

Launched in 2018, Gore Street Energy Storage Fund plc (LSE: GSF) is the only UK-listed energy storage fund with a diversified portfolio located across five grids in Great Britain, Ireland, Germany, Texas & California.

Highlights of the month:

- National Grid ESO's Open Balancing Platform (OBP) faced technical issues within days of launch in December, resulting in limited change to the volumes of battery energy storage dispatched in the Balancing Mechanism over January.
- Storm conditions that resulted in record estimated average revenues for the Northern Irish assets in December continued into January, with strong winds translating into high DS3 rates, while extreme winter weather in Texas resulted in a short period of high revenues for assets before conditions normalised.
- Two of the Company's GB assets have secured lower insurance premiums through use of battery data analytics technology under an active asset management strategy designed to lower operational costs, increase safety and optimise performance.
- Energisation of the 49.9 MW Ferrymuir asset is imminent following an interruption caused partly by storm conditions at the site, while all major equipment has arrived at the 57 MW Enderby project.

TOTAL CAPACITY

1.17 GW

OPERATIONAL CAPACITY

372 MW

NAV PER SHARE

112.9p

September-end 2023

SHARE VOLUME

c6.2m

Av. weekly share trading volume in January 2024

MARKET CAPITALISATION

£344m

As at 31 January 2024

SHARE PRICE

69.5p

31 January 2024 closing price

Portfolio activity

Following trials of predictive battery analytics technology, the Company has secured a 32% reduction in insurance premiums for the 80 MW Stony and 50 MW Ferrymuir projects. The insurance policies recognise the value in adopting market-leading approaches to safe operations and will result in lower operating costs. The technology being used can also inform future asset management projects to improve system performance and Net Asset Value. The new approach has also been used to estimate premiums of operational all-risk policies in preparation for a potential portfolio-wide approach being pursued under the Investment Manager's active management strategy.

Construction at the 57 MW Enderby project has reached a new milestone with all major equipment, including the 107-tonne transformer (pictured), now on site. The Great Britain project is scheduled for energisation by the end of May 2024 as stated in the half year **report** for the six months to 30 September 2023.



Market development

National Grid ESO launched the Open Balancing Platform (OBP) on 12 December to improve dispatch rates for small Balancing Mechanism (BM) units, including battery energy storage. The OBP's Bulk Dispatch Optimiser tool is used to automate the aggregation of multiple storage assets across the "battery zone", as well as another pool of assets under 50 MW.

As shown in the graph below, bulk dispatch from the battery zone increased for three days before it was halted to correct technical issues. The tool was not brought back online until 8 January, meaning there has been limited availability of battery energy storage systems within the BM for over three weeks following launch of the OBP. This includes during the response to a French interconnector trip on 22 December when grid frequency dropped to 49.3 Hz. Batteries delivered 1.2 GW of frequency response, while none were dispatched from the BM.

The Company has seen some evidence over January to indicate systems are being called more frequently but at a lower volume, suggesting bulk dispatch does not yet represent significant revenue opportunity. The Investment Manager will continue to monitor opportunities in the BM while pursuing alternative revenue strategies in Great Britain.

Policy overview

1

The European Council and European Parliament reached a provisional **agreement** in mid-December on planned reforms for the EU's electricity market, which will include a focus on energy storage as a source of non-fossil-fuel flexibility.

2

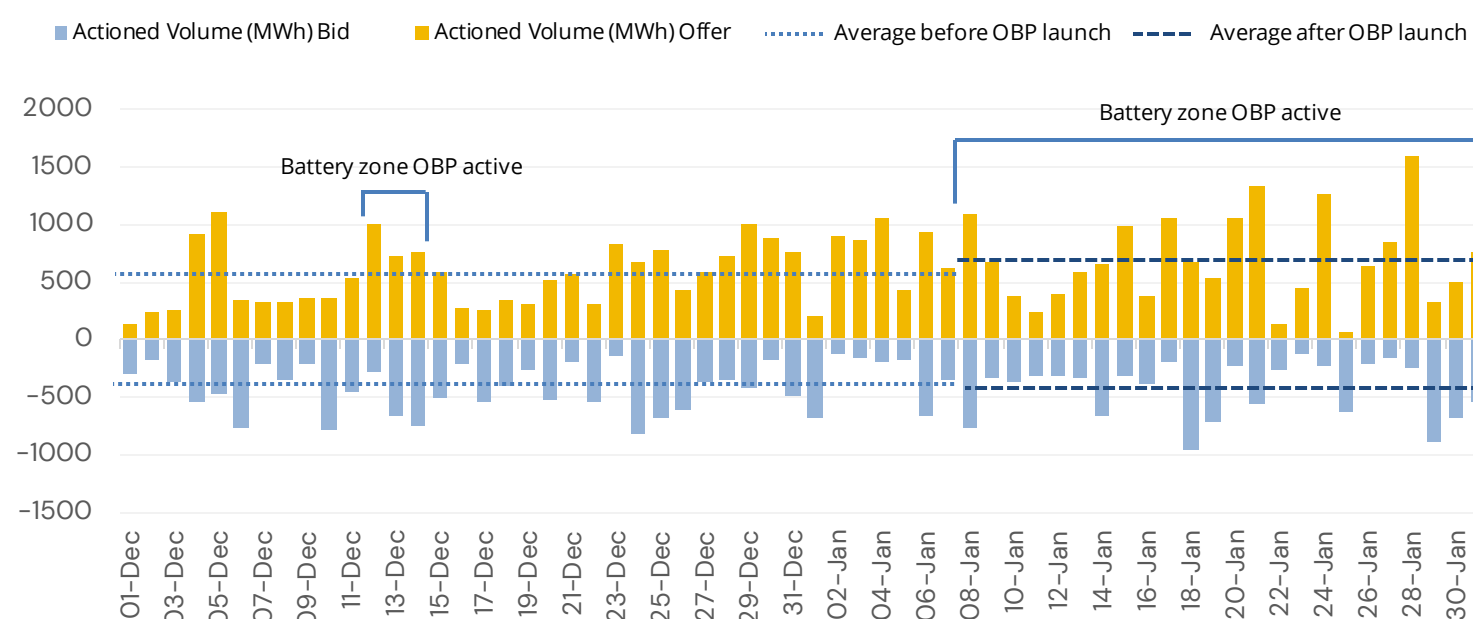
An electricity storage strategy consultation launched by the German government closed on 16 January, having set out a range of measures to remove barriers for the technology class to help meet the country's 2030 renewables targets. The Investment Manager responded to the consultation in favourable terms.

3

The UK government has set out **plans** for a cap and floor scheme designed to remove barriers for long duration energy storage. It would provide guaranteed revenue to investors should returns from operating assets drop below an agreed floor.

Balancing Mechanism battery zone dispatch volumes

Battery volume dispatched in the BM increased by 12% following the relaunch of bulk dispatch in the Battery Zone



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The fund is a listed fund, and returns to investors are based on share price, not net asset value ("NAV"). The fund can trade at a discount or a premium to NAV, and this changes over time. As at 8 February 2024, the fund was trading at a discount of 37.2% to the NAV of the same date.

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