

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:

- Operational Texas assets achieved their highest daily revenue of the month on 8 May after low thermal generation and variations in renewables led to real-time hourly peak pricing averaging c. \$3,000/MWh for the Company's assets, compared with a c. \$135/MWh average hourly peak price across the rest of May.
- The California Independent System Operator (CAISO) is evaluating allowing energy storage bids in the real-time market to exceed a soft cap of \$1,000/MWh to reflect intraday opportunity costs and availability.
- The Company's 22 MW Cremzow asset is now able to access all possible revenue streams in Germany after beginning its participation in the automatic Frequency Restoration Reserve (aFRR) capacity service.
- The first battery enclosures, as well as two transformers, have arrived at the 200 MW Big Rock construction asset in California.
- European Member States have been advised by the European Commission to consider the availability of energy storage when meeting their renewable energy targets.

TOTAL CAPACITY

**1.248
GW**

OPERATIONAL CAPACITY

421.4*
MW

*Includes 50 MW energised, pre-commercial capacity at Ferrymuir.

NAV PER SHARE

111.0p

December-end 2023

SHARE VOLUME

c. 6.8m

Av. weekly share trading volume in May 2024

MARKET CAPITALISATION

£328m

As at 31 May 2024

SHARE PRICE

65p

31 May 2024 closing price

Portfolio activity

US*: The Company's operational Texas portfolio achieved its highest daily revenue for the month on 8 May as real-time average hourly peak pricing reached c. \$3,000/MWh across the Company's assets, peaking at c.\$5,000/MWh at 8:15pm. In contrast, the average hourly peak price across the rest of May was c. \$135/MWh. Around 24 GW of thermal assets were undergoing maintenance while up to 7 GW of wind was being generated on the ERCOT grid across the afternoon, causing net load to peak over 55 GW¹ as solar ramped offline. The resulting volatility allowed the Company to capture the bulk of its daily revenue from real-time energy markets, particularly in the evening when average hourly peak prices spiked.

With ancillary services tracking slightly behind real-time energy prices, the Investment Manager retained available headroom to discharge in the real-time market to capture the additional upside. An alternative strategy was used on 26 May when the assets were targeted at ECRS as real-time energy prices were significantly less lucrative throughout the day.

GER: The Cremzow asset in Germany has begun participation in the automatic Frequency Restoration Reserve (aFRR) capacity service, in addition to providing balancing energy reserves. The aFRR capacity service pays providers to reserve flexible capacity that can be called on in case of system imbalances. Following successful testing, up to 17 MW is now available from Cremzow, meaning the asset is accessing all possible revenue streams in the German market.

Market development

US: CAISO has **proposed** allowing energy storage assets to bid above the current soft cap of \$1,000/MWh in the real-time market to provide additional headroom to bids that can reflect intraday opportunity costs. This change, which is being evaluated for introduction in summer 2024, is intended to enable energy-limited resources like energy storage to indicate availability for discharge during more stressed grid conditions, such as during the evening ramp-down of solar generation when prices might exceed the current soft offer cap.

This issue will become more acute as additional renewable generation is added to the CAISO grid, with 38 GW of solar recently approved under the latest **2023-2024 Transmission Plan**. This will also enable development of critical standalone and co-located energy storage systems to support the addition of 85 GW of capacity across a range of technologies by 2035.

GB: National Grid plc has **announced** a planned capital raise of c. £6.8bn to support a five-year, £60bn energy network investment plan intended to fund infrastructure upgrades in the UK and US. The international utility expected to issue over a billion new shares on the London Stock Exchange on 12 June 2024. The news followed the **publication** of a £58bn networks investment plan by GB electricity system operator National Grid ESO to ensure the country meets its target of a fully decarbonised electricity system by 2035. This could be brought forward to 2030 pending the outcome of the UK General Election taking place on 4 July.

Policy overview

1

The European Commission has **advised** Member States to consider energy storage availability when planning how to meet their obligations under the Renewable Energy Directive, which sets a binding target of 42.5% of the EU's gross final energy consumption to come from renewables by 2030. The Commission has also updated **guidance** on how to speed up permitting for renewable energy solutions like energy storage, while the European Council has **adopted** the Net-Zero Industry Act to bolster cleantech manufacturing.

2

The Irish government has **approved** the Climate Action Plan 2024 following public consultation. It confirms targets to increase grid flexibility to allow up to 85% of renewable generation on the grid at any time by 2025, rising to up to 100% by 2030. This will accommodate targeted deployment of 9 GW of onshore wind, 8 GW of solar power, and at least 5 GW from offshore wind projects by 2030. The plan also includes a commitment to investigate market options able to incentivise long duration energy storage.

Big Rock buildout continues to progress in California



Construction of the 200 MW/400 MWh Big Rock asset has reached a new milestone with the delivery of two transformers and the first battery enclosures to the site in California. The project—the Company's first in the CAISO grid market—is scheduled for energisation by the end of 2024.

¹Source: Modo Energy

* The text has been updated to clarify average real-time hourly peak pricing seen on 8 May.

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