

INVESTOR REPORT FOR WODS TRANSMISSION PLC

For the period ending 31 December 2018

General Overview

Present Status:

Investors: **3i Infrastructure plc and PPP Equity PIP 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: **£226,466,786 as at 31 December 2018 (after a principal repayment of £4,003,349 to be made on 31 December 2018).**

General performance

The O&M Contractor continues to deliver health and safety management in relation to the offshore transmission assets owned by WoDS Transmission PLC's ("WoDST"). Health and safety performance since asset transfer has been good with no RIDDOR reportable incidents for WoDST.

WoDST operational performance has exceeded expectations and has recorded 99.73% transmission system availability since asset transfer on 25 August 2015 through to 17 December 2018. WoDST has also achieved 100% transmission system availability for the period 28 June 2018 (being the day immediately following the end of the availability period reported in the last Investor Report) through to 17 December 2018.

As previously reported, there was an unplanned outage on one circuit that affected availability for around 43 hours in March 2017, when a protective relay mal-operated 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 and notice of an Exceptional Event was lodged with the Gas and Electricity Market Authority ("the Authority"). The relay was replaced in 2017 and the recovered relay has now been tested by the manufacturer and the formal root cause analysis has been received. A technical report has been prepared by the relay manufacturer and is being used to inform the formal Exceptional Event claim letter which is currently being drafted.

Two 400kV circuits form part of the assets acquired by WoDST in August 2015 which connects the WoDST electricity transmission system to National Grid Electricity Transmission plc's ("NGET") electricity transmission system at the Heysham 400 kV substation. During routine inspections carried out in 2017, three minor sulphur hexafluoride (SF₆) gas leaks were identified on the WoDST circuits and these were repaired during planned outages in August 2017.

Following a low gas alarm in October 2017, a number of other SF₆ gas leaks were identified including one of the previously repaired gas leaks. Under the original supply and installation contract, NGET was the contractor responsible for the installation of the two 400kV switchgear circuits who further subcontracted the manufacture of the 400kV switchgear to Siemens. Under the warranty provisions, NGET and Siemens agreed to carry out a detailed investigation to identify the full extent of the leaks, the root causes and recommend any required remedial works. The detailed leak investigation identified 26 new SF₆ gas leaks on Circuits 1 & 2, in relation to gas connection points and one filter plate cover.

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The leaks are being managed by periodic topping up of a small number of gas zones with SF₆ gas until they can be permanently repaired. There have been no unplanned operational outages since August 2017 relating to these gas leaks and gas pressures continue to be monitored.

WoDST has retained the services of a specialist organisation (GHD) with significant and relevant experience of gas insulated switchgear to advise on and help manage the root cause analysis, the development of a robust remediation plan and support the Exceptional Event claim under the provisions the offshore electricity transmission licence (“the Licence”) issued to WoDST.

Following completion of the root cause analysis carried out by Siemens and verified by GHD, a programme of repairs is now being planned for 2019. Final planning is in progress with Siemens, NGET and the Company’s O&M contractor to ensure the successful delivery of the repair and remediation programme under warranty in 2019. WoDST has already notified the Authority that the Company considers the SF₆ leaks to be caused by equipment defects that meet the definition of an Exceptional Event and that any associated outages should be excluded from the calculation of availability. The Authority has been kept informed of the progress of work to identify the scale and scope of the leaks, the root cause and the likely repair programme. WoDST will submit a final Exceptional Event claim letter to the Authority once the actual duration of outage is known.

Although SF₆ is a damaging greenhouse gas, there are no specific leakage rate limits mandated by Environmental Regulations for this specific application in electricity transmission. NGET, as the UK’s largest electricity transmission operator, has developed policies and procedures for leak management, and NGET has confirmed in writing to WoDST that the leaks are being managed to the NGET policy and processes. These leaks are not considered to pose a risk to health and safety and are being actively managed by WoDST until they can be permanently repaired.

