programmed to be completed before September 2020 with an interpretive report being made available some time after.

Operational performance highlights - 3

Exceptional Event

- An Exceptional Event (EE) claim process was successfully completed with the Authority accepting the claim on 3rd June 2020. The Authority directed that the outages associated with the SF6 related remedial repairs should be wholly excluded from the measure of system availability incentive performance for the performance year ended 31 December 2019.
- As a consequence, system annual availability performance for the year ended 31 December 2019, calculated in accordance with the requirements of the incentive mechanism contained within the WoDS offshore transmission owner licence has now been restated from 95.40% to 100%.

Availability

- Cumulative availability through to 31 July 2020 since asset transfer has been 99.72%, after adjusting for the successful EE claim (base case in financial model is 99.55%).
- Availability from 31 July 2019 (being the day immediately following the end of the availability period reported in the last Investor Presentation) to 31 July 2020 was 99.50%

Stakeholder Relationships

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

Financial performance highlights

Senior Debt Structure

- As at 30 June 2020 the company's senior debt structure reflects the following :
 - Senior bonds outstanding £212,798k due August 2034
 - RPI Swaps for 75% of revenue
 - PBCE Letter of Credit of 15% of bond principal

Key Ratios

As at 30 June 2020	Ratio for Relevant Period/Date (excluding undrawn PBCE)	Lock-Up Ratio Level (excluding undrawn PBCE)
Projected DSCR:	1.15x	1.10x
Historic DSCR:	1.14x	1.10x
Debt Life Cover Ratio:	1.31x	1.15x

Commentary

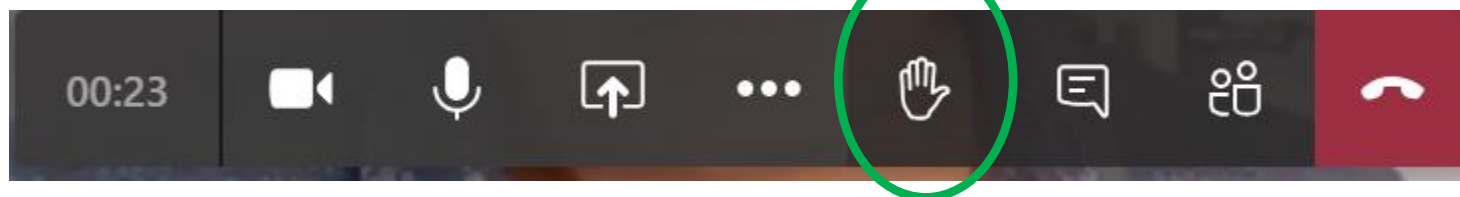
- For the financial year ending 31 March 2021 (2020/21), transmission revenue of £23,058k, is being invoiced in 12 equal monthly instalments to National Grid Electricity System Operator Limited and continues to be settled in accordance with industry standard conditions.
- Following the successful exceptional event claim described earlier availability incentive credits relating to the performance year ended 31 December 2019 amounting to c£1.1m are expected to be collected during the 2021/22 financial year commencing 1 April 2021.
- Operating costs to 30 June 2020 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 2020 with the Authority.
- No Event of Default has occurred.
- Cumulative debt service for the period from financial close through to 30 June 2020 was £81,412k in line with the financial close and current operational model.
- PBCE remains undrawn. PBCE Letter of credit stands at £31,920k as at 30 June 2020.

Key operational priorities for the next 12 months:

- Maintain focus on health, safety and environment;
- Maintain high availability performance;
- Manage the four warranty legacy issues to optimise availability and longevity of assets;
- Continue to apply Good Industry Practice and maintain close working relationships with the O&M contractor;
- Respond as appropriate to the interpretive report on the bathymetric survey which is programmed to be completed before September 2020; and
- Progress with approval of a draft decommissioning plan following clarification of the funding arrangements for the change in requirements from Government (BEIS) and the Authority.

Questions ?

Please use the Teams application to indicate you have a question.



Acronyms and other definitions used in this presentation

- “the Authority” – the Gas and Electricity Markets Authority;
- “BEIS” – Department for Business, Energy and Industrial Strategy;
- “O&M contractor” – Ørsted West of Duddon Sands (UK) Limited and Scottish Power Renewables (WODS) Limited;
- “EE” or “Exceptional Event” – as defined in the offshore electricity transmission licence issued to WoDS;
- “HSE” – Health, Safety and Environmental;
- “kV” – Kilovolt;
- “MW” / “MWhr” – Megawatt / Megawatt hours;
- “NGESO” – National Grid Electricity System Operator Limited;
- “NGET” – National Grid Electricity Transmission plc;
- “O&M” – Operations and maintenance;
- “RPI” – Retail Prices Index;
- “PBCE” – Public Bond Credit Enhancement provided by the European Investment Bank;
- “DSCR” – Debt Service Cover Ratio;
- “SF₆” – Sulphur hexafluoride gas used for its insulating properties in electrical switchgear;
- “WoDS” – WoDS Transmission plc.