



NextEnergy Solar Fund (“NESF”) recently announced its first significant strategic step into UK energy storage, a highly complementary asset class to solar and the existing NESF portfolio. This document provides investors with the strategic rationale behind this recent transaction and NESF’s next steps.

Background

NESF has operated two small-scale battery assets since 2017

- NextEnergy Capital (“NEC”) has been monitoring the UK battery storage sector since 2017, when NESF acquired two small scale battery assets as part of Salcey Farm power plant (5.5MW)
- NESF shareholders voted for an expansion to the investment policy at the 2020 AGM, allowing the investment manager to invest up to 10% of the Gross Asset Value into standalone energy storage assets
- Battery technology is now viable and value-accretive for inclusion in the NESF portfolio given recent advances in technology
- NESF recently announced a 250MW joint venture partnership (“JVP”) with Eelpower, a UK energy storage specialist, with NESF committing £100m of investment to the partnership’s pipeline
- NEC remains a specialist in the solar sector, with employees who are also experienced in the energy storage sector. The partnership with a specialist in energy storage helps to ensure minimum risk whilst constructing the assets and maximum performance once operational

Key Rationale

Enhance NESF’s portfolio whilst adding multiple positive benefits

Diversification

- Adding energy storage assets to the portfolio provides NESF with multiple diversification benefits
 - Revenue – multiple attractive revenue streams and opportunities that are non-correlated to solar PV
 - Geographical – regional diversification in the UK
 - Asset Class – providing further diversification of asset type, which lowers risk to the portfolio

Revenue

- Energy storage offers a different set of revenue opportunities compared with solar
 - Arbitrage Energy Trading, in effect buying low and selling high during periods of energy price volatility
 - The Capacity Market, the UK policy mechanism from which storage assets derive revenues, based on the availability to dispatch electricity during periods of system volatility
 - Ancillary Services (including Firm Frequency Response and Dynamic Containment) providing sub-second increases or decreases in power output from the battery to maintain stability of grid frequency

Growth

- UK energy storage assets form a significant part of NESF’s growth strategy
- National grid will require substantial energy storage in the future to stabilise the grid
- Energy storage assets are anticipated to be dividend accretive to NESF when fully operational, providing attractive returns

Technology

- NESF has partnered with a specialist in the energy storage sector, ensuring high-quality assets are constructed
- The JVP will use the latest, most viable forms of battery technology for its projects
- Ensuring the highest level of technology will allow the JVP battery projects to maximise battery duration

Portfolio

- NESF currently has 99 operational solar PV assets, providing an attractive opportunity to deploy co-located energy storage opportunities in the UK
- Batteries are a highly complementary asset class to solar PV, and thus the NESF portfolio
- Batteries act as a key enabler to the further market deployment of solar assets in the UK

Future Opportunity

Future standalone and co-located battery opportunities

- NESF’s mature portfolio of 99 assets provides a great foundation to build out further its 10% of GAV investment allocation into the energy storage sector
- There are two key opportunities for UK energy storage assets within the NESF portfolio:
 - Standalone battery storage projects - providing additional asset and geographical diversification
 - Co-located battery storage projects - utilising NESF’s portfolio and grid connections to build battery assets on sites alongside its existing solar plants
- The implementation of battery storage assets in the UK will further increase the penetration of renewable energy generation adding stability to the renewable energy component of the energy mix

Joint Venture Partnership

Framework for the acquisition of up to 250MW energy storage assets

- The Joint Venture Partnership (“JVP”) is owned 70% by NESF and 30% by Eelpower with NESF receiving a preferential return (in line with its target returns) for the money it commits to the partnership and profits above this then split in line with the shareholding
- The JVP includes a framework for the acquisition of up to 250MW of energy storage asset projects
- Eelpower is a specialist in the UK energy storage market with extensive experience in the delivery, management, and optimisation of battery assets in the UK having
- NESF partnered with Eelpower due to its strong track record, having been active in the UK storage market since 2015, crafting a specialism in the energy storage sector
- Eelpower will provide EPC and ongoing specialist asset management services to NESF’s JVP storage assets and will source further acquisition opportunities for the JVP

Malden 50MW project

Providing vital services to the local grid in Scotland

- The Joint Venture’s first signed energy storage project was announced in September 2021
- Once constructed, the energy storage asset will have a 50MW installed capacity
- The asset is strategically located in Fife, Scotland, providing vital services to the local grid
- The asset target energisation date is 2022



Strategic focus 2021/22

NESF strategic focus going forward

1

Unlock value-accretive growth

Expand portfolio into international solar assets, energy storage and solar PE structures

2

Asset performance

Focus on delivering technical, operational and financial performance across the portfolio

3

Manage risk

Reduce revenue volatility and increase dividend certainty

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