

# PPA Guarantee Methodology Overview

We have performed an indicative PPA guarantee valuation, which hopes to calculate the potential net Scottish Government exposure on a conservative basis

Overview of PPA Guarantee Tranches						
Tranche	Hydro plant	Capacity	Description	Current export	Future export?	
1	• Lochaber	• [REDACTED]	• [REDACTED]	■		
2	• Lochaber	• [REDACTED]	• [REDACTED]	■	• [REDACTED]	
3	• Lochaber	• [REDACTED]	• [REDACTED]	■	• [REDACTED]	
4	• Lochaber	• [REDACTED]	• [REDACTED]	■	• [REDACTED]	
5	• Kinlochleven	• [REDACTED]	• [REDACTED]	■		

Overview of Analysis	
<p>1</p> <p>PPA Guarantee</p>	<ul style="list-style-type: none"> <li>We have calculated the potential total liability for the Scottish Government based on the [REDACTED]</li> <li>We have also valued the PPA guarantee assuming the difference between the imputed Liberty credit risk and Scottish Government credit risk, at various discount rates</li> </ul>
<p>2</p> <p>Sale of export capacity into grid</p>	<ul style="list-style-type: none"> <li>We then calculate the potential value of total recoverable value under the terms of a potential PPA guarantee</li> <li>The Scottish Government should be able to export power based on the current export capacity, as well as potential future capacity</li> <li>We have conservatively assumed that the Scottish Government can achieve [REDACTED] of the assumed power prices in calculating the recoverable value</li> </ul>
<p>3</p> <p>Government's net risk position</p>	<ul style="list-style-type: none"> <li>We then calculate the potential net risk position to the Scottish Government based on the net of (1) – (2)</li> <li>This net risk position excludes the value of any other potential risk mitigants such as disposal value</li> </ul>



## 2 Indicative PPA Guarantee: Export Revenues at [REDACTED]

PPA Guarantee Tranche	1	2	3	4	5	Total
Hydro Plant	Lochaber	Lochaber	Lochaber	Lochaber	Kinlochleven <sup>(1)</sup>	Kinlochleven and Lochaber
Power Capacity	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Power Output	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Assumed Load Factor	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Total Guaranteed Revenues (20 years)</b>						
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Guarantee Valuation (20 years)<sup>(2)</sup></b>						
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

- Assumes achieved price at [REDACTED] of underlying guarantee price
- Tranche 1 and tranche 5: export capacity extant
- Tranche 2: additional export capacity of [REDACTED] at Lochaber coming online in [REDACTED]
- Tranche 3-4: assumed additional export capacity from [REDACTED]

1. Only the market revenues of Kinlochleven's power output are guaranteed.  
 2. Guarantee is valued through discounting the credit spread between the UK government and Liberty, applied upon the PPA revenues being guaranteed.

# 3 Indicative PPA Guarantee: Net Risk Position for Scottish Government [REDACTED]

PPA Guarantee Tranche	1	2	3	4	5	Total
Hydro Plant	Lochaber	Lochaber	Lochaber	Lochaber	Kinlochleven <sup>(1)</sup>	Kinlochleven and Lochaber
Power Capacity	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Power Output	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Assumed Load Factor	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Total Guaranteed Revenues (20 years)</b>						
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Guarantee Valuation (20 years)<sup>(2)</sup></b>						
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

- Net position of total guaranteed revenue, less potential recoverable revenue from Scottish Government exporting power
- Assumes achieved price at [REDACTED] of underlying guarantee price
- Tranche 1 and tranche 5: export capacity extant
- Tranche 2: additional export capacity of [REDACTED] at Lochaber coming online in [REDACTED]
- Tranche 3-4: assumed additional export capacity from [REDACTED]

1. Only the market revenues of Kinlochleven's power output are guaranteed.

2. Guarantee is valued through discounting the credit spread between the UK government and Liberty, applied upon the PPA revenues being guaranteed.

