Energy Storage Strategy

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Executive summary

- NextEnergy Solar Fund ("NESF") is a leading specialist solar+ investment company in the renewable energy sector. NESF has **91** solar power projects in the UK, widely distributed along the distribution network.
- NESF has been investing in energy storage projects **since 2018** and has built up considerable expertise in managing energy storage assets and running them in conjunction with solar plants. NESF is also progressing projects to **retrofit** energy storage assets onto its existing assets where feasible.
- Currently, NESF has **two** operating small-scale batteries, is finalising the construction of a **50MWh** battery in Scotland, and is preparing the construction of a **250MWh** battery in Norfolk.
- NESF intends to expand its energy storage activities and is consulting with shareholders to amend its existing investment policy to increase the limit in standalone energy storage systems (not ancillary to or co-located with solar PV assets owned by the Company) from 10% **up to 25%** of the Gross Asset Value ("GAV") (calculated at the time of investment). All other policy limits are to remain the same.
- This will enable NESF to **take advantage of existing energy storage opportunities in the UK** via its relationship with EelPower Ltd, which will complement and diversify NESF's existing large portfolio of solar assets.

Footnote:
A solar+ fund invests primarily in utility scale solar assets, alongside complementary ancillary technologies, like energy storage.

Five key reasons to increase energy storage in NESF

1 Energy storage benefits from intermittency of renewables

- As the UK decarbonises, renewables are expected to provide the backbone of the future energy mix. Energy storage provides essential flexibility to renewables and ensures supply of electricity across the grid matches demand fluctuations
- National Grid's future energy scenarios forecasts UK energy storage capacity to increase from 1.6 GW in 2021 to as much as 20 GW by 2030

2 Energy storage is highly complementary to NESF's solar portfolio

- Solar exhibits a predictable generation profile during a single day
- Batteries capitalize on wholesale market price fluctuations by charging when renewable output is high (and prices are low/negative) before dispatching at peak demand (when prices are highest)

3 Co-location of batteries with solar assets multiplies benefits and cost savings

- During peak output, batteries can store power when solar plants generates more than what is allowed for grid injection purposes;
- Co-located batteries may also allow solar assets to achieve better terms in PPAs and enhanced pricing for solar-generated power through shifting

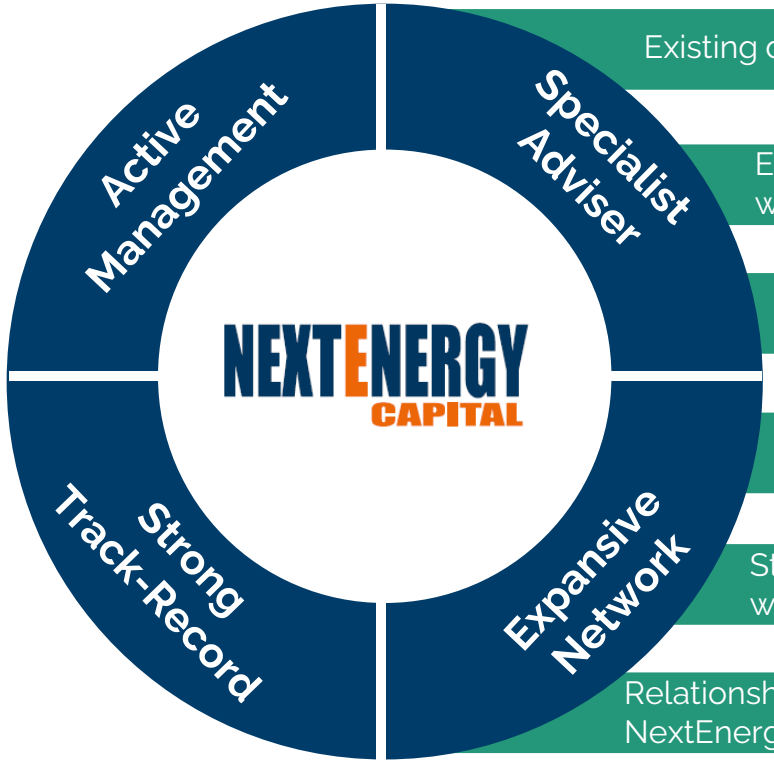
4 NESF is well positioned to capitalise on the UK energy storage space

- NESF has a strong portfolio of solar assets that provide a robust base revenue generation, inclusion of accretive return assets is sensible to continue the platforms' continued growth and evolution
- The joint venture partnership with EelPower allows NESF to leverage expertise as well as access to pipeline projects

5 Energy storage generate revenues through multiple pathways

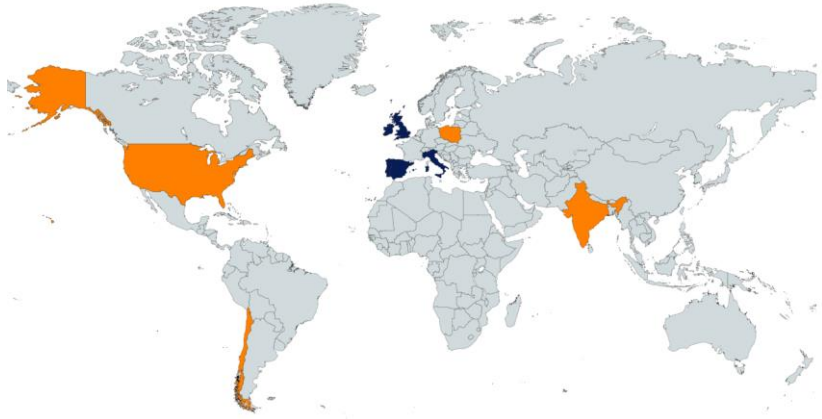
- Revenues driven by volatility (potential to arbitrage and financially settle without cycling battery) and provision of ancillary stability/flexibility services to grid
- Multiple revenue streams allows batteries to adapt easily to market changes, revenue stacking supported by the grid's adoption of energy storage as part of its plans for managing the future of the grid, valuing the stability that batteries can bring to grid infrastructure alongside their ability to arbitrage volatility.

NextEnergy has the right platform to deploy NESF energy storage



- Existing deep knowledge of UK power markets
- Experience of managing storage assets, co-located with solar since 2018
- Competencies in de-risking and optimising projects within its portfolios
- Expansion of network, team, and partnerships will capture opportunities in energy storage
- Strong track record of delivering attractive risk-weighted returns to shareholders across its funds
- Relationships with EelPower and across the sector provides NextEnergy Capital with a robust support network

- **14 years** experience as a manager
- **c.$3.3bn** solar AUM
- Over **350** solar assets acquired
- **2.4GW+** across UK, Italy, US, Portugal, Spain, Chile, Poland, and India



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NESF has an established energy storage track record

2018 → 2019 → 2020 → 2021 → 2022

1

First two co-located batteries

1. **Salcey Farm**:
   Buckinghamshire, acquired May 2018
2. **Pierces Farm**:
   Berkshire, acquired May 2018

2

Strategic Relationship with EelPower

- Target of **1GW** of storage under management
- Unlocking up to **£300m** of energy storage investment opportunities for NESF
- Procured, constructed and operated 6 large-sale batteries over six years, including two of the UK's most profitable
- Eelpower's in-house 'Eel-Dispatch' control, data and risk management platform helps deliver an efficient turnkey asset management

3

Co-location retrofit across portfolio

NESF has an existing UK portfolio of **91 solar assets** and Investment Committee approval to develop **c.20MW** of co-located sites, with scope to identify additional co-located assets.

