

INVESTOR REPORT FOR GREATER GABBARD OFTO Plc

As at MARCH 2019

General Overview

Present Status:

Investors: Equitix Capital Investors UK Cable Limited and Equitix Transmission 2 Limited

O&M Contractor: EDS HV Management Limited for Onshore and Topsides (“EDS”)

O&M Guarantor: James Fisher Marine Services Limited

Subsea Surveys: OFTO expects to appoint a contractor by quarter 2 2019

Security Trustee: Deutsche Trustee Company Limited

Principal Paying Agent: Deutsche Bank London Branch

Technical Adviser: Mott MacDonald Limited

Insurance Adviser: AON Insurance

Ratings by Moodys Investors Services Limited: A3

Outstanding Principal Amount: £259,377k as at 31 March 2019 (after a principal repayment of £5,282k on 28 March 2019). The undrawn PBCE amount as at 31 March 2019 after the senior debt principal payment is £38,907k.

General Performance

The OFTO has achieved high availability over the period at 100% against an expected 99%.

Monitored Operating Costs remain between the 80% and 120% band as required by the project agreements. Although the final 2019-20 maintenance forecast is likely to exceed the budget, (due to planned activities), the OFTO will be able to meet its Ratio requirements.

The report from the subsea surveys, issued in late 2017, confirmed that there were 8 short sections of de-buried cable across all 3 export cable routes. The OFTO appointed Xodus to provide expert advice. Xodus conducted a risk assessment, engaged with key stakeholders and completed a procurement exercise for rock placement. This informed Xodus’ recommendations who concluded that the risk to the cable is minimal. As further mitigation, agreements have been negotiated with local fishermen to avoid the identified free spanning sections and a notice to mariners has been submitted.

In early October, SCADA services were interrupted by failed optical fibres on the interconnector cable between the Inner Gabbard and Galloper substations. Further fibres failed in December, leaving the operator with no spares. The breaks have been investigated further and traced to a common point very close to the Galloper substation. Specialist DAS monitoring was deployed to the interconnector to try to improve the diagnosis. Accordingly, the OFTO has initiated a number of precautionary measures, which includes engagement with the supply chain regarding contingency options.

The OFTO’s engagement with BBUS’ executive team has concluded, culminating in the negotiated termination of the O&M Contract. Negotiations have concluded with an alternative O&M provider and the OFTO signed a contract with EDS HV Management Limited on the 22 February 2019. The OFTO has worked closely with EDS to develop a transition plan and the second quarter of 2019 will be focussed on rolling out the long-term asset integrity plan within the contract. The subsea survey

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scope requirements is currently out for tender, the OFTO expects to appoint a suitable service provider by the end of quarter 2 2019.

BBUS carried out inspections and maintenance campaigns in this period with the majority of planned maintenance tasks completed. However, there are assets that require further work that could potentially impact revenue:

- **Minor oil leaks from earthing transformers** - GA and IG offshore substations. There are several transformers with low oil levels. The OFTO has prioritised the corrective maintenance for these issues. BBUS managed circuit outages and completed a top up campaign ahead of the winter to ensure that all the auxiliary transformers have sufficient oil.
- **Oil leaks from transformer 1** - GA offshore substation. Both transformers now have sufficient oil reserves to cope with any cold weather in the winter. Oil levels are being carefully monitored by the control room. A campaign to reseal the full transformer lid, requiring 3 days of circuit outage, is being investigated and may be undertaken in the spring of 2019.
- **Cable Sealing Ends** – Leiston onshore substation. The oil in the CSE reservoir has continued to rise very slowly. The OFTO does not consider this fault to present immediate risk and the intervention has been rescheduled for 2019.

Other maintenance issues of note include;

- **SVC modules** – Leiston onshore substation. All three modules have had faults causing outages in the last 12 months, so BBUS have undertaken maintenance campaigns on each one. HVAC units have reached their end of life and have been replaced along with two IGBT modules and a faulty coolant pump.

Regulatory and business update

1. There have been no new significant regulatory and business and performance developments since the previous Investor Report in March 2018.
2. There have been no significant announcements/publications by the Authority by or relating to the Security Group since the previous Investor Report in March 2018.

Current Hedging Position

3. A hedging agreement is in place to swap c64% of revenue over the life of the senior debt term on a pari passu basis to mitigate risks associated with lower than expected RPI.

Current availability / drawn amounts under the PBCE

4. The European Investment Bank (the PBCE Provider) has provided a letter of credit for an amount of £40,432k (the PBCE Letter of Credit) as at 28 September 2018 as a form of subordinated credit enhancement for the Issuer in relation to the bonds and the hedging arrangements. No amounts have been drawn from the letter of credit as at 28 September 2018.

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Ratios

6. We confirm that the ratios (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:	1.11x	1.10x	2.84x	1.05x
Historic DSCR:	1.15x	1.10x	3.10x	1.05x
Debt Life Cover Ratio:	1.38x	1.15x	1.53x	1.05x

7. 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.

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

The numerator excludes the PBCE letter of credit facility

Senior Debt excludes mark-to-market liabilities under hedging agreements

(a) Projected DSCR - 1.11

Net Cashflow (Apr 19- Mar 20) 24,890

Debt Service (Apr 19- Mar 20) 22,429

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 Emergency Reserve Account (ERA), 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.

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(b) Historic DSCR – 1.15

<u>Net Cash flow (Apr 18 – Mar 19)</u>	23,850
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Debt Service (Apr 18 – Mar 19)	20,753
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(c) Debt Life Cover Ratio (DLCR) – 1.38

<u>NPV of Net Cash flow plus DSRA, ERA, WCRA plus residual balance of operating account</u>	358,087
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Senior Debt	259,377
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We confirm that:

- (d) An Extraordinary resolution was passed on the amendment to the O&M contract on 25 January 2019 and Notice was given on 1 March 2019 that this was effected. Clause 2.3 (b) of the Notice gave a waiver of any Default that has occurred or would occur pursuant to paragraph 3 (Breach of other obligations) of Schedule 3 (Events of Default) of the CTA as a result of the Issuer failing to fully comply with its information undertakings under paragraph 8(e) of Part 1 (Information Covenants) of Schedule 2 (Obligor Covenants) of the CTA in respect of its communications with the Existing O&M Contractor regarding the Existing O&M Contractor's continued under performance. There are no other defaults.
- (e) the statements set out in this Investor Report are accurate in all material respects;
- (f) No Restricted Payment has been made since the previous Investor Report in September 2018.

Yours faithfully,



Director

Signing without personal liability, for and on behalf of **Greater Gabbard OFTO Plc** for and on behalf of each Obligor

Date 29 March 2019