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## Gresham House Energy Storage Fund PLC ("GRID" or the "Company")

#### Improved trading backdrop driven by positive industry developments

Gresham House Energy Storage Fund plc (LSE: GRID), the UK's largest fund investing in utility-scale battery energy storage systems (BESS), is pleased to provide an update on current trading and recent industry developments.

#### Current trading and portfolio performance

The Company is expecting full year operational portfolio revenues of c.£42mn and operational portfolio EBITDA in the region of £29mn for the financial year ending 31 December 2024 (2023: £25.8mn), representing year-over-year EBITDA growth of c.12% and an EBITDA margin of c.69% for 2024 (2023: 67%).

In its interim results, announced on 30 September 2024, GRID indicated that annualised operational portfolio EBITDA could reach c.£45mn based on £45,000 per MW per annum in merchant revenues from its uncontracted assets once

all projects under construction are commissioned<sup>[1]</sup>. By comparison, better trading conditions have resulted in annualised operational portfolio revenues per MW on uncontracted assets (504MW) exceeding £60,000 per MW in the second half of 2024.

Improved operational portfolio revenues and EBITDA have been underpinned by a recovery in the wholesale market backdrop and as trading in the Balancing Mechanism (BM) begins to see better dispatch rates of batteries, with December being the strongest month of 2024. If this is sustained, GRID should be well placed to meet or exceed the £45mn EBITDA level.

#### Project upgrade progress and asset management improvements

New projects are coming online, with Elland (50MW), energised on 1 November 2024 at a 2-hour duration, now commissioned. The commissioning of Melksham (100MW) was rescheduled as the planned outage was on the same day as Storm Bert landing. The site is fully ready to energise, and the team is working to shorten the commissioning phase once energisation has taken place, which is now expected later this month. The team is using this time productively by progressing augmentation works from the current 1-hour to the 2-hour target duration at Melksham. Shilton Lane (40MW), a 2-hour duration project, is also fully built and is in the final stages of the National Energy System Operator's (NESO) compliance process (a requirement for projects greater than 30MW in Scotland). This is expected to complete in February 2025.

As well as maintaining a high and increasing level of project availability across the portfolio, the asset management team has been driving additional asset level efficiencies. Disposals of non-essential equipment, such as diesel engines and loadbanks installed in the original fleet, and other one-off savings from construction, raised c.£1.1mn in December. The team is also identifying recurring savings, such as the lower insurance costs reflected in the last quarterly NAV, and further efficiencies are expected.

#### Improving dispatch rates of batteries in the NESO control room

The National Energy System Operator (NESO) has delivered several improvements in its control room, leading to inmerit dispatch rates<sup>[2]</sup> of batteries rising from 10% in September to 14% in November<sup>[3]</sup> 2024 which has benefitted trading income in recent months.

Since September, NESO has:

- 1. Upgraded its existing systems to improve decision-making by changing how information is presented to traders (known as Balancing Engineers in the control room).
- 2. Introduced a Dispatch Efficiency Monitor to provide in-merit dispatch rate feedback to the control room in close to real time.
- 3. Recruited personnel to permanently staff the Open Balancing Platform (OBP) desk (through which BESS are dispatched) to ensure the OBP receives more in-merit dispatches. In due course, the OBP will undertake all control room dispatching (i.e., all technologies will be included in, and dispatched via, the OBP). NESO has targeted 2027 to reach this final stage at which time the Balancing Mechanism is expected to be automated and in-merit dispatch rates optimised.
- 4. On 3 December, NESO launched Quick Reserve, a reserve service designed for BESS, with demand of 500MW. This has resulted in a further improvement in BESS utilisation and better trading revenues. Details of Quick Reserve are available on the NESO website <u>here</u>.

A further improvement (known as GC0166) is expected in Q2 2025 and will allow the control room to see a battery's state of charge. The rules in the BM mean that all technologies need to be able to run at full power for 89 minutes if

dispatched. This is the reason for the 30-minute rule (which limits the amount of time that BESS can be dispatched for, to 30 minutes), as many BESS cannot run for 89 minutes today due to their limited duration. When the control room is able to see the state of charge of a BESS, it could be dispatched for 89 minutes at a lower power level or up to full power for shorter periods, thus eliminating the need for the 30-minute rule. This change should help level the playing field further for BESS compared to other technologies in the BM.