Current progress:

- ✓ NESF UK portfolio reviewed for available grid import capacity
- ✓ Pilot project (North Norfolk) secured planning permission on 18 February 2022
- ✓ Planning applications in progress at four more sites, with a further three seeking grid capacity
- ✓ Remaining sites to be reviewed periodically as grid capacity changes

Opportunities secured through energy storage joint ventures

2022

2023 onwards

4

Project Camilla

Under Construction

Capacity:	**50MW**
Duration:	**1hr**
Energised:	**Q2 2023**

The project is located adjacent to the Glenniston substation, well placed to benefit from volatility driven by high Scottish wind capacity, low local demand and constraints on National Grid interconnector capacity to areas of high demand.

5

Project Lion

Project Rights Acquired

Capacity:	**250MW**
Duration:	**2hr**
Constructed:	**2025**

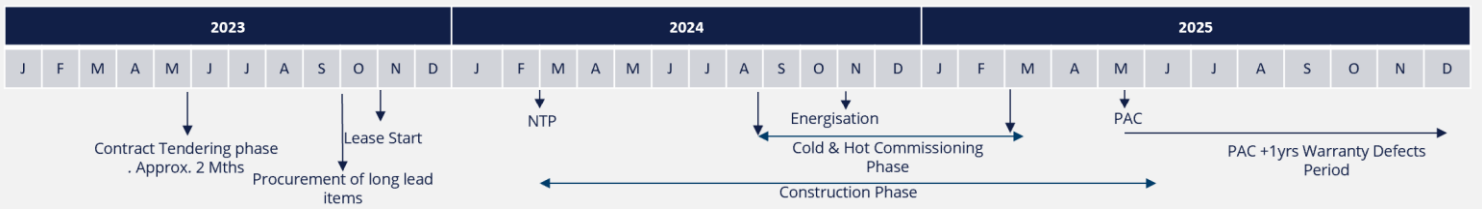
The project is adjacent to the Walpole substation, a key onshore hub for existing wind farms (Race Bank, Lincs and Inner Dowsing wind farms) and well-placed to benefit from expected additional wind capacity in the region.

6

Investment Policy Increase

Look to increase the investment mandate **up to 25%**, in order to capitalise on existing pipeline & opportunities:

Example project timeline:



Project Camilla blueprint:

The strength of specialists: NextEnergy Capital & EelPower

Background

- NESF sought an industry expert with demonstrable experience in delivery of construction and optimisation of energy storage
- Eelpower was identified as the leading entity in its field

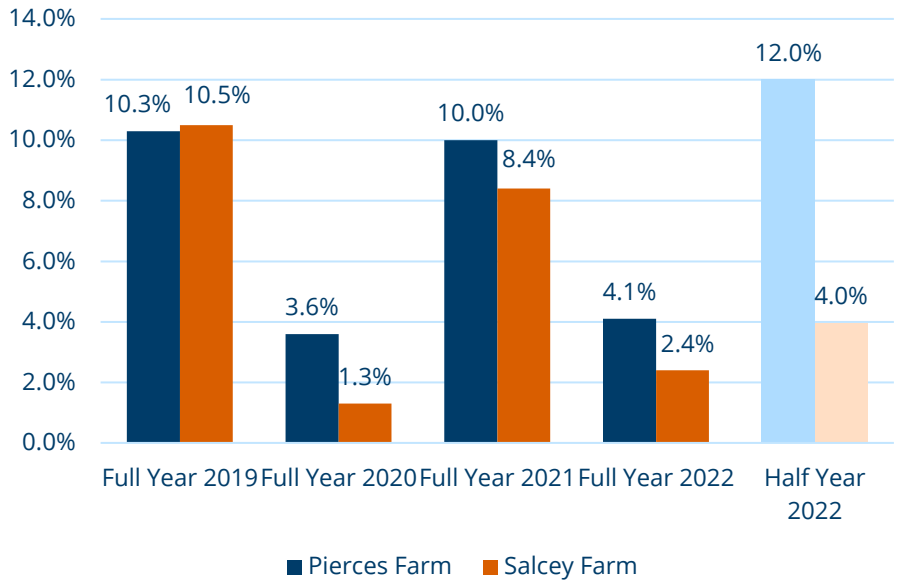
About Eelpower

- Founded to enable the UK to manage the increasing volatility created by non-dispatchable renewables and has become a leading battery developer with a target to have 1GW of storage under management
- Procured, constructed and operated six large-sale batteries over six years, including two of the UK's most profitable
- Eelpower's in-house 'Eel-Dispatch' control, data and risk management platform helps deliver an efficient turnkey asset management offering which maximises investor value
- In January 2021, SUSI Partners (one of the most experienced storage investors in the world) agreed to invest £90m alongside Eelpower in an equity JV covering 30MW operational, 60MW in construction and a development pipeline of c200MW

NextEnergy Capital track record

- Consistently generated more electricity than acquisition budget (**+4.8% p.a. since IPO for the full portfolio**)
- The sustained portfolio outperformance demonstrates the robustness of NEC's active management processes

Power Generation Performance above budget (%) for NESF's co-located projects



Example site recently realised by Eelpower:

NESF portfolio co-located battery asset, Salcey Farm:

Now is the right time to deploy energy storage

Previously

- Evolving, early-stage technologies
- Prohibitive capex, long return horizons
- Uncertain revenue streams
- Stable prices = narrow arbitrage
- First mover, not best mover

Summary

Uncertain IRRs on unproven technology with long return horizon

(Private Equity Investment Stage)

Now

- Technology established and tested
- Capex and return horizons reducing
- Revenue proven by pathfinder schemes
- Increased price volatility = wider arbitrage
- Fast followers benefit from lessons already learnt

Summary

Attractive, reliable IRRs on proven technology with reasonable return horizon

(Institutional Investment Stage)

