

# Octopus Renewable Energy Opportunities Fund (OREO)

Quarterly Report  
30 September 2024



Dulacca Wind Farm  
181 MW, Queensland, Australia

octopusinvestments

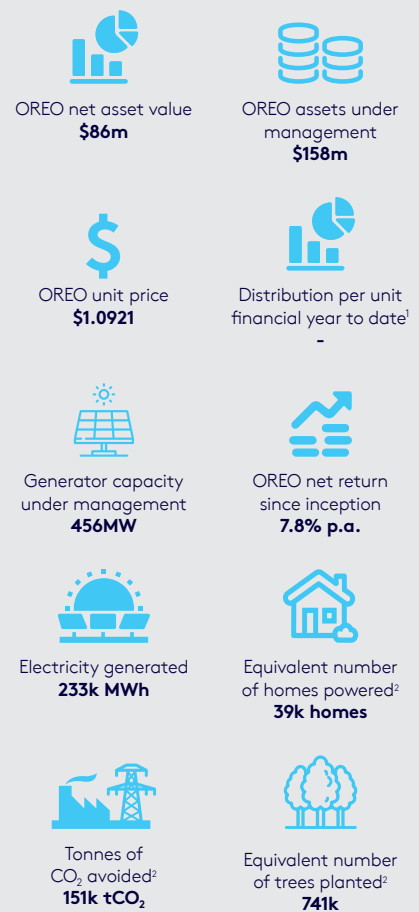
A brighter way

Octopus Renewable Energy Opportunities Fund (“OREO”, or the “Fund”) is an open ended unregistered wholesale Australian unit trust. The Fund focuses on providing investors with exposure to a diversified portfolio of Australian clean energy infrastructure assets through its investment in the Octopus Australia Master Trust (“OAMT”) alongside the Octopus Australia Sustainable Investments Fund (“OASIS”).

## Highlights

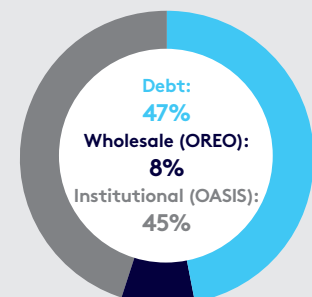
- The OREO unit price rose by 3.4% during the quarter, reaching \$1.0921 at quarter-end.
- Over the past 12 months to date, the fund has achieved a net return of 13.9%, bringing the since inception net return to 7.8% p.a.
- Renewable energy penetration hit a record peak of 74.1% during the quarter, highlighting the growth of renewables in the National Electricity Market (NEM).
- In Q3, average electricity prices rose significantly compared to the same period in 2023, driven by unprecedented volatility across all NEM regions in the first half of the quarter. Conversely, mild weather, lower demand and high renewable output in the second half of the quarter led to lower merchant prices.
- Dulacca Wind Farm (DWF) was one of the top performing renewable assets in the NEM based on both capacity factor and dispatch weighted price. The high dispatch weighted price is attributed to the high prices observed in Queensland during the first half of the quarter, alongside Dulacca’s output aligning with the more expensive evening periods. The strong capacity factor reflects the excellent wind resource and high level of grid availability at Dulacca.
- In Q3, Octopus commenced the extension of its successful sheep grazing initiative at Darlington Point Solar Farm. In time, this program will reduce the amount of time and money spent on vegetation management while also proving the effective co-existence of pastoral agriculture and utility scale solar across Australia.
- OREO currently has a secured pipeline of 2,374MW of renewable generation and 1,972/4,524 of battery storage with Fulham Solar Farm and Battery expected to reach financial close in Q4.

### Fund Statistics



<sup>1</sup> Distribution made semi-annually  
<sup>2</sup> Based on current quarter generation

### Assets Under Management



Scan the QR code or [click here](#) to view the latest video from the Octopus Australia team.

