

INVESTOR REPORT FOR GREATER GABBARD OFTO Plc

As at SEPTEMBER 2020

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: The OFTO is using a third party to provide support for subsea services as and when required.

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: £241,022k as at 30 September 2020 (after a principal repayment of £6,536k on 30 September 2020). The undrawn PBCE amount as at 30 September 2020 after the senior debt principal payment is £36,153k.

General Performance

In light of the Coronavirus Pandemic, the OFTO has established robust contingency planning with its O&M Contractor (EDS HV Ltd). These plans have been shared with the industry regulator Ofgem and key contact information has been passed to the Government. We are closely following Government guidelines and constantly reviewing our planning to ensure that we keep our assets available during these difficult times. Maintenance requiring sub-contractors was put on hold and after careful planning a month long campaign took place during July and August 2020 on both offshore platforms.

The OFTO has achieved high availability over the period at 99.57 % against an expected 100%. The OFTO took a short outage to repair the Cable Sealing Ends that are located in the Leiston substation.

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, 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 relevant stakeholders and insurers who have approved the OFTO’s proposed approach. The OFTO has obtained a licence from the Marine Management Organisation which will allow the OFTO to undertake remedial works, if this is still required, post the results of a survey that is due to be completed in October 2020. 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. It is possible, but as time passes less 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 has now signed cable repair Framework Agreement with two repair contractors. The OFTO has also procured a number of strategic repairs that would be required if a cable repair was enacted. The main issue with this fault was a loss of communication with the remote platform. This was managed initially by a low frequency microwave link providing by GGOWL (the generator) and more recently with a permanent high frequency system installed by the OFTO between the Inner Gabbard and Galloper Substations which has proven to be working well and is a reliable piece of apparatus.

Following the termination of the BBUS contract and the signing of O&M contract with EDS HV Limited on the 22 February 2019, the OFTO has managed a transition which has involved switching to and operating under EDS's HV safety rules. After circa 18 months of operations, EDS has reviewed its assessment of asset risks and amended its maintenance campaign for 2020/21 accordingly with specific emphasis on asset monitoring activities and targeted maintenance for key critical assets.

EDS carried out inspections and maintenance campaigns in this period despite the difficulties encountered with Covid 19. The majority of planned maintenance tasks have been completed. However, there are assets that required further work that could potentially impact revenue:

- **Oil leaks from transformer 1** - GA offshore substation. Both transformers were checked for low oil prior to winter and Grid Transformer 1 (GT1) were topped up to ensure that there was sufficient oil reserves to cope with any cold weather in the winter. The oil top up and repair was completed on the 12th October 2019. During a post repair follow up site visit, a further leak was identified, this has since been repaired and the OFTO is not aware of any further problems. Oil levels are being carefully monitored by the control room. During the next planned Offshore campaign which took place in July 2020 the OFTO's O&M Contractor carried out a detailed risk assessment to determine whether any further remedial works are required to the GT1 Transformer lid. The OFTO has asked the O&M Operator to increase its monitoring of the Transformer and is prepared to carry out further remedial action if required.
- **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's O&M contractor proposed a solution that has been approved by the OFTO. An outage took place in August 2020 over a 2 day outage period and the Cable Sealing End works have been successfully completed. The O&M contractor brought forward future planned outage works to mitigate the loss of availability.

Other maintenance issues of note include:

SVC modules – Leiston onshore substation. All three modules have faults that have caused outages. Following maintenance campaigns all SVC modules are in service and are being closely monitored by the OFTO's O&M contractor.

Regulatory and business update

1. There have been no new significant regulatory and business and performance developments since the previous Investor Report in March 2020.

- There have been no significant announcements/publications by the Authority by or relating to the Security Group since the previous Investor Report in March 2020.

Current Hedging Position

- 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

- The European Investment Bank (the PBCE Provider) has provided a letter of credit for an amount of £36,153k (the PBCE Letter of Credit) as at 30 September 2020 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 2020.

Ratios

- 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:	1.23x	1.10x	2.79x	1.05x
Historic DSCR:	1.12x	1.10x	2.80x	1.05x
Debt Life Cover Ratio:	1.37x	1.15x	1.52x	1.05x

- 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.

- 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

- Projected DSCR - 1.23

Net Cash flow (Dec 20 - Sep 21)	<u>28,243</u>
Debt Service (Dec 20 - Sep 21)	23,022

Net Cash flow 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 – 1.12

Net Cash flow (Dec 20 - Sep 21)	<u>25,419</u>
Debt Service (Dec 20 - Sep 21)	22,695

(c) Debt Life Cover Ratio (DLCR) – 1.37

NPV of Net Cash flow plus DSRA, ERA, WCRA plus residual balance of operating account	<u>329,204</u>
Senior Debt	241,022

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 2020.

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 2020