Revenue sources for NESF batteries

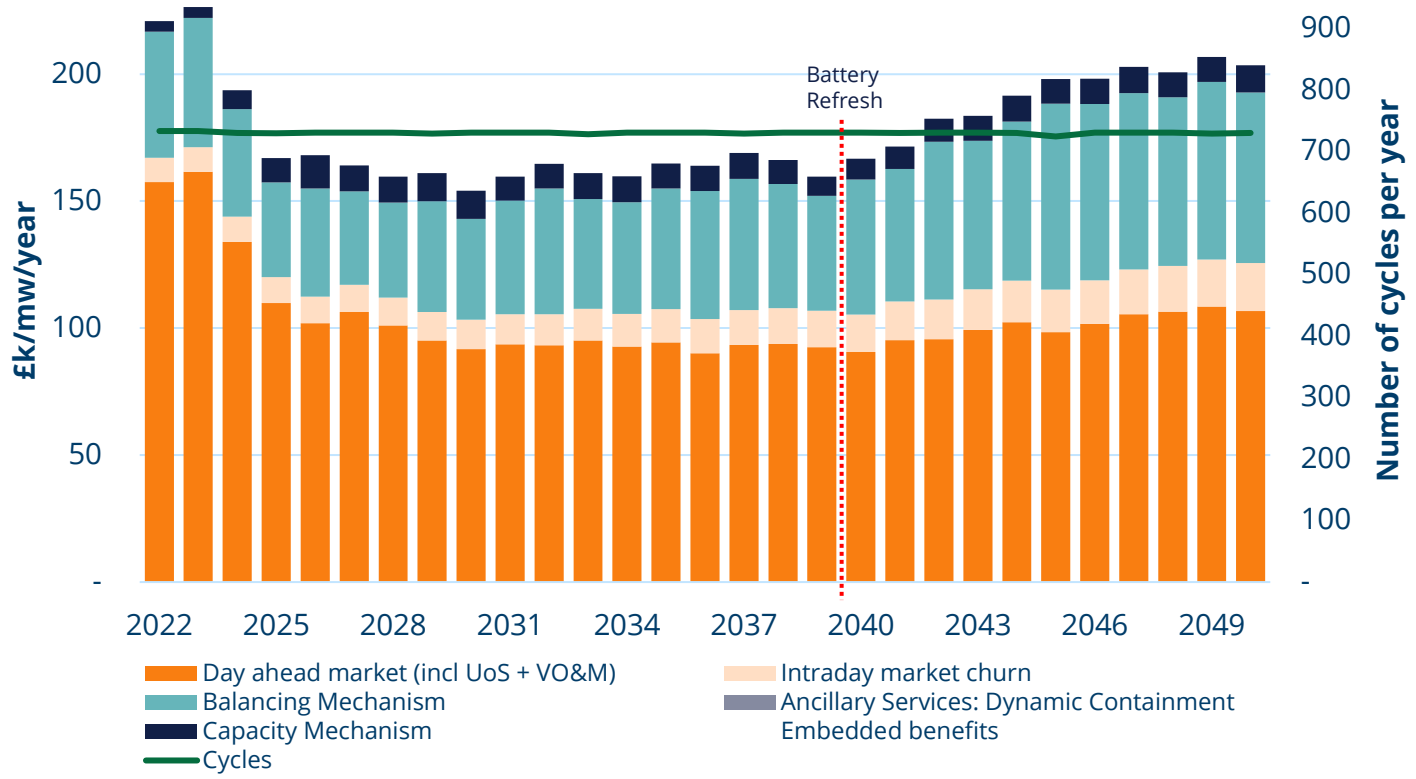
Key revenue drivers

Volatility:
Higher volatility of generation drives increased need for flexibility + arbitrage opportunities*

Inflation:
Inflation applies to all revenue and cost lines; therefore, increased inflation drives greater nominal cash flows after debt services ("CFADS")

Cycles:
Arbitrage revenue is earned through charge and discharge ("cycle") of electricity; therefore, revenue is largely driven by the number of annual cycles

Example revenue stack a 2hr duration standalone battery project



A leading optimiser predicts single market (worst case) spreads concentrating around a "natural floor" in arbitrage revenues, with additional markets providing consistent upsides

Footnote:
UoS: Use of System. See slide 28 for more details
VO&M: Fixed and variable maintenance cost

Energy storage joint venture breakdown

Joint Venture Partnership 1 ("JVP1")

JVP1

£100m

- Owned **70%** by NESF and **30%** by Eelpower
- The Company's first **50MW** battery storage project through JVP1 is currently under construction in Fife, Scotland, and is expected to be energised and grid-connected in the first half of 2023

+

Joint Venture Partnership 2 ("JVP2")

JVP2

£200m

- Owned **75%** by NESF and **25%** by Eelpower
- First acquisition as part of JVP2 for **£32.5m** secured
- The project includes the development rights, permits, and initial grid milestones for a **250MW** portfolio of high-quality battery storage projects and grid connections in the East of England

