

INVESTOR REPORT FOR GREATER GABBARD OFTO Plc

As at SEPTEMBER 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”)

Subsea O&M Contractor: OFTO expects to appoint a contractor by quarter 4 2019

O&M Guarantor: James Fisher Marine Services Limited

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: £253,482k as at 30 September 2019 (after a principal repayment of £5,366k on 30 September 2019). The undrawn PBCE amount as at 30 September 2019 after the senior debt principal payment is £38,022k.

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 2018-19 maintenance forecast is likely to exceed the budget, 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 work to reduce this risk has been undertaken by a technical consultant (Xodus) who has completed a risk assessment and proposed a remedial action plan. The OFTO completed a tender process for rock placement re-burial. The OFTO has closed the tender process and is considering a more sustainable solution and has engaged with its insurers to seek recognition and other stakeholders as required. The OFTO is planning to undertake a further survey in Spring 2020 and this will confirm next steps. In the meantime the risk to the cable is considered minimal (this has been verified by the OFTO’s adviser). 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 2018, 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. All fibres have now failed and have been 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. It is likely that the fibre failures are associated with electrical activity between the power core and the fibre optic cable. Accordingly, the OFTO has initiated a number of precautionary measures, which includes engagement with the supply chain regarding contingency options and the OFTO is close to agreeing a form of contract with service providers.

Following the termination of the BBUS contract and the signing of O&M contract with EDS HV Management Limited on the 22 February 2019, the OFTO has worked closely with EDS to manage a transition which has involved switching to and operating under EDS's HV safety rules. This means that EDS now has the ability to access site at all times. This enable EDS to deliver against the maintenance plan that was agreed for 2019 and going forwards, the OFTO will be focussing on delivering the long term asset integrity plan within the contract. The subsea O&M requirements were subject to tender, which has now concluded and the OFTO is currently considering the most cost effective and efficient solution

EDS 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:

- **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, is due to take place by the end of October 2019 the proposed methodology does not require an outage.
- **Cable Sealing Ends** – Leiston onshore substation. The oil in the CSE reservoir has continued to rise very slowly, leading to a recommendation from the OEM to replace the assembly entirely. The OFTO does not consider this fault to present immediate risk and an intervention is being investigated, this may be scheduled for 2020.

Other maintenance issues of note include;

- **SVC modules** – Leiston onshore substation. All three modules have had faults causing outages. EDS have undertaken health assessments of the SVCs, this work involved the equipment manufacturer. SVC3 requires additional works to replace a relay that is preventing it from being returned to service. Works will take place before end of quarter 4.

Regulatory and business update

1. There have been no new significant regulatory and business and performance developments since the previous Investor Report in September 2019.
2. There have been no significant announcements/publications by the Authority by or relating to the Security Group since the previous Investor Report in September 2019.

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 £38,022k (the PBCE Letter of Credit) as at 30 September 2019 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 30 September 2019.

Ratios

5. 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	2.78x	1.05x
Historic DSCR:	1.10x	1.10x	2.91x	1.05x
Debt Life Cover Ratio:	1.40x	1.15x	1.55x	1.05x

6. 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.
7. 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

<u>Net Cashflow (Oct 19 - Sep 20)</u>	25,448
Debt Service (Oct 19 - Sep 20)	22,824

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.

- (b) Historic DSCR – 1.10

<u>Net Cash flow (Oct 18 – Sep 19)</u>	24,191
Debt Service (Oct 18 – Sep 19)	21,977

- (c) Debt Life Cover Ratio (DLCR) – 1.40

NPV of Net Cash flow plus DSRA, ERA, WCRA <u>plus residual balance of operating account</u>	353,738
Senior Debt	253,482

We confirm that:

- (d) There are no defaults in the period.
- (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 March 2019.

Yours faithfully,



Director

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

Date 30 September 2019
