



West of Duddon Sands Offshore Transmission

Investor Presentation | Period to 31 July 2023

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+44 20 3321 5262

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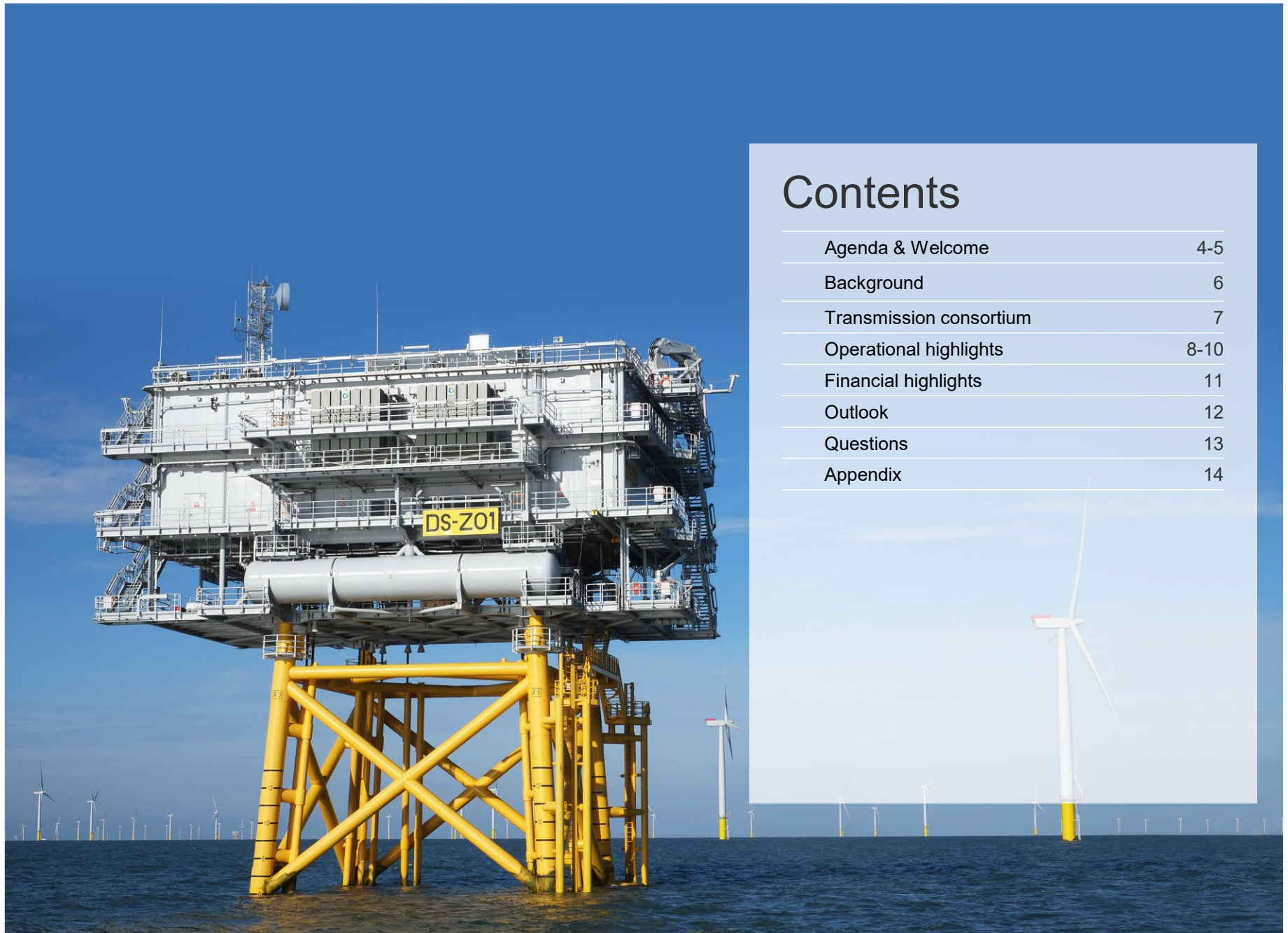
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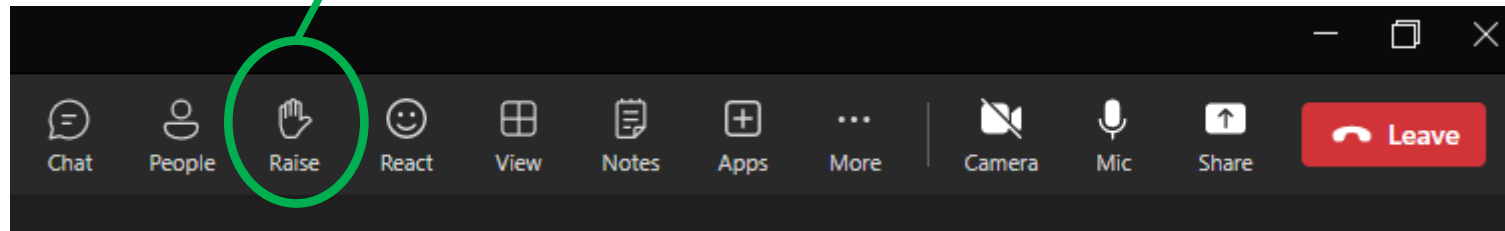
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Agenda

- 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.