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EELPOWER

Battery storage investment opportunities

£300m

Total announced standalone battery storage projects to date

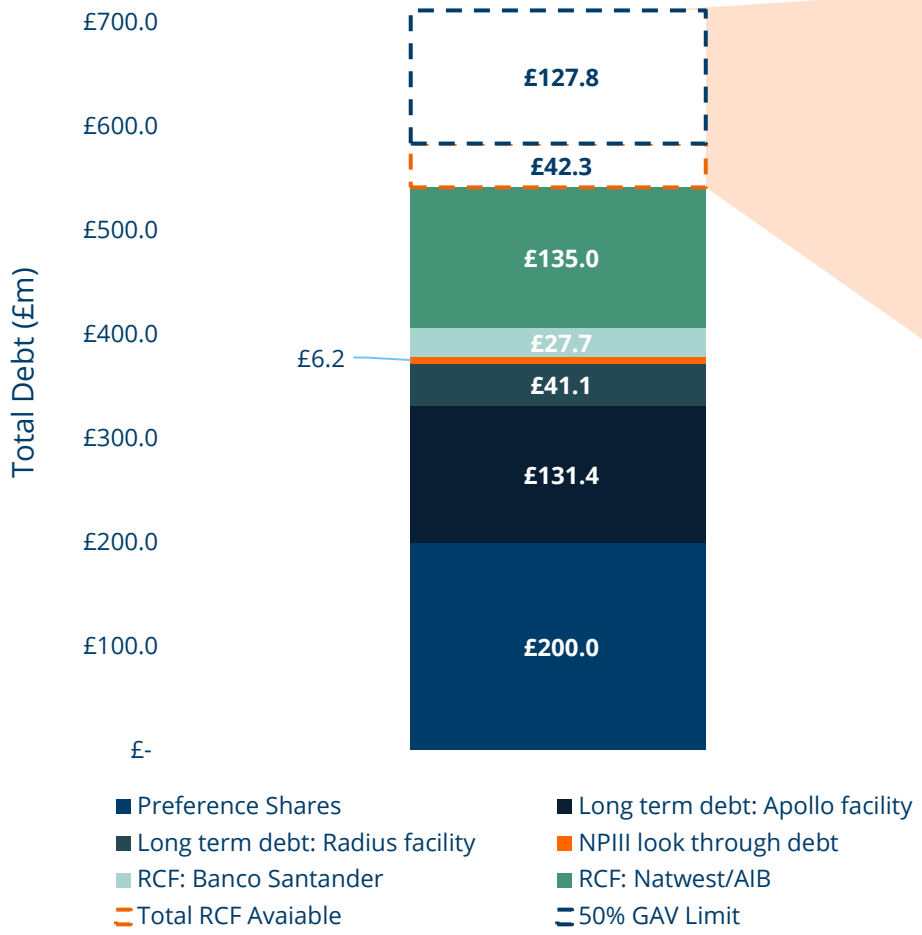
300MW

Energy storage pipeline

500MW

NESF's firepower to fund pipeline

Breakdown of NESF's debt structure



Available firepower to be deployed in opportunities

RCF Debt/GAV 50% Limit Headroom
c.£128m

Immediate RCF Available
c.£42m

+

Immediate Cash Available
c.£2m

-

Existing commitments (including current battery projects)
c.£64m

Uncommitted Firepower
c.£108m

Footnote:
All figures as at 31 December 2022

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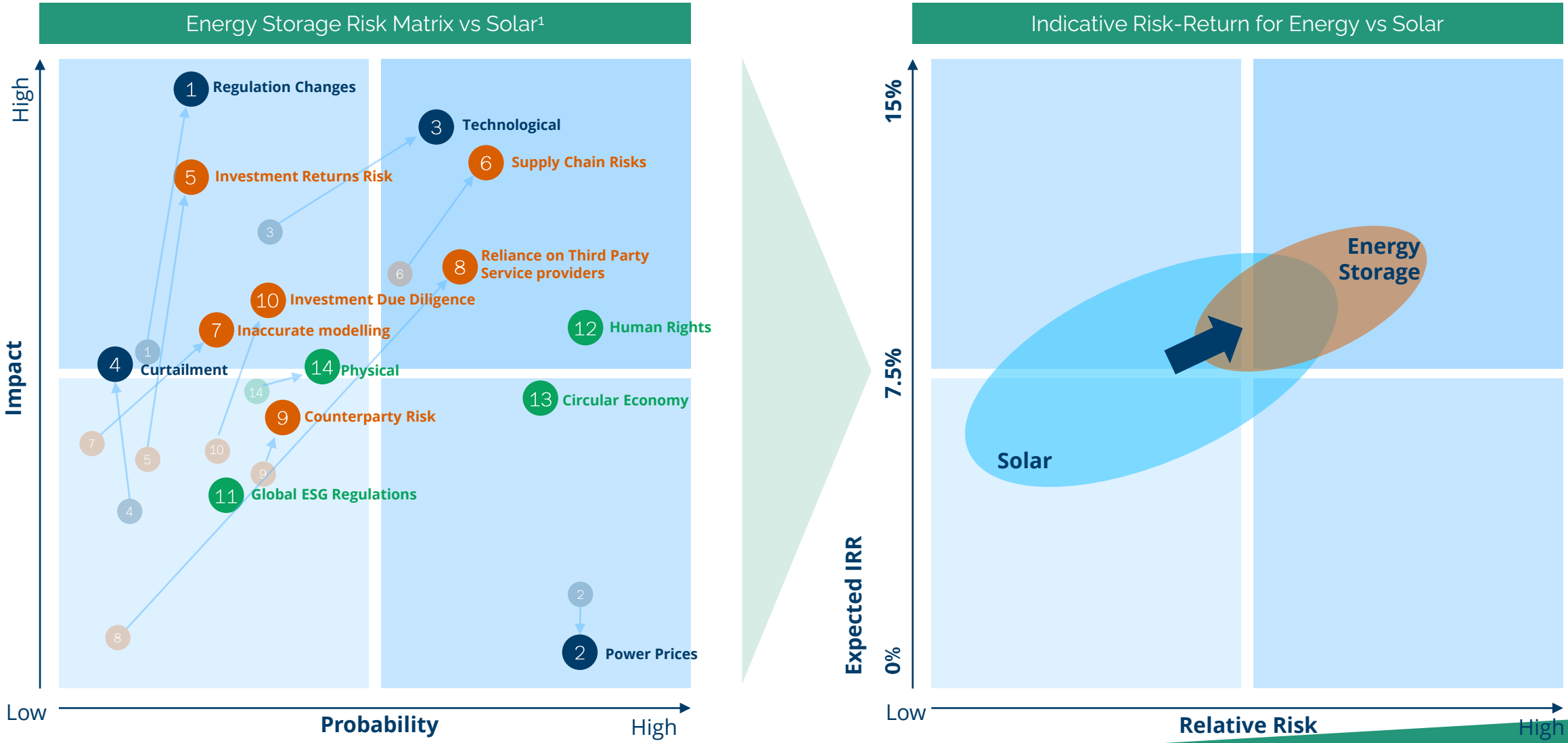
Change to investment limits after potential energy storage increase

Technological Limit	▪ The Company may also invest in standalone energy storage systems (not ancillary to or co-located with solar PV assets owned by the Company) up to an aggregate limit of **10%** of the Gross Asset Value (calculated at the time of investment)	▪ **4.5%** of GAV currently invested	**From 10%, up to 25%**
Private Equity Limit	▪ **15%** of the Gross Asset Value may be invested in solar assets through private equity structures (calculated at the time of investment)	▪ **2.9%** of GAV currently invested	
Geographical Limit	▪ The Company is permitted to invest up to **30%** of GAV (at the time of investment) in OECD countries outside the UK ▪ The Company may acquire an interest in solar PV assets located in non-OECD countries where those assets form part of a portfolio of solar PV assets in which the Company acquires an interest and where the Company's aggregate investment in any such assets is, at the time any such investment is made, not greater than **3%** of the Gross Asset Value	▪ **13.6%** of GAV currently invested non-UK ▪ **0.2%** of GAV currently invested outside OECD through NPIII	
Development Limit	▪ The Company mostly acquires operating solar assets, but it may also invest in solar assets that are under development (that is, at the stage of origination, project planning or construction) when acquired ▪ Such assets in aggregate will not constitute (at the time of investment) more than **10%** of GAV	▪ Currently constitutes **4.7%** of GAV	
Single Asset Limit	▪ No single investment by the Company in any one solar asset will constitute (at the time of investment) more than **30%** of GAV ▪ In addition, the four largest solar assets will not constitute (at the time of investment) more than **75%** of GAV	▪ The largest investment in one solar asset currently constitutes **3.5%** of GAV	
Gearing Level	▪ Leverage of up to **50%** of GAV	▪ Gearing (including preference shares) stands at **43.1%**	

Indicative risk return profile shift



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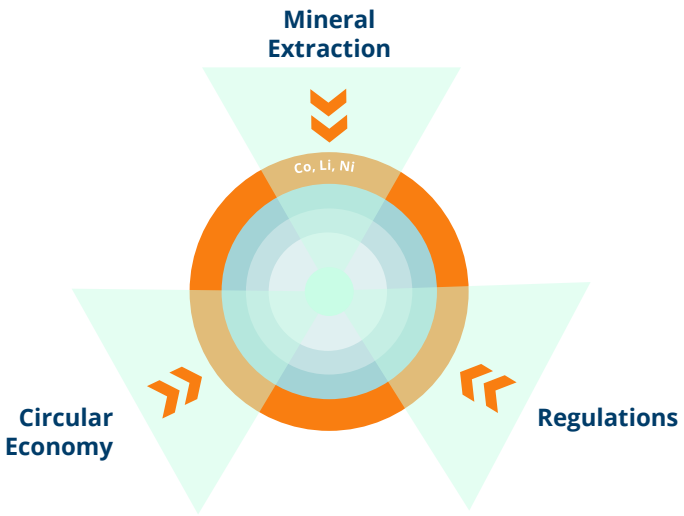
(1) Please see next slide for details of specific risks

