

INVESTOR REPORT FOR GREATER GABBARD OFTO Plc

As at September 2021

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: £227,809k as at 30 September 2021 (after a principal repayment of £6,834k on 30 September 2021). The undrawn PBCE amount as at 30 September 2021 after the senior debt principal payment is £34,171k.

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. The OFTO’s O&M contractor completed an extensive summer maintenance campaign with no reports of health and safety concerns or COVID issues.

The OFTO has achieved high availability over the period at 99.97% against an expected 100%. Since March 2021, the OFTO has taken a short planned outage (7hrs and 18mins) to complete Inner Gabbard to Gallaoper substation export cable protection testing. There have been no unplanned outages.

Monitored Operating Costs remain between the 80% and 120% band as required by the project agreements. Although the final 2021-22 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 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. The OFTO also completed a subsea survey into 2020. The work package involved a geophysical inspection of the 3 x 45km export cables from the nearshore to the offshore platform and the Inner Gabbard OSP and the 16km interconnector cable

between the Inner Gabbard to Galloper Offshore platform. The primary sensors used to complete this scope of the work were: Multibeam Echo Sounder (MBES) and Side Scan Sonar (SSS). Subsea general visual inspection was also carried out along the cable route and focussed on particular areas of interest, for example, J tube and short length of the interconnector cable at the Galloper offshore platform end, subsea jacket structures of the Inner Gabbard and Galloper Offshore platforms. The MBES and SSS data was used to analyse changes in the physical seabed characteristics since the previous survey in 2017, known as a change in seabed morphology. By comparing data it has been identified that for large sections of the cable route the bathymetric data comparison has revealed that the seabed level has remained largely stable with no appreciable difference between seabed levels observed in 2017 and 2020. It was noted that some seabed variation has occurred in shallow waters closer to the coast, which is consistent with what normally be expected as these areas are subject to the greatest wave motion interaction and there are known strong tidal currents along the coast. There was also evidence of seabed current and sediment migration along the export cable corridors due to changes to the shape and location of megaripples, sandwaves and sandbanks.

The survey revealed that the known cable exposures and freespans have changed since 2017. For the most part they have increased in size and frequency. The number of freespans has increased from 6 in 2017 to 8 in 2020. Given the morphological changes between 2017 and 2020 surveys, the OFTO has completed a seabed morphology to evaluate the likely contribution of the morphological features to the observed seabed to understand the potential underlying cause of variability and the potential for self recovery. The results of this will inform a cable integrity risk assessment to inform 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. 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 three repair contractors and is negotiating extending the framework to one other contractors. The OFTO has also procured a number of strategic repairs that would be required if a cable repair was enacted and recently completed an audit of three spare joints that are held in storage. The findings identified the need to replace joint accessories that have expired, the OFTO has now ordered these additional items. To support contingency planning the OFTO has prepared a repair scope for the interconnector cable that can be shared with cable repair contractors.

Following the termination of the BBUS contract and the signing of O&M contract with EDS HV Limited on the 22 February 2019. EDS has reviewed its assessment of asset risks and amended its maintenance campaign for 2021/22 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. An extensive summer maintenance campaign was recently completed. This covered, amongst other things, quarterly inspections. Diesel generator maintenance, gas analysis etc. There are assets that have required further work that could potentially impact revenue and monitoring regimes have been put in place since successful repairs have been completed. These are set out and discussed below:

- **Oil leaks from transformer 1** - GA offshore substation. Both transformers were checked for low oil prior to winter and Grid Transformer 1 (GT1). Repairs have been successfully carried out to resolve oil leaks on the transformer lid. The OFTO is not aware of any further problems. Oil levels are being carefully monitored by the control room. 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 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 was approved by the OFTO. A 2 day outage took place in August 2020 and the Cable Sealing End works have been successfully completed. Following the repair the O&M contractor is monitoring the CSE and the lost availability related to the repair was successfully claimed back through the OFTO’s licence provisions.

Other maintenance issues of note include:

- **SVC modules** – Leiston onshore substation. All three modules have experienced 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. Two SVC transformers located onshore have minor oil leaks around pipework, repairs are scheduled to take place in October 21.

Regulatory and business update

1. There have been no new significant regulatory and business and performance developments since the previous Investor Report in March 2021.
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 2021.

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 £34,171k (the PBCE Letter of Credit) as at 30 September 2021 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 2021.

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:	1.19x	1.10x	2.59x	1.05x
Historic DSCR:	1.25x	1.10x	2.83x	1.05x

Debt Life Cover Ratio:	1.38x	1.15x	1.53x	1.05x
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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 - 1.19

Net Cash flow (Oct 21 – Sep 22)	<u>28,905</u>
Debt Service (Oct 21 – Sep 22)	24,377

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 – 1.25

Net Cash flow (Oct 20 – Sep 21)	<u>28,542</u>
Debt Service (Oct 20 – Sep 21)	22,857

(c) Debt Life Cover Ratio (DLCR) – 1.38

NPV of Net Cash flow plus DSRA, ERA, WCRA plus residual balance of operating account	<u>313,774</u>
Senior Debt	227,809

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 2021.

Additional Matter

As part of the agreements signed at financial close, Greater Gabbard OFTO plc has an obligation under clause 4.17 of agreement A.1.9 BE Lease Deed of Variation dated 25 November 2013 between EDF and GGOWL for the onshore substation to provide for a bond or an Escrow account for the initial sum of £2,316,000 for the dismantling of the onshore substation.

In accordance with this obligation Greater Gabbard OFTO plc have procured a Surety which has the agreement of EDF and Greater Gabbard OFTO plc.

As per standard industry practice, the Surety provider has requested an indemnity from Greater Gabbard OFTO Holdings Limited. This will effectively be subordinate to any debt service obligations that Greater Gabbard OFTO plc has and therefore does not increase the risk profile of the borrowings given by the Lenders.

Greater Gabbard OFTO plc has considered this matter and has sent a notification to the Security Trustee.

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 2021
