

# INVESTOR REPORT FOR GREATER GABBARD OFTO Plc

As at September 2022

## General Overview

### *Present Status:*

Investors: Equitix Fund II and Equitix Fund IV

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: Howden Insurance

Ratings by Moodys Investors Services Limited: A3

Outstanding Principal Amount: £213,036k as at 30 September 2022 (after a principal repayment of £7,758k on 30 September 2022). The undrawn PBCE amount as at 30 September 2022 after the senior debt principal payment is £31,955k.

## 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’s activities have not been adversely affected by COVID and maintenance campaigns offshore and onshore have continued as planned.

The OFTO has achieved high availability over the period at 99.79%, against an expected 99.54%. There have been planned outages that took place in the Summer (6 yearly equipment manufacturer recommended outages).

Monitored Operating Costs remain between the 80% and 120% band as required by the project agreements.

The OFTO completed a subsea survey in 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 informed a cable integrity risk assessment that has identified next steps, which will be to monitor the sections of freespans. A strategy document has been prepared that recommends that surveys take place every two years and where possible more frequently if a vessel of opportunity can be sourced. The OFTO is also finalising arrangement to use unmanned vessels that can undertake the MBES and SSS surveys. 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 four repair contractors. The OFTO also instigated further analysis and looked at partial discharge which could be an indication of further issues, however, the findings of the analysis did not identify any partial discharge. The OFTO is also in the process of installing a DTS system and this will provide additional information about the status of the cables. The OFTO also regularly tests the fibre optic cables and over a 12 month period there has been no further degradation of the fibre optics. 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 and received these additional items. To support contingency planning the OFTO has prepared a repair scope for the interconnector cable and nearshore area that can be shared with cable repair contractors.

EDS carried out inspections and maintenance campaigns in this period. All maintenance has been completed. This covered, amongst other things, monthly and quarterly inspections. 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:

- **Theft of copper earth matting from Leiston substation compound** In April 2022, the compound of the onshore substation at Leiston was broken into and significant amounts of copper earth matting stolen from the area of the SVC. A campaign of replacement, along with upgrades of security (Smartwater, anti-climb paint, additional CCTV) was subsequently planned and completed during Summer 2022. The OFTO is intending to retro-fit an electric fence and is currently liaising with the supply chain
- **Module 2 SVC repair** Module 2 SVC at Leiston was repaired following an IGBT module fault and RTS end of July 2022
- **Onshore cable sheath testing** Results of onshore cable sheath testing completed during July and August 2022 highlighted some areas of concern with the outer sheath integrity of circuits

1 and 3 cables. A report has been issued by EDS, who are currently exploring options for further testing.

- **Planned outage and offshore campaign** EDS completed planned circuit outages during the Summer – this included transformer maintenance and trip testing

Other maintenance issues of note include:

**Helia Knuckle Boom Crane** – During a previous statutory inspection campaign, the Helia deck crane did not meet the requirements of LOLER and failed testing. It was evident that age, weathering and corrosion were the primary causes. EDS & Helia UK representatives attended the substation to complete a detailed survey/investigation against the previously issued Rix defect list. Repairs were scheduled for Summer 22 but were delayed due to supply chain issues and may be rescheduled in October 22 (subject to parts being delivered). The OFTO is awaiting further clarity in this respect from EDS.

- **DTS procurement** – the OFTO has purchased a DTS system from Marlinks.. The system has now been installed, tested and is operational. The system is also able to monitor depth of cable burial through the Marlinks software capability. Marlinks will continue to provide analysis and support under the DTS contract.

### Regulatory and business update

1. There have been no new significant regulatory and business and performance developments since the previous Investor Report in March 2022.
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 2022.

### 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 £33,119k (the PBCE Letter of Credit) as at 31 March 2022 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 31 March 2022.

### 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:	1.20x	1.10x	2.51x	1.05x
Historic DSCR:	1.21x	1.10x	2.63x	1.05x

Debt Life Cover Ratio:	1.41x	1.15x	1.56x	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 - 1.20

Net Cash flow (Oct 22 – Sep 23)	<u>29,258</u>
Debt Service (Mar 23 – Sep 24)	<u>24,368</u>

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 – 1.21

Net Cash flow (Oct 21 – Sep 22)	<u>29,047</u>
Debt Service (Oct 21 – Sep 22)	<u>24,052</u>

(c) Debt Life Cover Ratio (DLCR) – 1.41

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NPV of Net Cash flow plus DSRA, ERA, WCRA plus residual balance of operating account	<u>301,092</u>
Senior Debt	<u>213,036</u>

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 2022

#### **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 and 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,

A handwritten signature in black ink, consisting of several fluid, overlapping strokes, positioned above the title 'Director'.

Director

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

Date 30 September 2022