Energy storage risk matrix

		Risk	Description
1	**Regulatory**	Regulation Changes	Adverse changes to regulation of BESS assets, changes to or removal of future regulated revenues, etc. (e.g. Frequency response services: Enhanced Frequency Response, Dynamic Containment, etc.)
2	**Market**	Power Prices	Electricity prices remain below Company's forward curve used in pricing/valuation models. This is a low risk for BESS, as revenues are based on arbitrage (i.e. the difference between low charging cost and high selling price)
3	**Market**	Technological	Emerging forms of energy storage technologies and alternative methods of balancing frequencies (such as international connection grids) could undermine the economics of our business cases for BESS
4	**Market**	Curtailment	For batteries, curtailment impacts both charging and discharging phases. Given the nature of batteries as responsible for balancing grid frequencies, their installation is likely to reduce the likelihood of unforeseen curtailment
5	**Strategic**	Investment Returns Risk	As BESS becomes more commercially accepted, there is a risk that an increase in new developers, owners and operators leads to fewer attractive investments.
6	**Strategic**	Supply Chain Risks	Many of the raw materials, such as Cobalt, Lithium and Nickel are produced by just a few countries. Subsequently, this low diversification means that a single nation could greatly impact the cost of raw materials for development of future BESS assets
7	**Strategic**	Inaccurate modelling	NAV calculation portrays a false position (including the valuation of the portfolio). Currently discount rates are very varied (5-11% for GSF and GRID), which reflects the uncertainty of different revenue streams
8	**Strategic**	Reliance on Third Party Service providers	Given NEC's relative inexperience in the field of BESS, it will need to rely on expertise from 3rd parties, such as Eel Power. Fund performances (and subsequent revenues) is directly impacted by the performance of service providers.
9	**Strategic**	Counterparty Risk	Fund performances (and subsequent revenues) directly impacted by companies with which NEC Ltd engage in contracts, such as contracts for frequency response services.
10	**Strategic**	Investment Due Diligence	Due diligence on investment process inadequate to identify key risks and problems in investments
11	**ESG**	Global ESG Regulations	Risk of environmental regulation, e.g. the European commission has stated that responsibly-sourced cobalt must be mandatory for new BESS assets. Some Chinese companies sell certified processed cobalt to Europe that is in fact mixed with material sourced from unregulated mines.
12	**ESG**	Human Rights	Human rights issues associated with supply chains. • Cobalt: high risk of poor labour and H&A conditions • Lithium: risk of affecting indigenous people in Argentina, Bolivia and Chile. Extracting methods are potentially dangerous • Nickel: risk of increased waste from mines (e.g. Indonesia)
13	**ESG**	Circular Economy	Durability: Battery lifespan and their capacity must be considered Recycling: End of life disposal/recycling of materials and potential use for future BESS assets is currently unclear
14	**ESG**	Physical	Fire and noise pollution. Existing assets may have higher insurance premiums and maintenance costs due to likelihood of fires. New development assets may have delays as these risks cause difficulties in planning stages.

ESG considerations for energy storage



Mineral Extraction

- **COBALT:** most of global supply originates from the DRC, of which c. 30% derives from small-scale miners working in poor labour and H&A conditions.
- **LITHIUM:** mining is affecting indigenous people in the Lithium Triangle (Argentina, Bolivia and Chile) which currently holds over 60% of known global lithium reserves. This region uses a unique method of extracting lithium from saltwater brines, a technique with potentially dangerous environmental consequences.
- **NICKEL:** demand is expected to increase 6-fold by 2030, with the world's largest producer, Indonesia, already upping production to meet this. Indonesia is currently dumping mine waste (tailings) into the ocean.

Circular Economy

- **DURABILITY:** of the batteries lifespan and their capacity to be recycled should be considered. Suppliers selection to consider product lifecycle and aspects relating to the circular economy. Participation in industry initiatives such as the Global Battery Alliance is a way NEC can foster stewardship and uphold company standards.
- **METAL RECYCLING:** such as cobalt, lithium and nickel are key battery components will enter a shortfall of supply before 2025. A domestic recycling programme would minimise the volumes of mineral extraction (hence the labour and water conflict risk associated with it).

Regulations

- The European Commission ("EC") has released a strategic battery action plan which identifies ways in which responsible sourcing can be upheld and solve supply chain issues. For example, some refining companies in China have been found to sell certified processed cobalt to Europe that is in fact mixed with material sourced from unregulated mines.
- In Feb 2022, the EU issued a new Directive on Corporate Sustainability Due Diligence which will require DD on ESG aspects throughout business's supply chain.

Due diligence

- NextEnergy Capital ("NEC") carries out due diligence process of batteries suppliers to ensure that human rights risks, including those of labour, H&S, or impact on environment and ecosystem services fundamental to the livelihood of communities and Indigenous People. NEC also require them to sign our Supplier Code of Conduct and ensure suppliers abide by it when working with us.

Audits

- NEC plans to adopt the third party audit and chain of custody approach that is being considered with SEUK for modules and will be the standard to promote industry-wide traceability.

Compliance

- NEC seeks to ensure compliance with applicable regulations such as the OECD due diligence guidance for responsible mineral supply chains (3rd edition), as well as voluntary principles such as the UN Guiding Principles on Business and Human Rights
- NEC carries out supplier reviews to ensure circular economy elements are considered as per the EU taxonomy; the WEEE directive on recycling and disposal; and/or the EC Batteries Directive (2006), by embedding alignment with these frameworks in the original procurement contracts.

Green inputs

- NEC is investigating how we can obtain green inputs to our battery facilities from suppliers that are also both economically viable and large enough to meet demand.
- This is a challenging goal, but we are committed to improving our input supply transparency, with the aim of having the greenest possible input. Not only does this reinforce the delivery of NEC's mission with the smallest footprint feasible, but it will direct investment to green suppliers, pushing the demand for better solutions and increasing the appetite for storage in the UK in a virtuous cycle.

Summary of attractions for energy storage

- Batteries provide essential flexibility to the UK national grid
- Revenues are driven by volatility, which is forecast to increase with electrification
- Batteries are complementary to solar due to its predictable generation profile
- Co-located batteries may also enhance solar assets through better PPA terms
- The joint venture partnership with EelPower allows NESF to leverage expertise
- Inclusion of accretive return assets is sensible to continue the NESF's growth

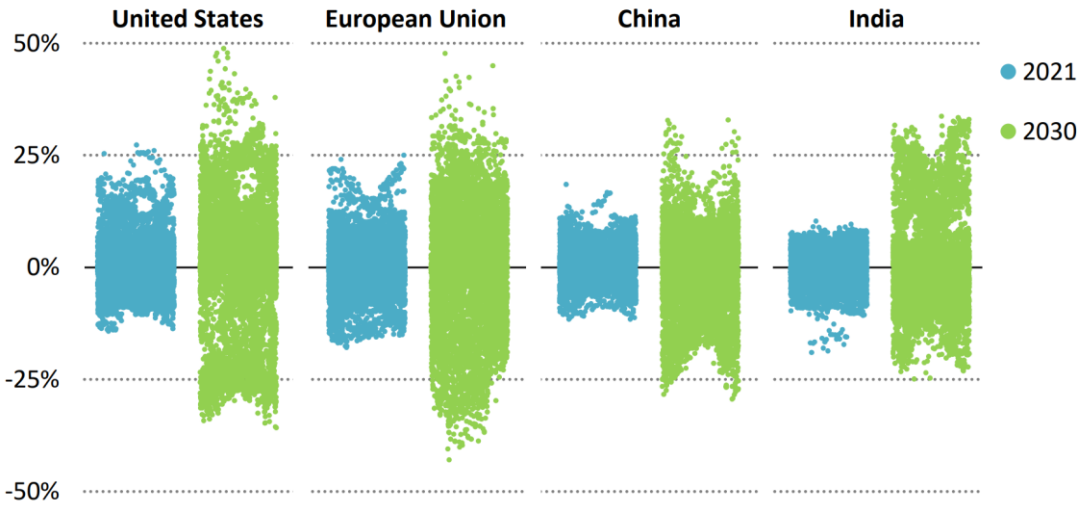
Appendix

Batteries enhance energy security by balancing supply & demand

The provision of flexibility in power systems is a cornerstone of electricity security today and in the future. Cornwall Energy forecasts a **significant increase in wholesale price volatility** in the coming five to ten years.