# Indicative PPA Guarantee Risk Cascade

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## Tranche 1 – Lochaber [REDACTED]

**Risk 1:**

- [REDACTED]



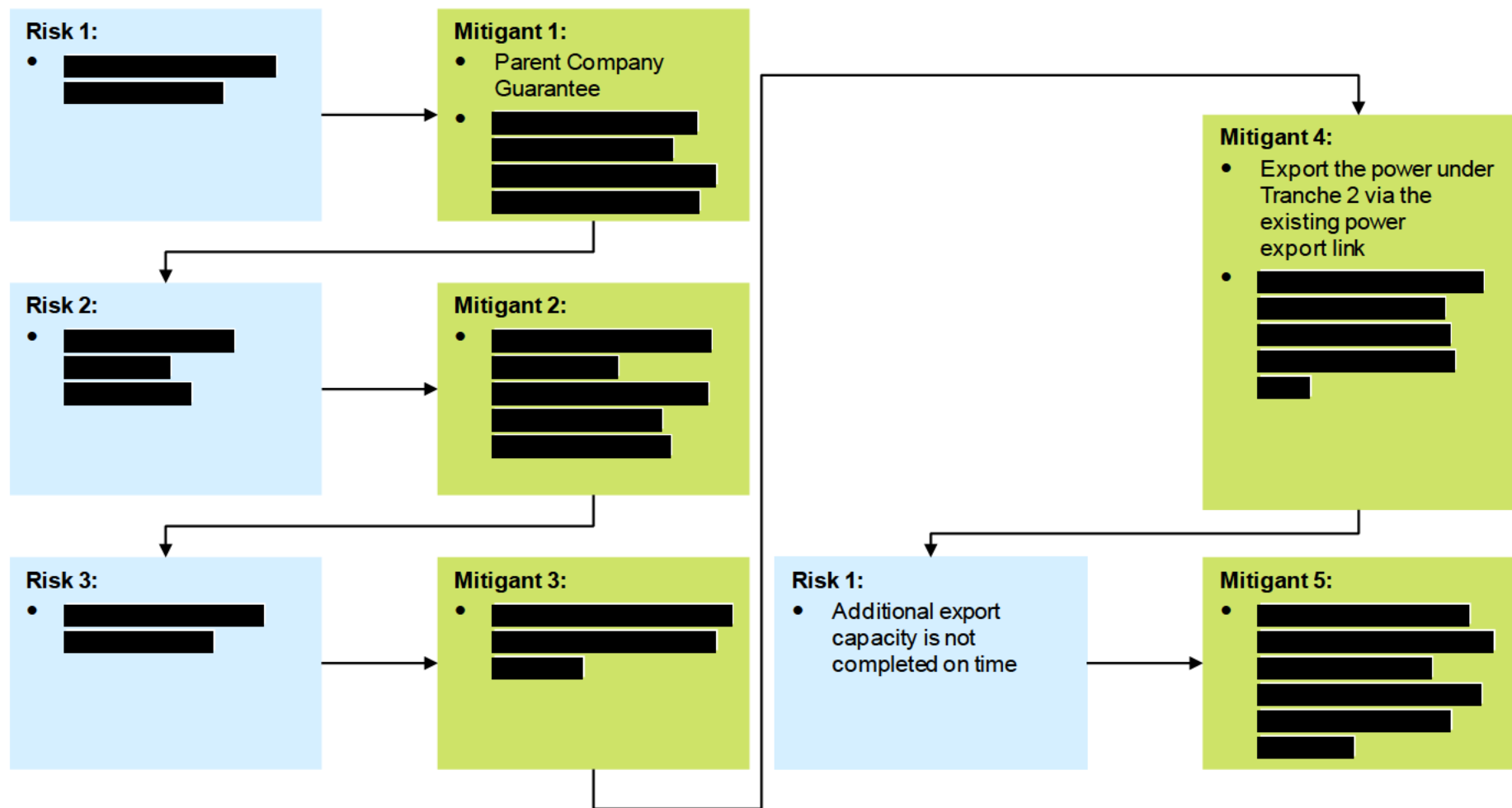
**Mitigant 1:**

- Export the power under Tranche 1 via the existing power export link
- [REDACTED]

