

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:

- The 49.9 MW Ferrymuir asset in Great Britain (GB) began generating revenue, joining the Company's fleet of commercially operational assets.
- The 79.9 MW Stony asset was one of the top performing sites in GB over June as a non-Balancing Mechanism (BM) asset according to industry leaderboards.
- Low or negative energy prices in Germany caused by increased solar generation benefitted the Company's 22 MW Cremzow asset. It captured increased value from frequency response and reserve services caused by high bids from thermal generators seeking to cover their operating costs, which were not being fully recovered from wholesale markets.
- Ireland's Accelerating Renewable Electricity (ARE) Taskforce has received government backing to develop new routes to market for electricity storage with a view to helping reach 2030 targets of 80% renewable generation and 95% System Non-Synchronous Penetration (SNSP).

### TOTAL CAPACITY

**1.248  
GW**

### OPERATIONAL CAPACITY

**421.4  
MW**

### UNAUDITED NAV PER SHARE

**107.0p**

March-end 2024

### SHARE VOLUME

**c.4m**

Av. weekly share trading volume in June 2024

### MARKET CAPITALISATION

**£323m**

As at 30 June 2024

### SHARE PRICE

**64p**

30 June 2024 closing price

## Portfolio activity

**GB:** The Company's Ferrymuir asset entered into commercial operations following commencement of revenue generation in June. The 49.9 MW project in Scotland holds consecutive Capacity Market (CM) contracts, including a 15-year contract that will generate revenue out to 2040, and will also pursue a merchant strategy through participation in the Balancing Mechanism (BM) and the market for National Grid ESO's Dynamic Services. Ferrymuir has overcome delays in reaching commercial operations caused by resourcing issues at the grid operator and insolvency of a key contractor, representing a key achievement for the Investment Manager's in-house technical team.

The 79.9 MW Stony asset demonstrated strong operational performance over June and was among the highest rated assets on industry leaderboards delivering Dynamic Moderation, Regulation and Containment (DM/DR/DC) services. The non-BM registered site, which became commercially operational in December 2023, is delivering separate strategies across two units—Stony A and Stony B—at different times to optimise revenue generation, while other assets in the Company's GB portfolio are acting within the BM. The Company believes this diversification in project-level strategies across ancillary services and the BM is a good approach that will be enhanced further by operations at Ferrymuir and the 57 MW Enderby project, which will be energised shortly.

**GER:** The Company's 22 MW German asset generated strong revenue over June as high solar generation pushed thermal generators to increase their bids in the Frequency Containment Reserve (FCR) and automatic Frequency Restoration Reserve (aFRR) markets.