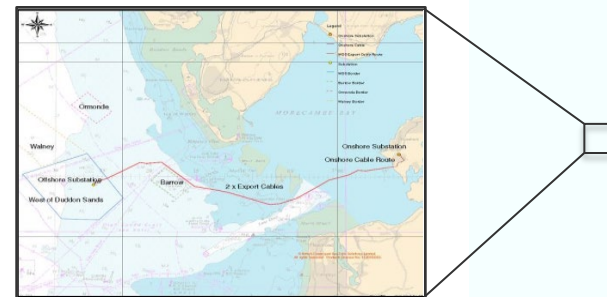


Welcome

- This is the annual investor presentation by WoDS Transmission plc to Bondholders
- The following representatives are present to answer questions:
 - OFTO Director – Daniel Pires
 - OFTO Technical Director – Mike Edgar (Frontier Power)
 - OFTO Director of Finance – Steve Noonan (Frontier Power)
 - OFTO Finance Manager – Samantha Baxter (IML)
- 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 2023, Dalmore Capital had over £5.7 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

- The majority of onshore and offshore planned maintenance and independent review of assets has been carried out to programme and completed successfully.
- **Circuit 1:** An unplanned outage occurred between 7 May and 25 May 2023 following a fault on a Voltage Transformer protection system measuring device. The faulty Voltage Transformer was replaced with the spare Voltage Transformer that was originally intended for the planned replacement of a different Voltage Transformer in July 2023. 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. An exceptional event has been notified and a final claim will be submitted following the completion of a root cause analysis.
- **Circuit 1:** A short duration outage of just less than 1½ days was taken to finalise the Super Grid Transformer protection investigation on 8th and 9th August – see ‘Exceptional Event claims’ later in this presentation.
- **Circuit 1:** Some maintenance originally planned for 2023 has been postponed to 2024 with revised plans under development taking due account of the safety and performance of the transmission system with the objective of minimising the impact of such outages on transmission system availability.

Forecast availability performance for the year ending 31 December 2023, calculated on the basis of that required when reporting to the Authority, is not expected to fall below 98%. This takes into account the impact of outages through to today and assumes no further outages for the remainder of the performance year.

Operational performance highlights - 2

Warranty work

- All equipment warranties have now expired with the exception of the 400kV switchgear SF₆ remedial work warranties which will expire in their entirety in September 2023.

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.

Seabed mobility trend analysis

- The key findings from the most recent bathymetric survey in October 2020 were: no WoDS cable free spans however continued seabed change has led to covering of previously eroded areas and potential exposure of others along the cable route; the Barrow Crossing is currently stable; and the Offshore substation had shown some scour at the two southern platform legs however the O&M contractor had confirmed that the structural integrity of the foundations were satisfactory. Since then, the scour has been addressed as part of the CPS remediation described below. The O&M contractor is currently undertaking the 2023 bathymetric survey with the interpretive report expected in Autumn 2023.

Export cable protection system (CPS)

- In 2021 Ørsted, 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 were observed to be in a stable condition, but we engaged a technical expert to assess any longer-term implications and to determine if any remediation was necessary.
- Following the generator's interpretation of their array cable survey – they planned and implemented a rock stabilisation programme for those cables. Following expert advice, WoDS have taken advantage of the generator mobilised resources and have carried out a successful risk reduction rock placement on the OFTO export cables, including scour remediation, at a significantly discounted cost in April 2023.

Operational performance highlights - 3

Exceptional Event Claims

- In July 2021, there was a fault on a third party's (NGET) equipment resulting in WoDS' protection system operating giving rise to an unplanned outage of the transmission system. There were two further outages in September 2022 and August 2023 as part of the Company's investigations to ensure that the protection system operates correctly and to complete a technical report in support of the Exceptional Event claim to the Authority. We are confident that this Exceptional Event claim has significant merit and expect the claim to be successful. We estimate that the financial impact of these outages on the performance availability incentive mechanism is in the order of £0.5m;
- As explained under "planned and unplanned maintenance" earlier in this presentation – there were unplanned outages in May 2023 on circuit 1 following a fault on a Voltage Transformer protection system measuring device. As the failure of such equipment is rare – we have made an Exceptional Event claim to the Authority while we investigate the root cause of this unusual failure. We estimate that the financial impact of these outages on the performance availability incentive mechanism is approximately £1.1m and in the event such a claim was unsuccessful would impact cash flows arising in the financial year ending 31 March 2025.

