

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:

- GSF has increased its Irish asset base through the acquisition of the remaining 49% in two of its existing projects alongside the addition of Project Mucklagh, a 75 MW asset in the Republic of Ireland.
- High winds in March continued the strong revenue performance by the Irish portfolio across FY Q4 and the preceding winter months, with additional trading capacity resulting in an upside during periods of lower revenue from DS3 ancillary services linked to System Non-Synchronous Penetration (SNSP).
- Scheduled generation outages and low evening renewable generation in Texas on 4 March resulted in real-time prices spiking as high as \$1,000/MWh, with 1 GW of battery energy storage capacity responding to rapid increases in net load on the ERCOT grid.
- Overall battery energy storage volumes dispatched in the Great Britain (GB) Balancing Mechanism have increased since the reintroduction of bulk dispatch but revenues remain minimal for capacity from small assets, which is aggregated together when procured by National Grid ESO.

### TOTAL CAPACITY

**1.248**  
GW

### OPERATIONAL CAPACITY

**421.4\***  
MW

### NAV PER SHARE

**111.0p**

December-end 2023

### SHARE VOLUME

**c.7.5m**

Av. weekly share trading volume in March 2024

### MARKET CAPITALISATION

**£326m**

As at 28 March 2024

### SHARE PRICE

**64.5p**

28 March 2024 closing price

\*Includes 50 MW newly energised capacity at Ferrymuir.

## Portfolio activity

GSF secured additional capacity in the highly lucrative Irish market with the acquisition of the remaining 49% in two of its existing Irish projects – Porterstown, a 90 MW asset of which 30 MW is already operational, and Kilmannock, a 120 MW construction asset – alongside a 51% stake in Project Mucklagh, a 75 MW asset in the Republic of Ireland scheduled for energisation in 2028. The deals were settled through the issuance of 9.7 million new ordinary shares and a cash consideration, demonstrating the Investment Manager's ability to grow the fund's assets through long-term relationships with strategic partners. The deals take GSF's portfolio to 1.248 GW across 28 operational and construction assets in Great Britain, Ireland, Germany, Texas and California.

Generation capacity dropped on the ERCOT grid on 4 March as generators scheduled planned outages following the end of winter restrictions. Low wind generation on the grid as solar output fell at the end of daylight hours resulted in significant net load ramps, requiring over 1 GW of battery energy storage to export onto the grid. Instances of low generation from conventional and renewable assets occur systematically and are, therefore, predicted and incorporated into commercial strategies by the Investment Manager. This ensures the Company's assets are fully optimised to take advantage of such market conditions when they are anticipated.

## Market development

**GB:** Battery units have experienced increased dispatch<sup>1</sup> within the Balancing Mechanism since the reintroduction of the Open Balancing Platform (OBP) in **January**, with around half of battery dispatch volume instructed through the tool. Individual units have, however, seen their dispatch volumes reduce in size as they are aggregated together by National Grid ESO, while cheaper bids have emerged as battery storage assets compete with conventional generation. This means increased frequency of each BM-registered battery unit being dispatched is not translating into a material increase in daily revenues.

The first weeks of Balancing Reserve (BR), a new service introduced by National Grid ESO to reduce balancing costs, have also seen opening prices fall for battery energy storage systems as conventional generators like coal and gas plants have entered the market and lowered positive and negative reserve prices. As a reserve service, units are unable to stack other revenues for the isolated capacity allocated to BR, meaning alternative stackable revenue streams remain attractive.

**IRE:** Irish grid operators EirGrid and SONI have proposed moving to a day-ahead auction model for reserve system services from December 2026. Secondary trading will take place after the DASSA results are published and up to 90 minutes before the relevant Trading Period.

## Policy overview

1

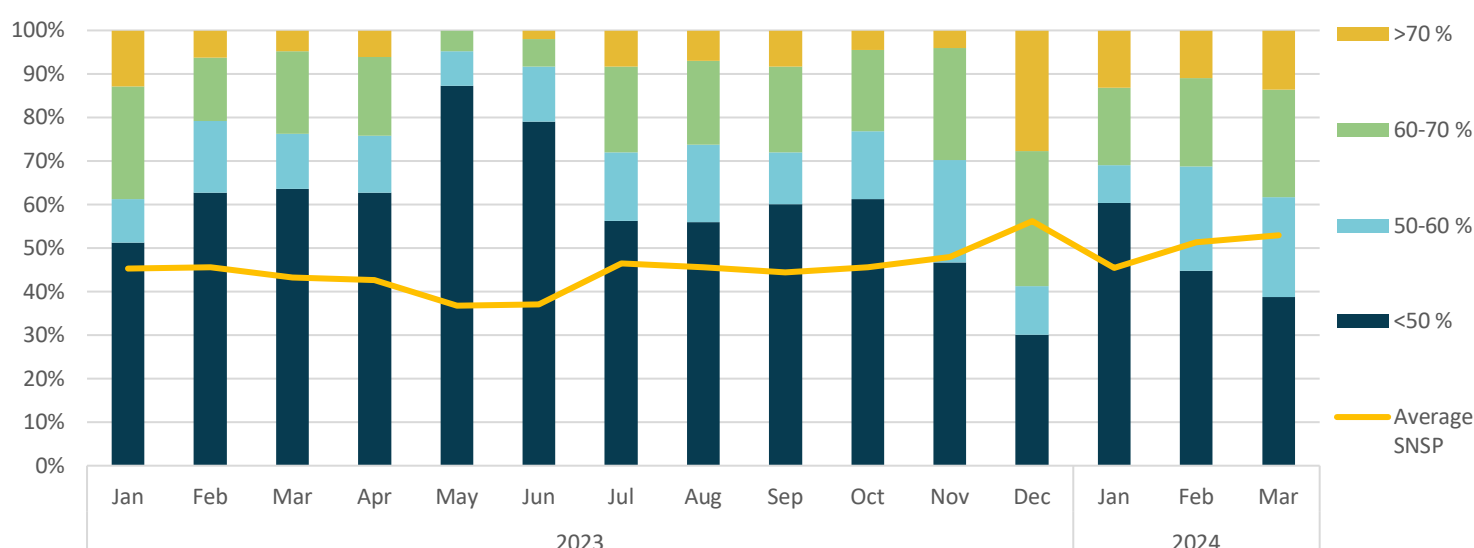
The UK government's second REMA **consultation** has ruled out introduction of nodal pricing in Great Britain. It will instead progress zonal pricing as an option for locational price signals alongside changes to the current single wholesale market that would incentivise local flexibility. An optimised Capacity Market would also seek to contract flexible capacity and the Contracts for Difference scheme will aim for renewables to support system stability.

2

The Friends of Renewables group of 13 EU energy ministers, including from Germany and Ireland, has published a joint **message** underlining the crucial role of demand flexibility and energy storage investments as key drivers for decarbonisation and European grid stability.

## How SNSP levels translate to Irish revenues

Indicative revenues are driven by high levels of SNSP linked to wind generation, with 60-70% and >70% penetration subject to 4.7 and 6.3 tariff multipliers, respectively. Despite consistent mid-range average SNSP over the last 15 months, the share of gold and green bars indicates the impact on revenues during periods of higher SNSP spread across a prolonged period.



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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 28 March 2024, the fund was trading at a discount of 42% to the NAV of the same date.

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