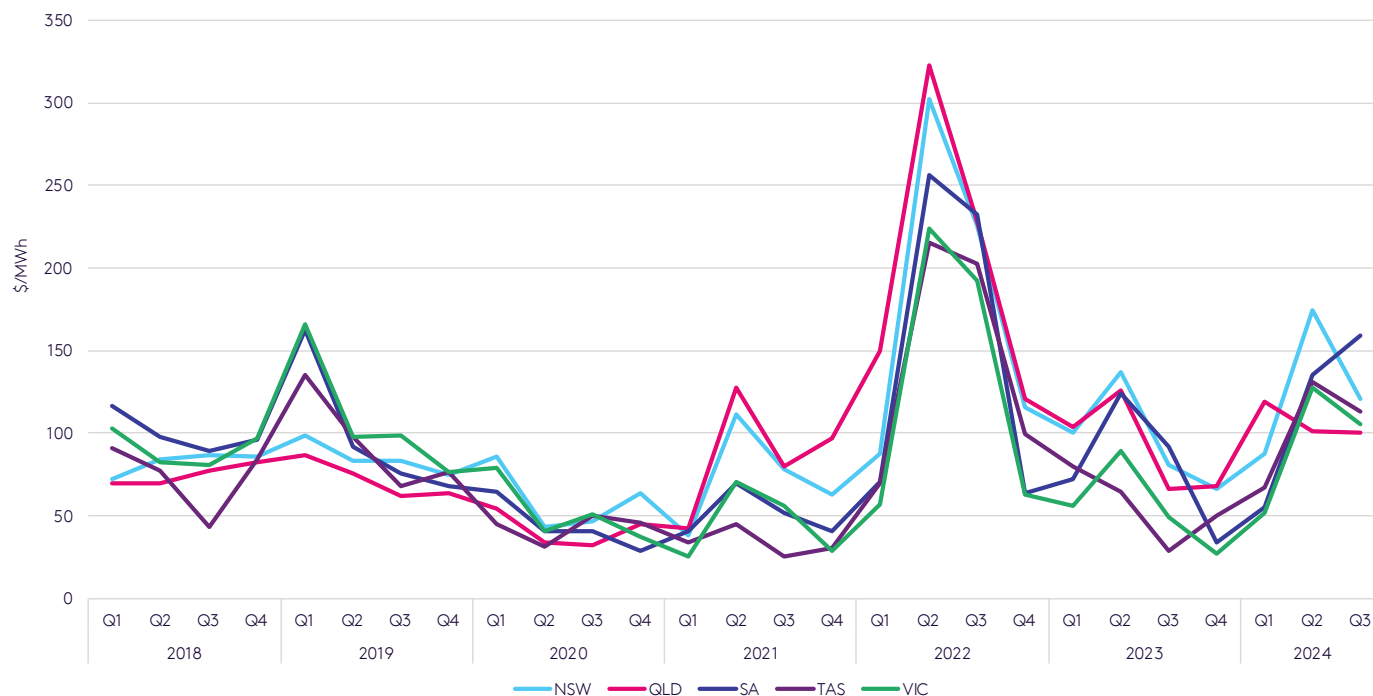
## Energy Markets

### Q3 Market Update

Q3 2024 was a quarter of two halves in the National Electricity Market (NEM). July and early August saw high levels of volatility across all regions, driven by a combination of periods of low renewable generation in some states, high heating demand, coal outages and interconnector constraints. From mid-August however, the coming of spring saw mild weather driving lower demand and favourable conditions for renewable generation, with lower merchant prices seen across the NEM.

Despite the low prices seen in the second half of the quarter, the earlier highs meant average prices in Q3 2024 were significantly up from Q3 2023 – and the second highest in recent times, only beaten by the energy crisis impacted Q3 2022. Time weighted average prices for the quarter ranged from \$159/MWh in South Australia to \$100/MWh in Queensland. For an indication of the change over the halves, in South Australia the first half averaged \$255/MWh and the second half \$66/MWh. This change highlights the increasingly weather dependent nature of NEM market dynamics, and the need for investment in a diversified renewable portfolio, new battery storage, and transmission to help smooth out times of supply and demand tightness.