The electrification of additional end-uses, e.g. electric heating, road transport or industrial processes, raises peaks and increases the hourly, daily and seasonal variability of electricity demand.

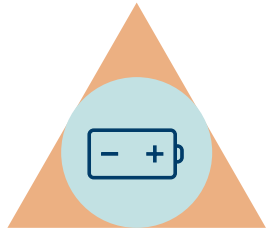
Hour-to-hour flexibility needs rise significantly by 2030



Battery Storage is an essential solution to flexibility requirements

Battery storage is projected to be the fastest growing source of power system flexibility in all scenarios detailed in IEA's world energy outlook 2022 as well as all scenarios published by Aurora Future Energy Scenarios 2022 based on the UK government's energy security strategy.

Modular:
allows batteries to be deployed and scaled up rapidly in almost any location.



Flexibility:
provision of localised flexibility may also reduce the need for investment in new transmission and distribution infrastructure.

Provide system services:
utility-scale batteries can offer important system services, for example by helping with the restoration of grid operations following a blackout, supporting short-term balancing or providing operating reserves.

World Energy Outlook 2022 (windows.net)

Batteries benefits from volatility created by solar

Batteries essential to bridge energy demand with solar generation

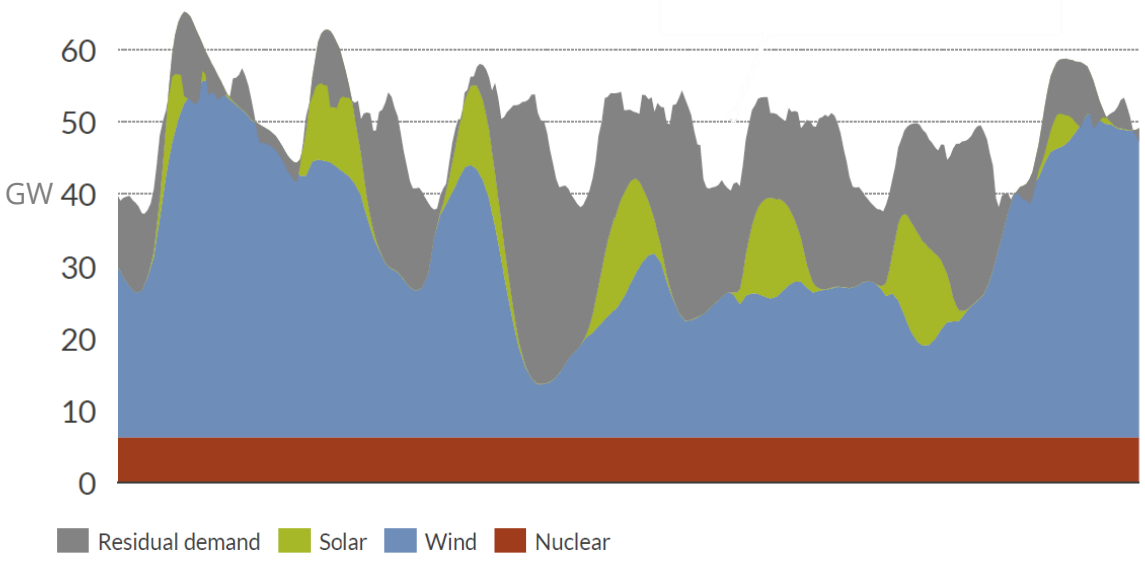
Solar generation exhibits large fluctuations throughout the space of a day, which create opportunities for flexible technologies

Battery charges during periods of low prices (due to low demand or high generation)

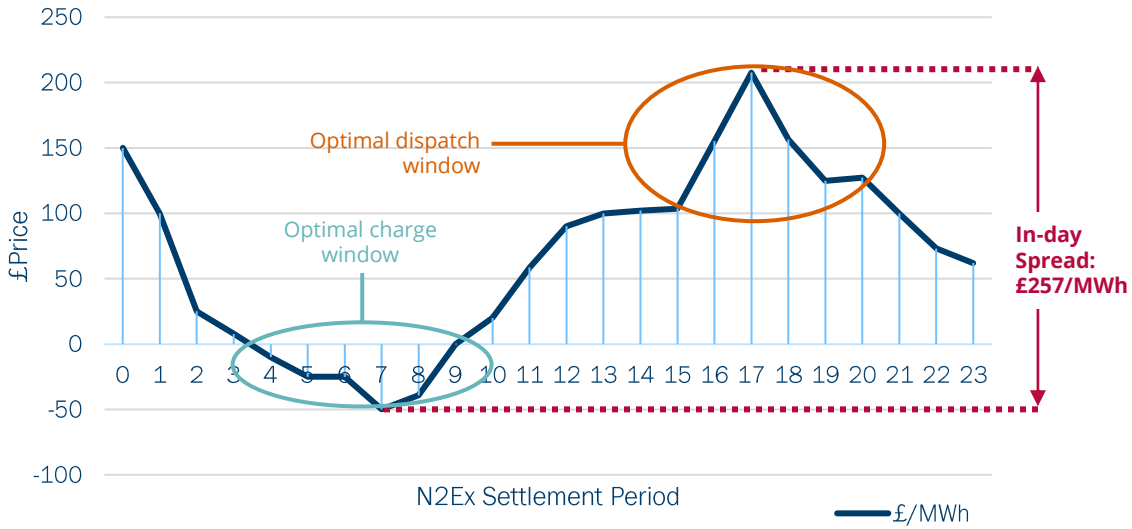
Battery sells it during evening price peaks (due to high demand or low generation)

Example of UK energy mix fluctuations during a week[1]

The UK Government's Energy Security Strategy proposes ambitious plans to reduce gas consumption and emissions. Battery storage is an essential part as it meets residual demand otherwise achieved through fossil fuels.



Example revenue generation from day spread[2]



- In-day spread of c£257/MWH, can be locked in "day ahead'
- Energy storage (charged from grid) would have:
  - Generated income of c£50/MWh for absorbing excess supply
  - Generated income of c£207/MWh for dispatching at peak demand

(1) Week of 22/04/2022 – 28/04/2022
(2) January 2022 N2EX Day-ahead £/MWh

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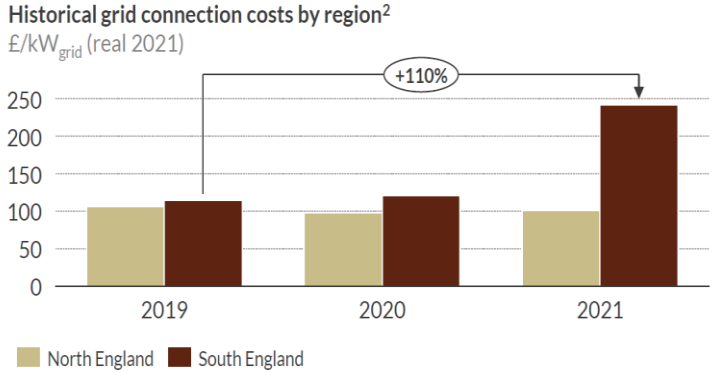
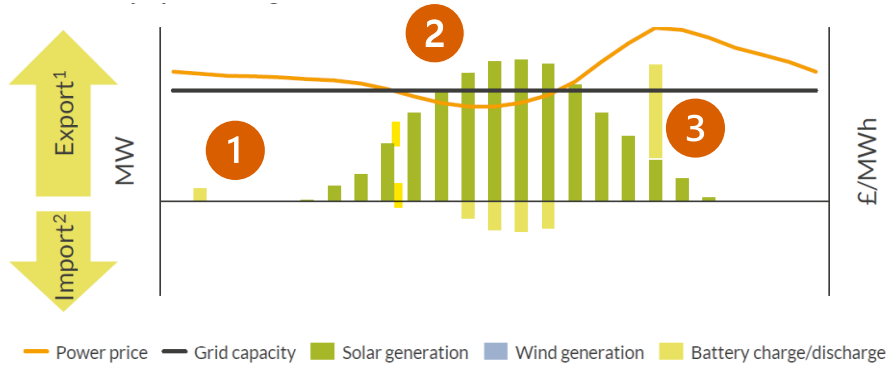
Co-located storage solves issues of grid connection scarcity