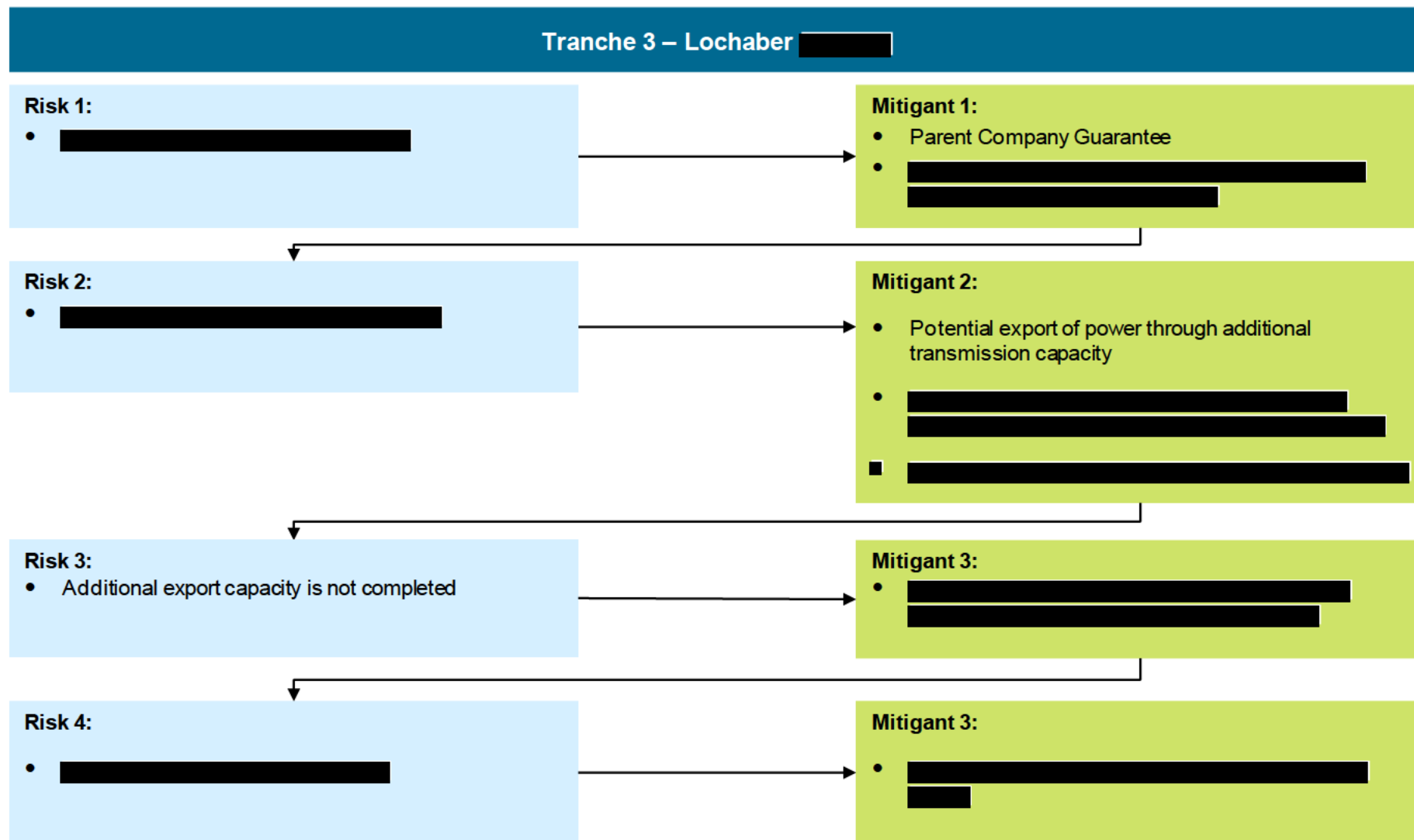
# Indicative PPA Guarantee Risk Cascade (cont'd)