### Quarterly Average Electricity Spot Price



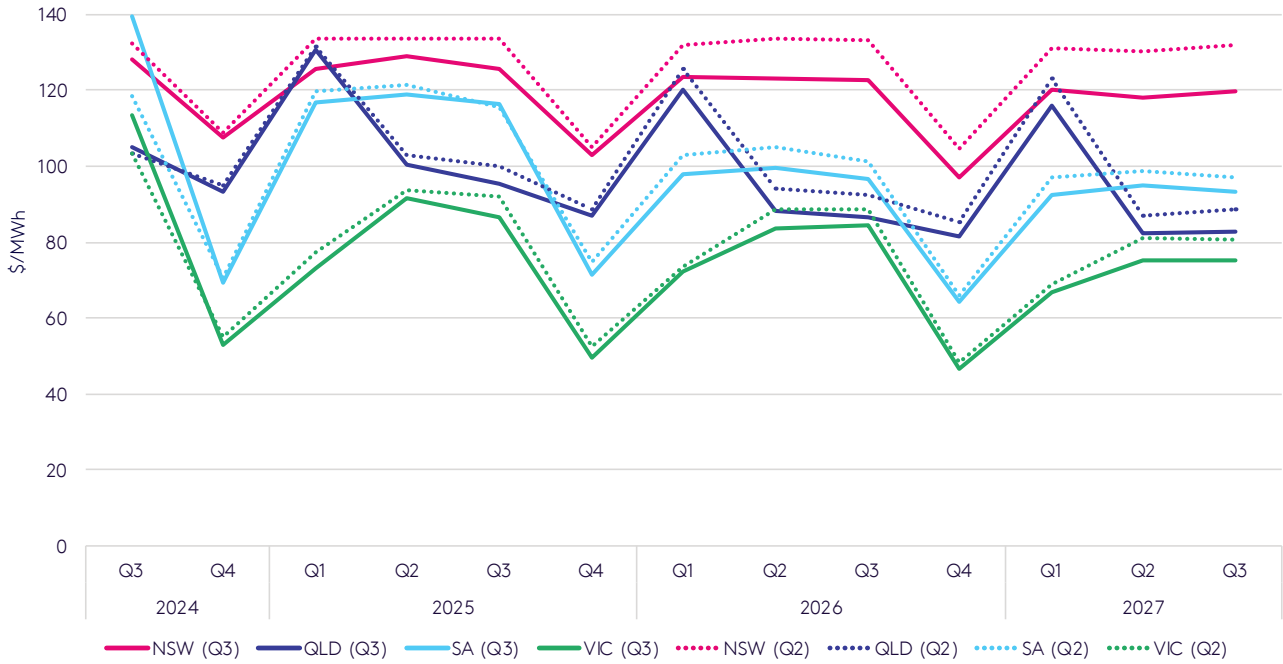
Contributing significantly to the high average quarterly price, late July saw three consecutive days where all NEM regions experienced high volatility at the same time – something that has only happened on a handful of days in NEM history – with high prices typically historically contained to one or two regions at a time.

During these times, price spreads were high, and batteries were able to earn higher revenues through arbitrage. Another beneficiary of these high prices were Queensland wind farms, which, uncorrelated from much of the NEM wind fleet continued to generate at closer to normal levels and were able to capture significant revenues.

As the quarter progressed prices declined significantly. Coal generation returned to its usual levels and favourable renewable energy generation conditions returned, with stronger wind in the southern regions and longer, sunnier days. On the demand side, mild temperatures mean less electricity for heating or cooling, and operational demand is further reduced by rooftop solar generation. These conditions, when combined with the increase in installed renewable generation capacity over the prior year, resulted in record renewable generation through September.

In late September the NEM hit a record 74.1% renewable energy generation (since broken in October) – at the same time, coal saw its lowest contribution to demand on record. In South Australia, renewables met a record 150% of demand, with the excess exported to Victoria, used to charge the state’s growing fleet of batteries or curtailed. New transmission and battery developments provide a valuable destination for excess generation, and will continue to reduce the energy curtailed in the future.

