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## PORTFOLIO UPDATE AND NET ASSET VALUE

### [HARMONY ENERGY INCOME TRUST PLC](#)

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1 September 2023

**Harmony Energy Income Trust plc  
(the "Company" or "HEIT")**

### **Portfolio Update and Net Asset Value**

Harmony Energy Income Trust plc, which invests in battery energy storage system ("**BESS**") assets in Great Britain, announces its Net Asset Value ("**NAV**") update, together with a portfolio and operational update.

#### **Highlights**

- 2 pence per Ordinary Share dividend was paid on 16 June 2023, meaning the Company has distributed 50% of the 8p target in relation to the Financial Year 2023
- 20 MW / 40 MWh Farnham project became fully operational in June 2023
- The unaudited NAV as at 31 July was £260.72 million, or 114.79 pence per Ordinary Share - as further described below
- Bumpers and Little Raith projects (combined 148.5 MW / 297 MWh) are tracking ahead of schedule and targeting energisation in September 2023. Early energisation has enabled the Company to procure a T-1 Capacity Market contract via the secondary market, creating £403,150 of additional revenue over 12 months from October 2023 (to be factored into NAV in next period). The Investment Adviser is seeking to procure further contracts
- The Company has appointed BP as revenue optimiser for the Wormald Green and Hawthorn Pit projects (combined 82.9 MW / 165.8 MWh)

#### **Portfolio Update**

The Company's nine BESS projects have a total capacity of 494.4 MW / 988.8 MWh, of which:

- a) 129 MW / 258 MWh (three projects, 26% of portfolio by capacity) are operational;
- b) 266.4 MW / 533.8 MWh (five projects, 54%) are under construction; and
- c) 99 MW / 198 MWh (one project, 20%) is "shovel ready".

The 20 MW / 40 MWh Farnham project energised in late May and was fully operational in June, having satisfied relevant market and capacity tests. Bumpers and Little Raith (combined 148.5 MW / 297 MWh) are tracking ahead of schedule and targeting energisation in September, more than doubling the operational capacity of the portfolio. The Rusholme project (35 MW / 70 MWh) has achieved "cold-commissioning" (i.e. the BESS is fully installed) but the distribution network operator is experiencing delays with its grid connection works and the latest estimates are

that energisation will be delayed until Q1 2024. The Company's other projects are progressing, with the Investment Advisor's own project management teams on site overseeing construction and are summarised in the table below

Project	MW / MWh	Location	Target Commercial Operations Date <sup>1</sup>	Status
Pillswood	98 / 196	Yorkshire	Operational	Operational
Broadditch	11 / 22	Kent	Operational	Operational
Farnham	20 / 40	Surrey	Operational	Operational
Bumpers	99 / 198	Bucks.	Q3 2023	Under Construction
Little Raith	49.5 / 99	Fife	Q3 2023	Under Construction
Rusholme	35 / 70	Yorkshire	Q1 2024	Cold Commissioned
Wormald Green	33 / 66	Yorkshire	Q1 2024	Under Construction
Hawthorn Pit	49.9 / 99.8	County Durham	Q2 2024	Under Construction
Rye Common	99 / 198	Surrey	Q3 2024	Shovel Ready
<b>Total</b>	<b>494.4 / 988.8</b>			

<sup>1</sup> Dates are based on calendar year

The Company's portfolio continues to perform well relative to peers. As at the date of publication of this announcement, the Company ranks as #1<sup>2</sup> year-to-date amongst owners of GB BESS portfolios (min 50MW threshold), with Pillswood (Phase 1) also ranking #1 year-to-date at the project level.

In line with the Company's continuing ambition to diversify its supplier base, and having completed a full tender process, the Company has appointed BP to provide revenue optimisation services for the Wormald Green and Hawthorn Pit projects. These services will commence upon the commercial operation date of the respective projects.

<sup>2</sup>source: *bessanalytics.com*. Please note that use of, and reference to, this website is subject to disclaimers set out therein. Rankings do not include non-balancing mechanism units and do not factor in capacity market revenues.