Grid connection scarcity has led to increasing costs over time, which is set to increase as available grid connections are used up

The largest hurdle to getting connected is the lead time - obtaining an unconstrained grid connection typically takes a minimum of five Years

Most available grid connections are closer to demand where there is low availability of suitable land for renewable projects





1. The battery charges when prices are low and discharges when prices are high to capture this highest prices
2. When the asset is oversized relative to the grid, the battery absorbs this power with nil direct costs to prevent curtailment/spill
3. The battery dispatches when prices are highest. If the solar asset is still generating, the discharge may be limited by to the grid capacity.

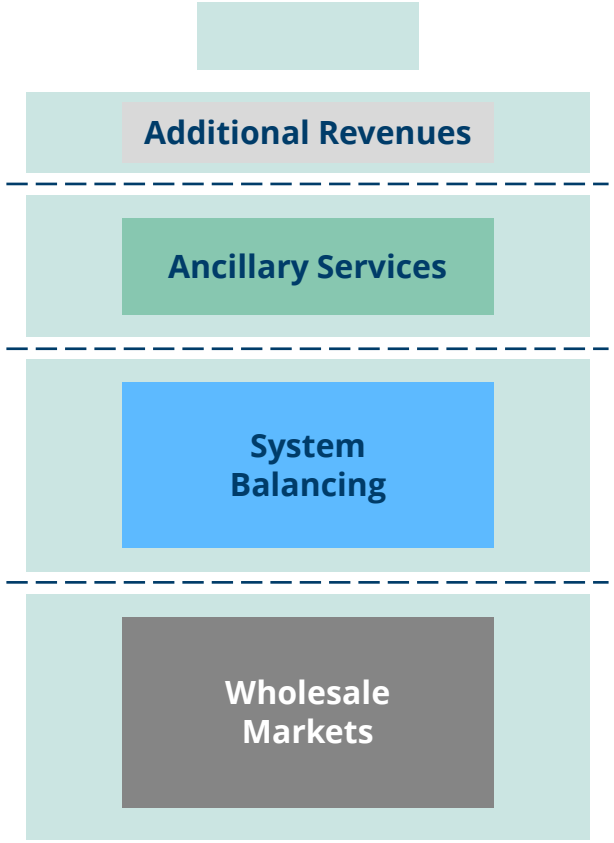
Summary of benefits and savings associated with co-located battery storage

Costs	CAPEX & OPEX: Grid connection costs by using the same grid connection for both assets. OPEX through sharing site infrastructure and maintenance (e.g. inverters)
Portfolio Diversification	Diversification of risk and revenues: Full portfolio benefits due to protection from technology related downsides
Asset oversizing	Oversize renewables asset relative to grid connect: Solar can be over-sized and battery is able to capture spilled power
Ancillary service revenue	Opportunities (e.g. dynamic containment): Solar profile more suited for allowing the battery to enter the Dynamic Containment market

Batteries generate revenue from multiple sources

Merchant trade is the backbone of a diversified revenue stack

- Wholesale markets are deep, liquid and will exist over the course of project lifetime
- Returns from **wholesale markets alone make battery projects investable now**
- Other streams simply add upside



Ancillary services offer strong near-term value

- But, with new assets coming online, these markets will saturate
- In medium-to-long term, ancillary service pricing will revert to opportunity cost of merchant trade
- **Long term, ancillary services will offer opportunistic upside revenue**

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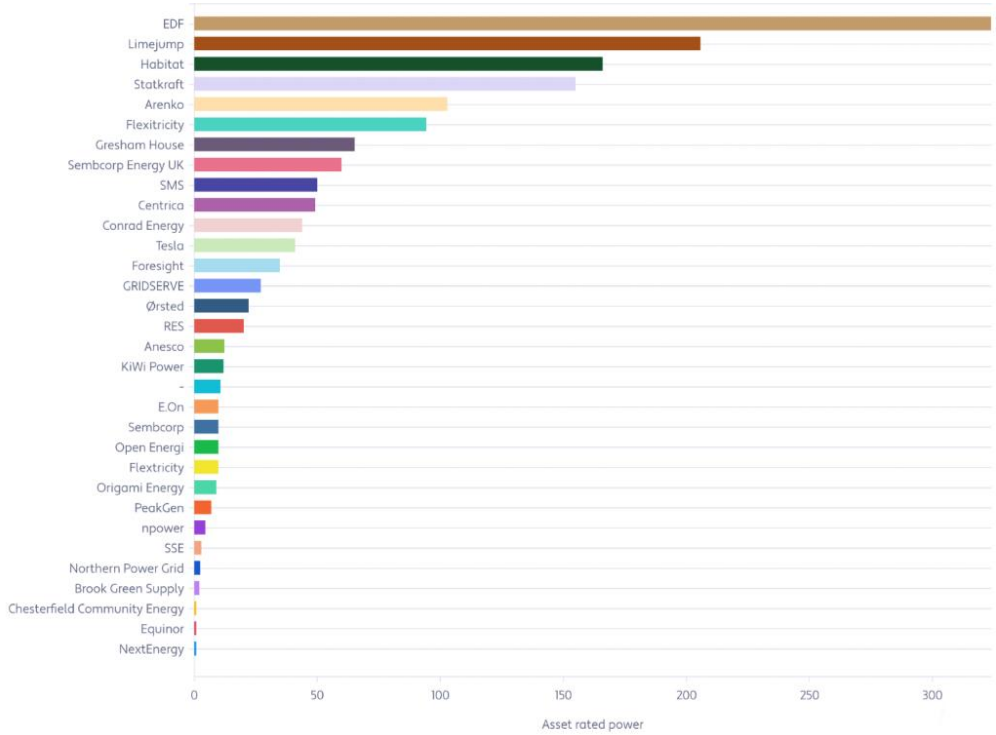
Route to market

Overview

- Optimiser market continues to evolve, with EDF, Limejump (Shell) and Habitat currently the three largest providers by managed BESS capacity.
- Optimiser market dominated by two contract models:
  - "**Floor**" contract:
    - 'guaranteed' minimum revenue (material caveats)
    - limits future flexibility to maximise revenue
    - high fees (~13%)
  - "**Route to Market**" contract:
    - no floor/'guaranteed' minimum revenue
    - maximum flexibility to capture upside potential
    - lower fees (~6%)



Tender Process

- To evaluate performance and capabilities of optimisers in a less ancillary service rich environment, providers will be challenged to provide access to data from a '*digital twin*', trading in real-time in day ahead, intraday and imbalance (cash out) markets. This is expected to provide a more realistic view of optimiser performance (i.e. not back-casted with perfect hindsight) to inform selection across key criteria.