### Change in Average Quarterly Baseload Futures Prices, Q2 to Q3



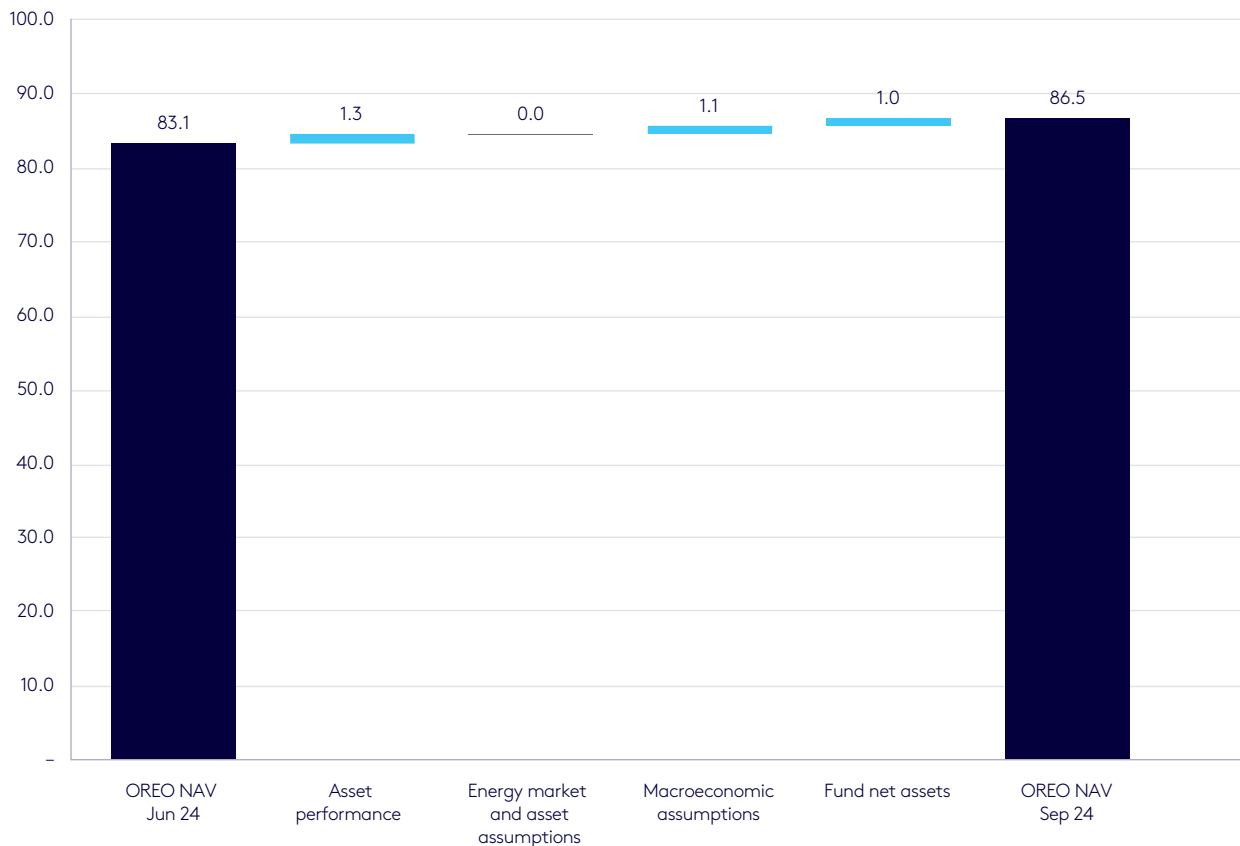
Despite the high prices seen in the first half of the quarter, futures prices largely decreased through the quarter, particularly in New South Wales. The different profiles across the states remain evident, with Queensland and Victoria showing an opposite pattern for seasonal highs and lows; highlighting the importance of a diversified regional portfolio across the NEM which can smooth out expected outcomes.

### LGC Pricing

LGC prices were flat across the first two months of the quarter, with nothing in the way of market or policy updates impacting prices. Through September however, prices declined significantly, with spot prices dropping from around \$46/certificate to as low as \$40/certificate. This was driven by a number of factors, including: forward contractual obligations being met by market players, the annual Clean Energy Regulation report on green certificates forecasting a surplus, multiple large generators offloading stockpiled volumes, and less demand from retailers looking to apply a shortfall strategy for the year.