### Market Commentary

Average GB BESS revenues trended up over the quarter, with 2-hour duration batteries continuing to outperform shorter-duration batteries. July was a particularly interesting month: high levels of wind and solar generation coincided with low levels of energy demand over two separate weekends, causing wholesale market prices to turn negative on three occasions and hit record-level low prices. Negative wholesale prices provide an opportunity for BESS to be paid to charge, increasing demand on the network. This not only helps National Grid to keep the national supply/demand balance stable in real-time, but also means that some of the surplus renewable energy can be stored and then sold back onto the grid later when national demand is higher. Average spreads in the wholesale markets were 20% higher in July versus June, and 2-hour duration BESS are able to trade twice as much volume as a 1-hour duration BESS during these high-pricing periods (*source: Modo Energy*). The Investment Adviser expects average revenues to increase during winter in line with seasonal trends.

### NAV Update 31 July 2023

As at 31 July 2023, the Company's unaudited NAV was calculated to be £260.72 million (114.79 pence per Ordinary Share). This represents a decrease of 2.28 pence per Ordinary Share (-1.95%) compared to 30 April 2023. Part of this decrease (3.0p) was due to a correction in valuation methodology detailed below. Adjusting for this correction, NAV increased in the period by 0.76 pence per Ordinary Share (0.67%) driven by the energization of Farnham and the roll forward effect due to the approaching energization of Bumpers and Little Raith as well as continuing construction progress on the other projects (3.3p). Other factors impacting the NAV included the revision to the energization date for the Rusholme project (-0.7p) and the payment of the quarterly dividend (-2.0p). Revenue assumptions and discount rates remain unchanged.

The early energisation of Little Raith and Bumpers provides opportunity for the Company to procure T-1 Capacity Market contracts from the secondary market. One contract already procured will deliver an aggregate £403,150 of additional revenue over the 12-month period from October 2023. This has not been reflected in the 31 July NAV and will be included in the next NAV. The Investment Adviser continues to negotiate procurement of further T-1 contracts.

During the preparation of the 31 July NAV, the Investment Adviser discovered an error in the NAV methodology for valuing short term cash flows, as reviewed by the Company's Independent Valuer, which was introduced at the 31 October 2022 financial year end. It has been ascertained that this resulted in an overstatement of the NAV at 31 October 2022 of 2.2p per Share with a 3p per Share overstatement following through all the subsequently reported NAVs. A one-off 3p correction applied to the unaudited 31 July 2023 NAV now eliminates this error. This has no impact on the cash flow generated by the Company's operations nor its dividend outlook.

In light of this error, the Company is working closely with its Investment Adviser, Independent Valuer, Auditor and other external parties to further improve systems and controls at all levels.

The Company's factsheet for 31 July 2023 is available on the Company's website at: <https://www.heitp.co.uk/investors/results-reports-and-presentations/>

### Norman Crighton, Chair of Harmony Energy Income Trust plc, said:

*"Operationally, HEIT continues to make strong progress delivering a diversified and scalable portfolio of BESS projects across GB with Bumpers and Little Raith (more than doubling the Company's existing operating capacity) targeting energisation in September 2023 in advance of winter. This is a significant achievement and testament to the strength of our delivery team and strategy.*

*"The Board is disappointed that there has been an error in the NAV valuation methodology previously, for which it apologises, and would like to reassure shareholders that the Investment Adviser and the Board have taken swift action to understand and address the error and will further strengthen relevant systems and controls. There is no change to the cash flow generated by the Company's operations.*

*We are excited about the next two projects coming online shortly which will change the shape of the portfolio considerably."*

**END**

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#### **About Harmony Energy Advisors Limited (the "Investment Adviser")**

The Investment Adviser is a wholly owned subsidiary of Harmony Energy Limited.

The management team of the Investment Adviser have been exclusively focussed on the energy storage sector (across multiple projects) in Great Britain for over six years, both from the point of view of asset owner/developer and in a third-party advisory capacity. The Investment Adviser is an appointed representative of Laven Advisors LLP, which is authorised and regulated by the Financial Conduct Authority.

#### **Important Information**

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It should also be noted that any future NAV per Share announced by the Company in due course will, in addition to the matters described in this announcement, also be affected by valuation movements in the Company's portfolio and other factors including, without limitation, purchase prices of battery energy storage systems and components, project development and construction costs, income and pricing from contracts with National Grid ESO and other counterparties, the potential for trading profitability in the wholesale electricity markets and/or Balancing Mechanism, performance of the Company's investments, and the availability of projects which meet the Company's minimum return parameters in accordance with the Company's investment policy .

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