



CASE STUDY

Walney Extension Offshore Wind: Financial Management

Vercity

Walney Extension Offshore Wind

Sector

Renewable Energy

Client

HoldCo

Project value

£2bn (Original construction cost)

The extension delivers 659MW, enough to power more than 590,000 UK homes. Vercity's understanding of the complex group structure, attention to the contractual requirements and proactive management of a substantial lender group have been key contributors to the ongoing success of the project.

The project

Since November 2017, Vercity have provided financial and company secretarial services to a group of companies that hold a 50% stake in the Walney Extension Offshore Wind Farm.

The wind farm contains 87 turbines in the Irish Sea, approximately 19km from the Walney Island coast in Cumbria, off the North-West coast of England. The area covers 145 km² in total, which is roughly the area of 20,000 football pitches. It generates approximately 659 MW of electricity. When it became operational Walney Extension was the world's largest offshore wind farm. The capital investment needed to establish the project was substantial and the structure of the investment vehicle reflects this.



How Vercity supports the group

Vercity supports the investment in a number of ways. Some of the main areas are:

Lender Liaison

The group had external debt at 31 December 2021 of £1.25bn. There is a significant lender consortium of approximately 30 institutions with 2 managing agents, a technical advisor, and a security trustee. Managing the interface with these organisations includes ensuring compliance with the requirements of funding documents but goes beyond this.

Understanding the key concerns of the various entities and ensuring effective communication, including on the operational performance of the generating assets, has been an important part of the contract's success.

"The Vercity team has year after year shown understanding of the business, high attention to detail, high quality in the deliverables and overall proactiveness in the everyday. It is a pleasure to be working with them on Walney Extension."

Nadia D'Ippolito,
Director, AIP Management

Cash Forecasting and Management

Effective management of the group's cash reserves and payments includes not only the administration of bank accounts and preparation of payment runs, but effective forecasting of cashflows and distributions to the group's shareholders. There are multiple factors that can impact receipts (and consequently distributions) and to provide reliable forecasting needs an effective relationship with the team overseeing the generating assets on the expected levels of power production, and a proactive approach to the pricing mechanics.

Financial Accounting

Delivered by the Vercity Accounting team, the management contract includes invoice processing, management accounting and the preparation of statutory accounts. This includes liaison with financial auditors and tax advisors and the management of the respective processes. Having been involved since construction, Vercity were a key component of the discussion and adoption of relevant accounting policies including the appropriate treatment of the joint venture accounting required under IFRS 12.

Company Secretarial

Vercity act as the company secretary for approximately 300 UK companies. The processes, knowledge and experience within Vercity leave the business well placed to act as the key custodian and governance lead. Maintaining the company statutory books, preparing Board resolutions and arranging and minuting company Board meetings are ongoing activities, but Vercity are also well placed to support less typical events including the corporate implications of restructuring, refinancing and equity transactions.

Supporting OFTO Transaction

UK regulation requires that the Offshore transition assets (which convert electricity from the turbines into the national electric grid) are constructed as part of the wind farm but then sold.

For investment purposes the loans to construct the OFTO assets are separated from the loans for the generating assets. Assumptions are included in financial modelling on the revenue raised and, following the transaction, the loans are repaid and the security thereon released.

Although the sale was administered by the UK regulator (Ofgem) there was significant input required from Vercity, including the management of the lender approval process for the transaction and the consequent recognition of commercial transaction. The transaction was undertaken by the Project Company with the accounting framework requiring the relevant results to be consolidated into the group accounts.

Vercity's impact

Our understanding of contractual compliance and proactive approach to relationship management has been a key factor in the success of the project.

Through continuous collaboration and liaison with management, contractors, constructors, stakeholders and other third parties, Vercity continues to assist in achieving a positive outcome for the extension project.