## Valuation Bridge

### Fund Equity Value Bridge \$m



The OREO portfolio net asset value as at 30 Sep 2024 was \$86.5m, representing an increase of \$3.4m in fund value over the quarter. The OREO unit price rose by 3.4% from \$1.0560 to \$1.0921, attributed to value uplift in the portfolio assets.

#### Asset performance (+\$1.3m)

Rolling forward the valuation and adjusting for portfolio performance resulted in a valuation increase of \$1.3m. This was driven by the particularly strong performance of Dulacca Wind Farm. For more details on asset performance, please refer to the Asset Summaries section.

#### Energy market and asset assumptions (\$0.0m)

Changes to wholesale energy forecasts and asset assumptions resulted in a net-neutral (less than \$100,000) impact on valuations. The energy market assumptions are provided by independent market-leading experts. This includes the partial recognition of LGCs post 2030 which is consistent with the latest assumptions from the external experts.

#### Macroeconomic assumptions (\$1.1m)

Updating macroeconomic assumptions (inflation and interest rate assumptions) resulted in an increased valuation of \$1.1m.

#### Fund net assets (+\$1.0m)

The movement of \$1.0m in fund net assets is primarily made up of an increase in cash from additional investment, distribution reinvestment, and a decrease in distribution payables after settlement with investors post Q2.

## Portfolio Performance

### Fund Performance Summary

	3 months	6 months	1 year (p.a.)	Since Inception (p.a.)
Net return <sup>1</sup>	3.4%	4.8%	13.9%	7.8%

	Financial Year To Date
Net yield <sup>2</sup>	-

### Quarterly Portfolio Performance – OREO

	Opening NAV (Jun 24) (\$m)	Capital Contributed Over Quarter (\$m)	Closing NAV (Sep 24) (\$m)	Distributions Over Quarter (\$m)	Total Return Over Quarter (%)
<b>Operational</b>					
Darlington Point Solar Farm	34.0	-	34.5	0.0	1.5%
Dulacca Wind Farm	32.8	-	34.6	0.0	5.7%

<sup>1</sup> Annualised IRR net of fees and expenses, periods less than one year are not annualised.

<sup>2</sup> De-annualised IRR for the period.

## Portfolio Summary

Project	Technology	Location	Generator Capacity (MW)	Battery Capacity (MW/MWh)	Date Acquired
<b>Operational</b>					
Darlington Point	Solar	NSW	275	–	Jul-22
Dulacca	Wind	QLD	181	–	Oct-23

Project	Asset			OREO <sup>2</sup>					
	Enterprise Value (\$m)	Asset NAV (\$m)	Gearing <sup>1</sup>	OREO Ownership %	Equity Invested (\$m)	NAV (\$m)	Distributions (\$m)	MOIC <sup>3</sup>	IRR (%p.a.)
<b>Operational</b>									
Darlington Point	415.0	259.5	38.7%	13%	33.1	34.5	2.9	1.1	6.3%
Dulacca	644.8	260.6	58.6%	13%	29.0	34.6	2.8	1.3	31.9% <sup>4</sup>

<sup>1</sup>Gearing is defined as debt/EV.

<sup>2</sup>Numbers since inception.

<sup>3</sup>MOIC = Multiple of invested capital.

<sup>4</sup>Due to the short holding period of DWF, it is expected that the IRR will normalise over time.