## Tranche 2 – Lochaber [REDACTED]

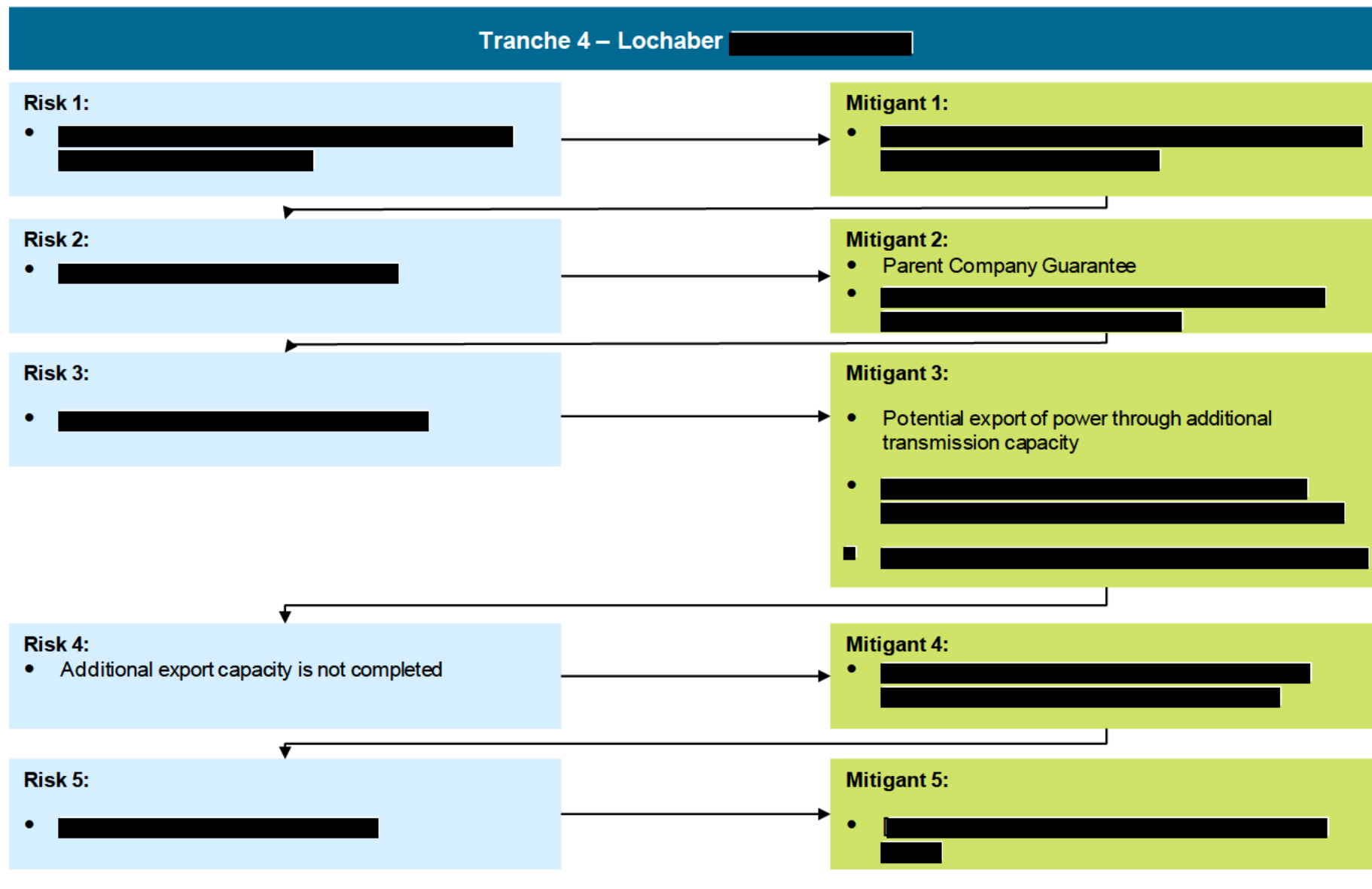
(Period After Additional Export Capacity Is Complete)



# Indicative PPA Guarantee Risk Cascade (cont'd)



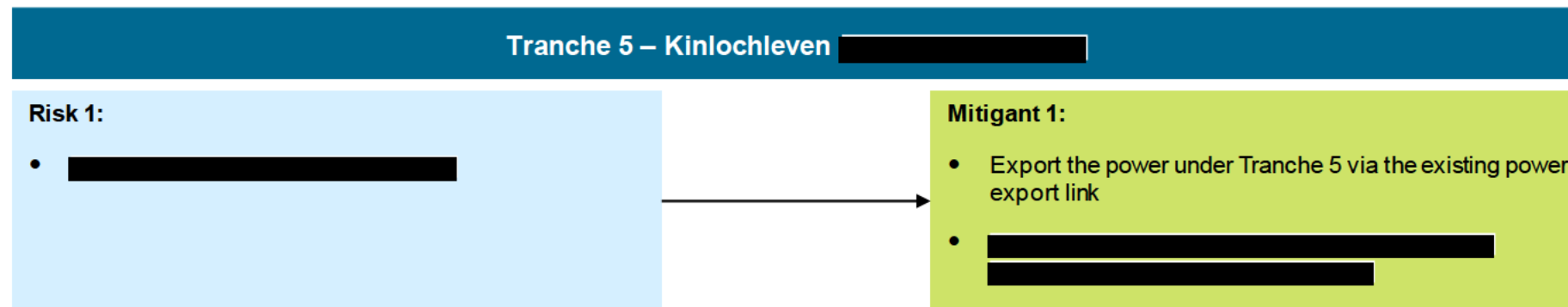
# Indicative PPA Guarantee Risk Cascade (cont'd)





# Indicative PPA Guarantee Risk Cascade (cont'd)

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*Note: Feasibility of a guarantee of a Kinlochleven PPA to be further explored. The above assumes the power of Kichlochleven is exported via a private wire to Lochaber Smelter..*