Following completion of (i) the agreed works as required under the Cable Burial Agreement (the “CBA”), (ii) the Barrow Crossing Agreement (the “BCA”), and (iii) the agreed additional works to address a further instance of seabed scour at KP 8.8, further surveys of the BCA Area were undertaken during spring 2018 (as required under the BCA) relating to the determination of the Maintenance Cost Estimate (“MCE”). These reports, together with earlier surveys and the original depth of burial reports provided by the vendors of the offshore transmission system (the “Vendors”), were used to support discussions relating to the MCE with the Vendors.

As previously reported in the June 2018 Investor Report, in early 2018 it became clear WoDST and the Vendor were not able to agree on a figure for the MCE. Consequently, and in accordance with the BCA, the Expert Determination process was triggered. WoDST retained the services of OWC (technical) and Fenwick Elliot (legal) together with input from Arup as Lenders Technical Adviser. Following the joint appointment of an expert (Everoze), the determination as to the quantum of the MCE was concluded on 3 October 2018.

During August 2017, minor oil leaks on an offshore and onshore transformer were investigated and actions taken to remediate them. The oil leaks on the onshore transformer were resolved and the small oil leak on the offshore transformer is being managed in conjunction with the manufacturer. The offshore transformer in question is still under warranty and a defect notice has been issued. If it becomes necessary for an invasive repair on the offshore transformer, then it is likely that this repair will be co-ordinated with any outages taken in respect of the 400kV switchgear gas leak repairs.

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WoDST has also registered warranty claims with Siemens and submitted defect notices in relation to corrosion and minor leaks on a SF₆ 13.9kV circuit breaker associated with a Static Var Compensator operated by WoDST. The 13.9kV circuit breaker is expected to be repaired during any outages required for the 400kV gas leak switchgear repairs in 2019.

WoDST continues to manage and discharge its transferred obligations under the Marine Licence successfully. A pre-emptive marine licence with the Marine Management Organisation has now been granted to cover any anticipated planned maintenance and for unplanned works such as marine cable faults, this follows good industry practice.

There have been no material communication or reports delivered by WoDST or the National Electricity Transmission System Operator pursuant to the terms of any Transaction Authorisation since the date of the last Investor Report.

Regulatory and business update

1. There have been no new significant regulatory, business and performance developments since the last Investor Report except as disclosed under “General Performance” above.
2. There have been no significant announcements/publications by the Authority by or relating to the Security Group since the last Investor Report.
3. Since the last Investor Report, on 27 September 2018 Ms Celine Maronne resigned and Mr John Cavill was appointed to the Board of WoDST.

Current Hedging Position

4. 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

5. 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 2018, WoDST was 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

6. There have been no amendments to, or replacement of, any Project Document since the last Investor Report.

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Ratios

7. We confirm that the ratios calculated as at 31 December 2018 (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:	1.16	1.10x	3.21	1.05x
Historic DSCR:	1.23	1.10x	3.37	1.05x
Debt Life Cover Ratio:	1.30	1.15x	1.45	1.08x

8. 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. The undrawn PBCE amount included in the calculation of the relevant Ratios included within the table at paragraph 7 of the Investor Report amounted to £33,970,018. All ratios have been calculated based on actual data through to 30 September 2018 and forecast data through to 31 December 2018 and thereafter.

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

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

Net Cashflow (Jan 19 – Dec 19) £19,086k

Debt Service (Jan 19 – Dec 19) £16,507k

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 – 1.23 (excluding undrawn PBCE)

Net Cashflow (Jan 18 – Dec 18) £19,618k

Debt Service (Jan 18 – Dec 18) £15,886k

- (c) Debt Life Cover Ratio – 1.30 (excluding undrawn PBCE)

NPV of Net Cashflow plus DSRA, MRA, WCRA
Plus, the residual balance of the proceeds account £294,875k

Senior Debt £226,466k

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Confirmations

10. We confirm that:

- (a) No Default has occurred and is continuing;
- (b) The statements set out in this Investor Report are accurate in all material respects;
- (c) The amount of any Restricted Payment made since the date of the last Investor Report amounted to £1,330,000.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'M. Edwards', is written over a horizontal dotted line.

Director

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

18 December 2018