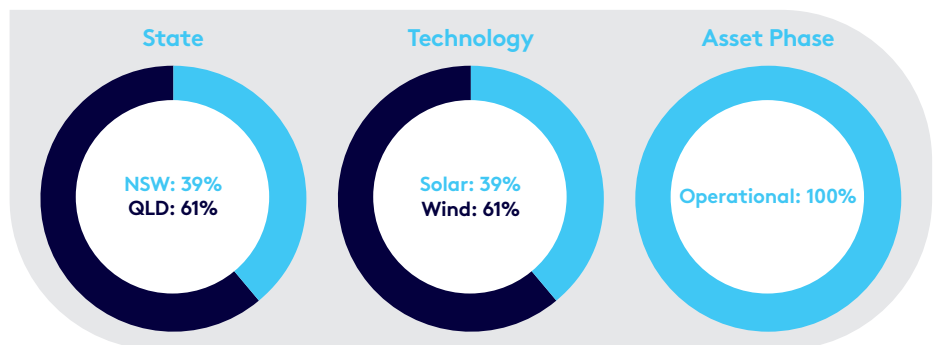


**456MW**  
operational under management

**67.9%**  
operational output contracted

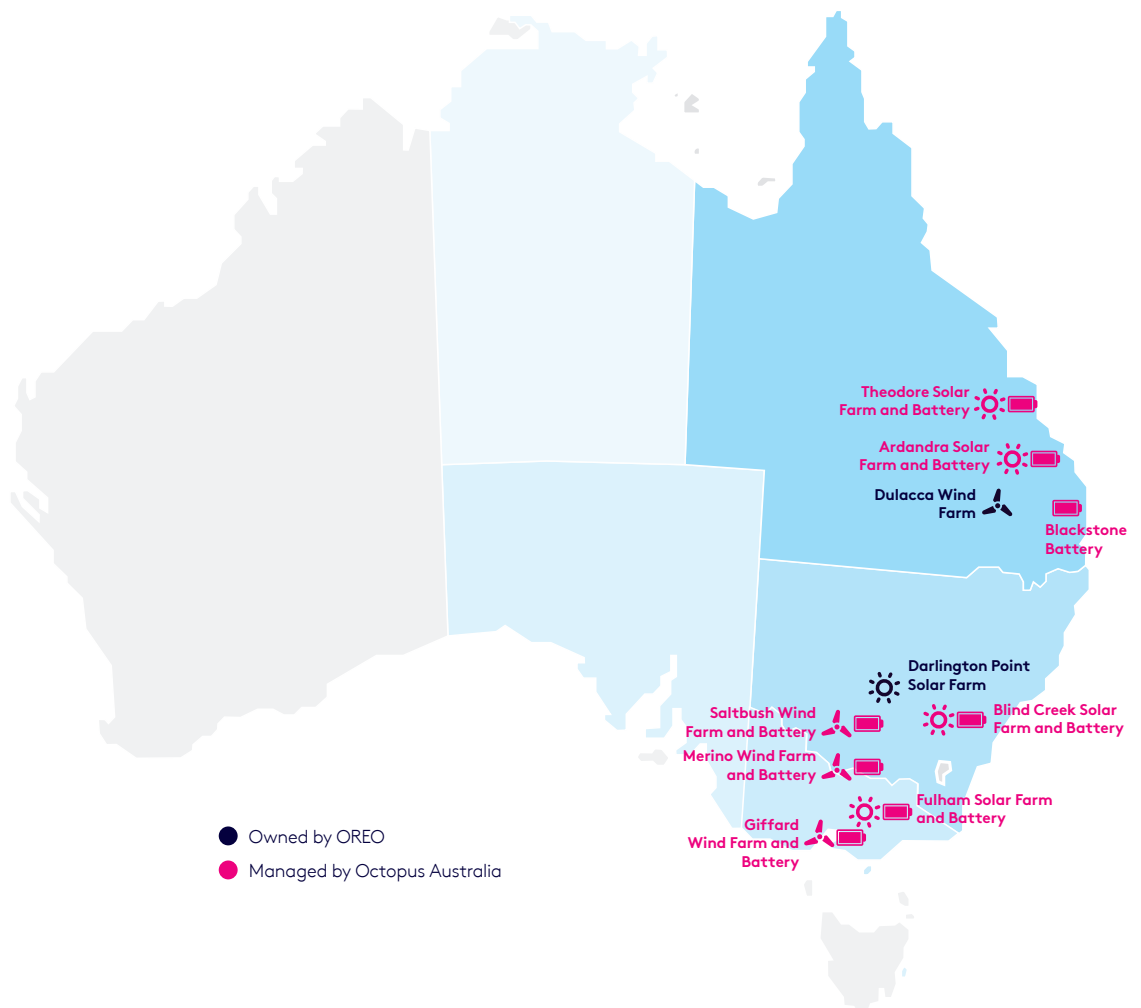
### Portfolio Composition

Portfolio composition broken down by total assets under management.