Market Access → **Forecasting** → **Market Intelligence** → **State of charge (SoC) Management** → **Warranty Protection** → **Trader Performance** → **Automation**

Overview of UK energy storage revenue streams

Years → Hours → Minutes → Seconds

Capacity Market

- Ensures national security of supply by procuring a sufficient level of firm capacity to meet peak electricity demand
- Contracts are awarded either one or four years in advance for lengths of 1-15 years
- Payments are made on a capacity basis in £/kW/year and de-rated based on contribution to security of supply

Wholesale Market

- Provides platform to buy and sell power to meet demand every half-hour
- Contracted from years ahead to T-1 hour trading

Balancing Mechanism

- Ensures balance is maintained in the power system in each daily half-hour trading period as well as other system operational needs e.g., thermal and voltage constraints
- Contracted over a variety of timescales, including within delivery periods

Ancillary Services

- Maintains operational grid requirements and provides secondary balancing through sub second to minutes long response. Contracted in advance on monthly-yearly basis
- E.g. Dynamic containment (formerly fast frequency response)

Embedded and Behind-the meter (BTM) Benefits

- Benefits that embedded/BTM assets or demand consumers receive for reducing net demand on the system by avoiding certain costs
- Transmission Network Use of System (TNUoS): Payments for relieving peak transmission network demand. Split into the Embedded Export Tariff (Distribution connected) and Gross Half-hourly Tariff (BTM)
- Generator Distribution Use of System (GDUoS): Payments for relieving peak distribution network demand
- Balancing Service Use of System (BSUoS): Payments for reducing balancing charges
- CM Supplier Ch/arge: Payments to maintain yearly CM contract obligations

Arbitrage | Capacity Markets | Ancillary Services | Other

Local Flexibility Markets

- Maintains operational grid requirements and provides secondary balancing through sub second to minutes long response
- Contracted in advance on monthly-yearly basis

Understanding duration terminologies

Three key terms are important in understanding battery assets: *Rated Power*, *Energy Capacity*, and *Duration*

Rated Power	Energy Capacity	Duration
the maximum amount of power a BESS asset can charge or discharge at any given time	*the maximum amount of stored energy that a BESS asset can hold*	*the length of time for which a BESS asset can discharge at its full Rated Power*
		
MegaWatts (MW)	**MegaWatt Hours (MWh)**	**Hours (h)**

Examples

Rated Power	Energy Capacity	Duration
10MW	**10MWh**	**1h**
(a 10MW BESS asset with an Energy Capacity of 10MWh can discharge at its full Rated Power for 1hr)		
10MW	**20MWh**	**2h**
(a 10MW BESS asset with an Energy Capacity of 20MWh can discharge at its full Rated Power for 2hrs)		

Benefits of increased battery storage duration

A battery's 'duration' is the ratio between the stored energy capacity (MWh) and rated power (MW) of an asset. It defines how long it takes a battery to discharge from full to no charge

Ancillary Services:

Rated power (MW) is the determining factor for how much BESS assets can make in ancillary services. This is important because ancillary services have been the dominant revenue stream for BESS. The reason BESS assets are so well suited to these services is their fast response time, not their ability to provide power for long durations. Since the energy throughput required to provide ancillary services is relatively low, a 2h system has limited additional benefit.

✓ **Shorter Duration**

— **Longer Duration**

Wholesale Markets:

The ability to trade over multiple auction blocks in wholesale markets means that 2h assets can capture larger revenues than 1h assets. The fact that 2h systems can earn more in merchant markets may sound appealing, but price spike events haven't historically happened very often.

— **Shorter Duration**

✓ **Longer Duration**

Balancing Mechanism:

Longer-duration assets are theoretically capable of procuring larger revenues in the BM than shorter-duration assets. However, due to the lack of consistent BM opportunities, it is difficult to make the commercial case for a BESS asset of any duration based significantly on its suitability in this market.

✗ **Shorter Duration**

✗ **Longer Duration**

Capacity Market:

The CM provides long-term contracts for BESS assets, paying them on a £/MW basis for their availability to provide capacity if a system stress event occurs.

- 2h assets can earn ~2x that of 1h assets in CM revenues (for contracts awarded in the same auction).
- On average, CM revenues make up 13% of income.

— **Shorter Duration**

✓ **Longer Duration**

Battery storage duration is lengthening | Timera Energy (timera-energy.com)
What battery durations are investable? | Timera Energy (timera-energy.com)
Modo Energy – Future of GB BESS Buildout
Modo Energy – Untangling the impact of BESS duration

Eelpower partner selection

Eelpower background & track record

- Eelpower is a specialist in the UK battery market with a strong track record and extensive experience in the delivery, management, and optimisation of battery storage assets in the UK
- Eelpower will provide EPC and ongoing specialist asset management services to the storage assets and will source further acquisition opportunities for the JVP
- Very well connected in the energy storage universe, unlocking opportunities for NESF
- Eelpower's in-house 'Eel-Dispatch' control, data and risk management platform helps deliver an efficient turnkey asset management offering which maximises investor value for NESF

Routes to market

EDF, HABITAT ENERGY, limejump

Investors

NEXTENERGY SOLAR FUND, SUSI PARTNERS

Grid

nationalgridESO, SP ENERGY NETWORKS, sse, UK Power Networks, WESTERN POWER DISTRIBUTION

EELPOWER

Advisors

AURORA ENERGY RESEARCH, Baringa, cobalt, opus CORPORATE FINANCE, natural power, RINA

Suppliers

Anesco, BYD, ethical power, g2 ENERGY, KRAKENFLEX, SMITH brothers CONTRACTING LIMITED

Developers

GIGABOX, Intelligent Land Investments GROUP, JLL, RNA ENERGY

NEXTENERGY SOLAR FUND

Energy storage co-location retrofit programme

- NESF has held two co-located battery assets since 2018 (Salcey Farm & Pierce Farm)
- Introduced co-located retrofit programme across the UK portfolio of **91 solar assets, with existing grid connections**
- First site for a co-located battery project already identified with planning permission secured - **11MW North Norfolk solar farm**, to include a 6MWh/12MWh battery system.
- Planning applications in progress at **4 more sites**
- Looking at behind the meter co-located installations

Glossary

Abbreviations

Term	Definition
BESS	Battery Energy Storage System
CapEx	Capital Expenditure
DNO	Distribution Network Operator
EPC	Engineering, Procurement, Construction
ESG	Environmental, Social, Governance
IDNO	Independent Distribution Network Operator (private entity licensed by Ofgem to manage discreet sections of distribution networks and interface with National Grid transmission network)
IRR	Internal Rate of Return
LFP	Lithium ferro-phosphate
NEC	NextEnergy Capital
NESF	NextEnergy Solar Fund
NGESO	National Grid Electricity System Operator
NMC	Lithium-Nikel-Manganese-Cobalt-Oxide
O&M	Operation & Maintenance
OpEx	Operational Expenditure
Optimiser	Entity that manages the route to market, ensuring the battery is able to generate anticipated revenues
OtL	Option to Lease
ROFO	Right of First Offer
RTB	Ready to Build
RTM	Route to Market (contracts that allow battery to take part in revenue generating services)
SHA	Shareholder Agreement
SHL	Shareholder Loan
TA	Technical Advisor

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