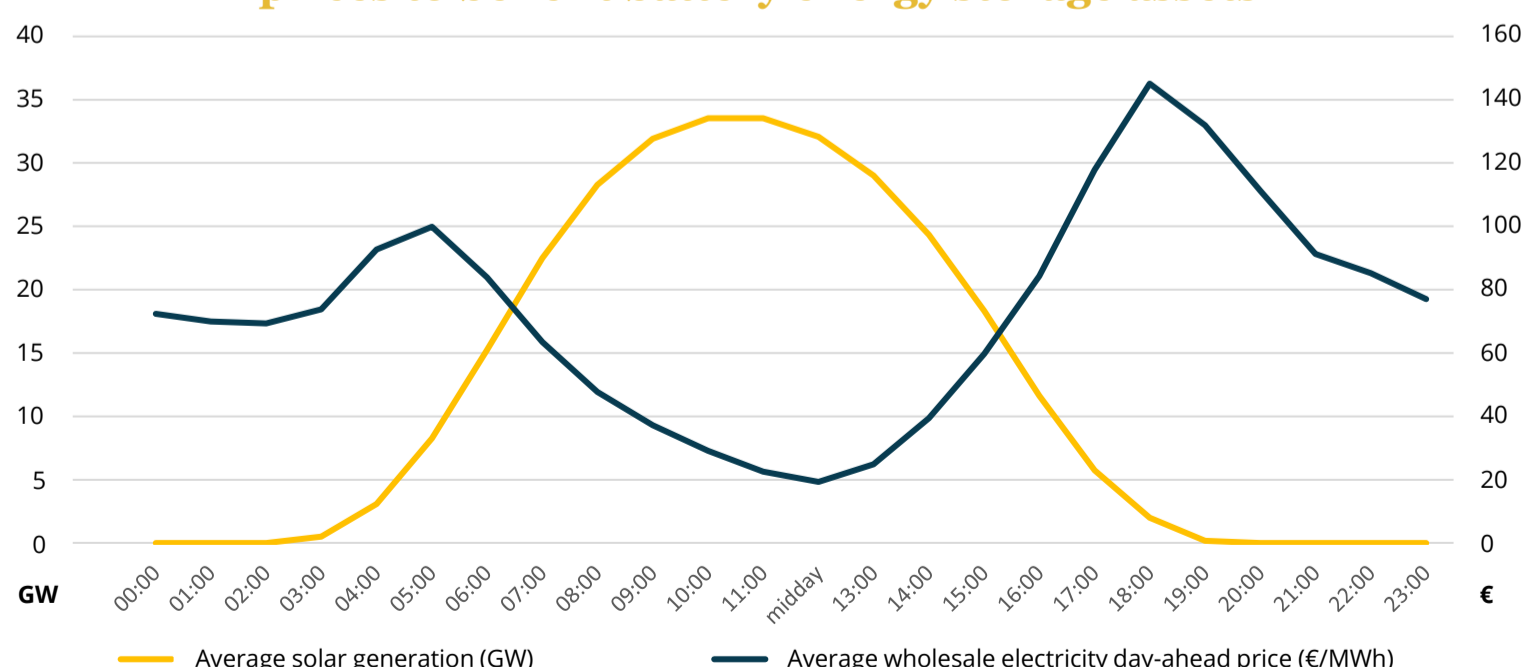
Output from the country's c. 87 GW<sup>1</sup> installed solar capacity (as of April 2024) contributed to low or negative wholesale energy prices in Germany (see graph), squeezing revenues needed by thermal plants to, in part, cover their operating costs. These plants have responded by placing higher bids in contracted revenue streams to cover the cost of the fuel required to remain online, which would normally be recovered through selling power in periods of higher wholesale prices.

Over June this activity positively impacted prices for aFRR capacity, which pays providers to remain online and available for dispatch when called under aFRR energy, when additional revenue is achieved by providing reserves to maintain grid stability. Prices for FCR, which requires fast response to fluctuations in grid frequency, also rose as a result of thermal generator activity. With both aFRR and FCR prices set for all participants by the marginal cost of thermal generation, the Company's Cremzow asset benefitted from the upside by capturing value from increased market prices caused by high bids placed by less economical technologies.

## Policy overview

The Irish government has approved measures to deliver an **electricity storage policy framework**, previously consulted on in 2022, and a streamlined electricity generation grid connection policy through the **Accelerating Renewable Electricity (ARE) Taskforce**. The Storage and System Services Working Group of the taskforce will develop new routes to market for electricity storage, including expediting the connection of battery systems with four hours or more duration. It will also track and encourage delivery of new demand flexibility products for energy storage and improvements to the Schedule & Dispatch programme. The Connection Policy and Implementation Working Group, meanwhile, will work to ensure grid connection availability for storage and other system service providers. The overall goal of the ARE Taskforce's energy storage initiatives is to reduce barriers to achieving Ireland's 2030 targets of 80% renewable generation and 95% System Non-Synchronous Penetration (SNSP).

## How German solar created volatility in average wholesale prices to benefit battery energy storage assets



High levels of solar generation in June resulted in a significant trough within the monthly average wholesale electricity price in Germany during peak irradiance hours (shown above). The response from thermal generators less able to cover their operating costs by selling into wholesale markets was to increase their bids in aFRR capacity and FCR, raising overall prices that could also be captured by the Company's Cremzow asset, which is active in both markets.

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