## Pipeline

Project	Technology	Generator Capacity (MW)	Battery Capacity (MW/MWh)	Current Stage
<b>Current Octopus Australia Managed</b>				
Fulham	Solar and Battery	80	64/128	Development
Blind Creek	Solar and Battery	300	243/486	Development
Giffard	Wind and Battery	417	400/800	Development
Ardandra	Solar and Battery	97	75/150	Development
Theodore	Solar and Battery	70	40/160	Development
Saltbush	Wind and Battery	410	250/1,000	Development
Blackstone	Battery	-	500/1,000	Development
Merino	Wind and Battery	1,000	400/800	Development
<b>Total</b>		<b>2,374</b>	<b>1,972/4,524</b>	
<b>Early Stage Pipeline</b>				
New South Wales	Battery	-	1,010/2,220	-
South Australia	Battery	-	200/400	-
<b>Total</b>		<b>-</b>	<b>1,210/2,620</b>	<b>-</b>
<b>Grand Total Pipeline</b>		<b>2,374</b>	<b>3,182/7,144</b>	





## Asset Summaries

### Darlington Point Solar Farm

#### Asset Summary

<b>Location</b>	NSW
<b>Technology</b>	Solar
<b>Acquisition Date</b>	July 2022
<b>Status</b>	Operational
<b>Generator Capacity</b>	275 MW

#### Investment Summary<sup>1</sup>

<b>Total Equity Invested</b>	\$234.9m
<b>Total Debt</b>	\$203.8m
<b>Enterprise Value</b>	\$438.7m

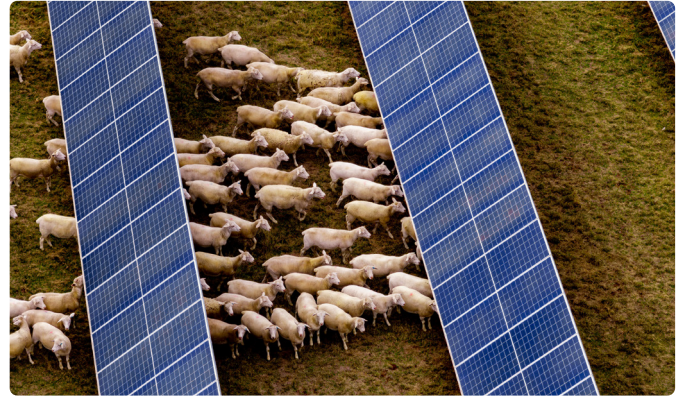
#### Investment Background

Darlington Point Solar Farm was the first acquisition by Octopus Australia and has been managed by the team since it began construction in 2018. DPSF achieved full operations in early 2022 and has long-term PPAs covering 80% of its generation. It is the cornerstone asset of OREO.

#### Performance

Darlington Point Solar Farm is located on a part of electricity grid that saw significant upgrades over the quarter. This meant that generation was lower than originally modelled but in line with recent estimates that took these upgrades into account.

These grid outages are part of Project Energy Connect, an upgrade program designed to strengthen grid connections between South Australia, Victoria and New South Wales. Darlington Point is set to benefit from these upgrades in the long-term. Having these works completed during months of relatively low generation also means the greater summer revenues will be unaffected.



While generation and revenue were below forecast due to the upgrade program, the site's operational expenditure was consistent with expectations.

During the quarter, Octopus also commenced the extension of its successful sheep grazing initiative. In time, this will reduce the amount of time and money spent on vegetation management while also proving the effective co-existence of pastoral agriculture and utility scale solar across Australia.