Availability

- Cumulative reported availability through to 31 July 2023 since asset transfer has been 99.48% assuming no Exceptional Event relief for outstanding claims or 99.78% assuming full Exceptional relief applies to all outstanding claims.
- Availability from 1 August 2022 (being the day immediately following the end of the availability period reported in the last Investor Presentation) to 31 July 2023 was 98.13% assuming no Exceptional Event relief for outstanding claims or 99.92% assuming full Exceptional relief applies to all outstanding claims.

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 2023 the company's senior debt structure reflects the following :
 - Senior bonds outstanding £181,601k due August 2034
 - RPI Swaps for 75% of revenue
 - PBCE Letter of Credit of 15% of bond principal

Key Ratios

As at 30 June 2023	Ratio for Relevant Period/Date (excluding undrawn PBCE)	Lock-Up Ratio Level (excluding undrawn PBCE)
Projected DSCR:	1.16x	1.10x
Historic DSCR:	1.16x	1.10x
Debt Life Cover Ratio:	1.34x	1.15x

Commentary

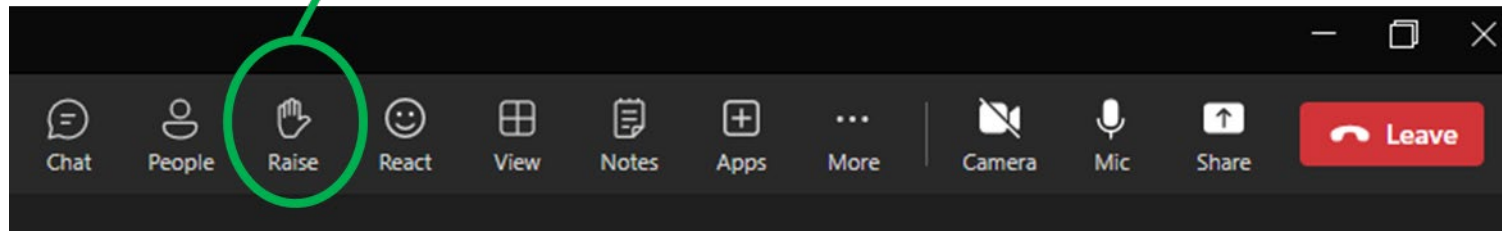
- For the current financial year ending (2023/24), transmission revenue of £28,514k, is being invoiced and continues to be settled by NGESO in accordance with industry standard conditions.
- With the exception of additional costs associated with the Voltage Transformer replacement of c£200k (the Voltage Transformer incident has been discussed earlier) - operating costs to 30 June 2023 are in line with budget.
- The impact of all outages on the performance year ending 31 December 2023, including those associated with the Voltage Transformer failure (assuming no Exceptional Event relief) is expected to reduce performance credits for the financial year ending 31 March 2025 by around £920k as compared with the financial model assumption.
- 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 2023 with the Authority.
- No Event of Default has occurred.
- Cumulative debt service for the period from financial close through to 30 June 2023 was £133,264k in line with the financial close and current operational model.
- PBCE remains undrawn. PBCE Letter of credit stands at £27,240k as at 30 June 2023.

Key operational priorities for the next 12 months:

- Maintain focus on health, safety and environment during this and future years operations;
- Maintain high availability performance;
- Continue to apply Good Industry Practice and maintain close working relationships with the O&M contractor;
- Progress with the two Exceptional Event claims as appropriate
- Commence 10-year review of Decommissioning Programme when clarification of the funding arrangements for the change in requirements from Government and the Authority is given.

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;

“CPS” = export Cable Protection System;

“DSCR” – Debt Service Cover Ratio;

“Exceptional Event” – as defined in the offshore electricity transmission licence issued to WoDS;

“HSE” – Health, Safety and Environmental;

“kV” – Kilovolt;

“MMO” – Marine Management Organisation;

“MW” / “MWh” – Megawatt / Megawatt hours;

“NGESO” – National Grid Electricity System Operator Limited;

“NGET” – National Grid Electricity Transmission plc;

“OFTO” – Offshore Electricity Transmission Owner;

“Ørsted” or “generator” – Ørsted West of Duddon Sands (UK) Limited being one of the joint owners and operators of the West of Duddon Sands wind farm;

“O&M” – Operations and maintenance;

“O&M contractor” – Ørsted West of Duddon Sands (UK) Limited and Scottish Power Renewables (WODS) Limited;

“PBCE” – Public Bond Credit Enhancement provided by the European Investment Bank;

“RPI” – Retail Prices Index;

“SF₆” – Sulphur hexafluoride gas used for its insulating properties in electrical switchgear;

“WoDS” – WoDS Transmission plc.