NESO has also permitted publication of a report it commissioned from LCP Delta, a leading technical consultancy focused on the energy sector, on 1 December 2024. The report includes analysis of historical skip rates and a revised skip rate methodology which has been used to provide skip rate data on a daily basis since 16 December<sup>[4]</sup>.

#### Government announcements

As part of its aim for clean power in 2030, the UK Department for Energy Security and Net Zero (DESNZ), is now prioritising technologies that are deliverable within this timeframe, rather than other technologies which, at best, may be delivered operationally later in the 2030s and beyond. In particular, DESNZ's detailed Action Plan published on 13 December 2024 states that 29-35GW of batteries will be required by 2030, compared to less than 5GW installed today. This reinforces the Company's long-held belief that significant growth, and therefore investment, in the sector is required to ensure net zero targets can be met. The report is on the DENZ website.

#### Other strategic initiatives

As announced at the Company's recent Capital Markets Day, numerous internal initiatives are underway to further drive earnings, refinance debt and resume the payment of dividends during 2025. Further details will be announced in due course.

## John Leggate CBE, Chair of Gresham House Energy Storage Fund plc, said:

"We are pleased to see solid progress in the Company's performance, as well as improvements in NESO's control room, and commitment to further change, that should see BESS increasingly well utilised.

"We thank our shareholders for their patience as the battery storage industry gets back on track with the most environmentally appropriate and economically competitive energy storage technology (Li-ion) being properly prioritised. Alongside NESO's backing of BESS, it is encouraging to see the government's endorsement of a level playing field for battery storage - the only proven, commercially viable technology that can dynamically manage renewable intermittency at national scale."

# Ben Guest, Fund Manager of Gresham House Energy Storage Fund plc & Managing Director of Gresham House New Energy, said:

"We have worked hard to highlight the industry's issues; we are relieved to see NESO's acceptance of these issues and appreciate the NESO team's significant efforts to address them. There is more work to be done, and we look forward to seeing further progress.

"We are now working hard on our refinancing to drive growth in the business and re-instate dividend payments. Our three-year plan involves project augmentations, new pipeline and accessing the new revenue streams which are becoming available as the industry matures. We look forward to sharing progress on this in the near future."

## For further information, please contact:

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## About the Company and the Manager:

Christopher Gibbons

Gresham House Energy Storage Fund plc seeks to provide investors with an attractive and sustainable dividend over the long term by investing in a diversified portfolio of utility-scale battery energy storage systems (known as BESS) located in Great Britain and internationally. In addition, the Company seeks to provide investors with the prospect of capital growth through the re-investment of net cash generated in excess of the target dividend in accordance with the Company's investment policy.

The Company targets an unlevered Net Asset Value total return of 8% per annum and a levered Net Asset Value total return of 15% per annum, in each case calculated net of the Company's costs and expenses.

Gresham House Asset Management is the FCA authorised operating business of Gresham House Ltd, a specialist

alternative asset manager. Cresham nouse is committee to operating responsibly and sustainably, taking the long view in delivering sustainable investment solutions.

#### http://www.greshamhouse.com/

## Definition of utility-scale battery energy storage systems (BESS)

Utility-scale battery energy storage systems (BESS) are the enabling infrastructure that will support the continued growth of renewable energy sources such as wind and solar, essential to the UK's stated target to reduce carbon emissions. They store excess energy generated by renewable energy sources and then release that stored energy back into the grid during peak hours when there is increased demand.

[1] As referenced most recently in the 29 November 2024 announcement, revenues will be two-thirds contracted once all tolling

agreements are in place and assuming a merchant revenue rate on 504MW of uncontracted assets of £45k/MW/yr

<sup>[2]</sup> The in-merit dispatch rate = (1 - the skip rate) and is the percentage of the time that batteries across the industry are used (to import or export) when they are most competitively priced. The skip rate definition and other information, including LCP's latest report are available <u>here</u>.

[3] Modo Energy, <u>https://modoenergy.com/research/battery-energy-storage-revenues-gb-benchmark-november-2024-balancing-mechanism</u>.
[4] <u>https://www.neso.energy/industry-information/balancing-services/skip-rates#How-is-a-skip-measured</u>

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