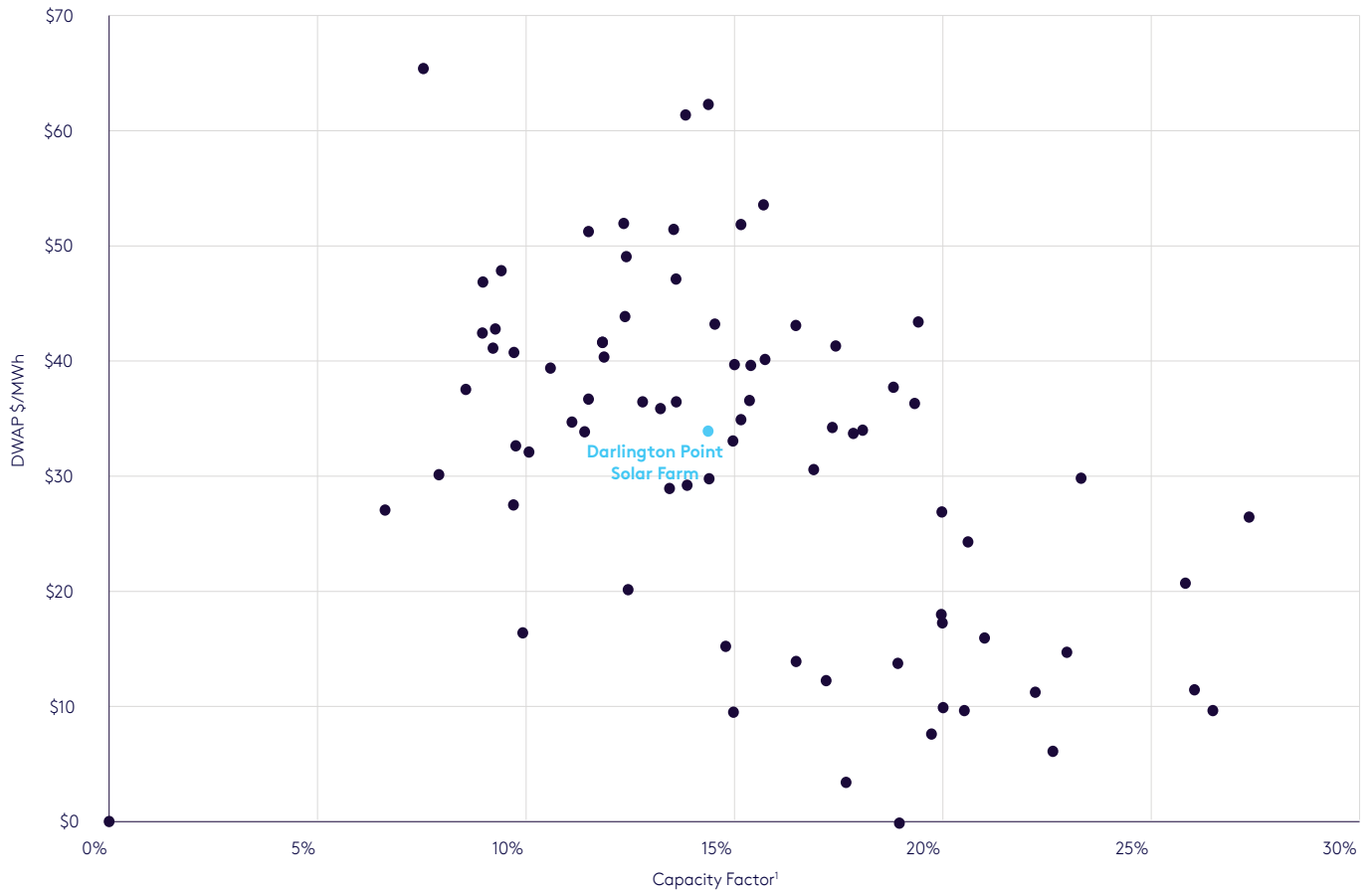
#### Valuation

<b>100% Asset NAV</b>	\$259.5m
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Darlington Point's valuation increased during the quarter. This was primarily due to an increased forecast of long-term wholesale energy prices, which were partially offset by updated asset assumptions.

<sup>1</sup> At acquisition.

Darlington Point relative performance for quarter versus solar farms in NEM



Darlington Point performed around the median for both capacity factor and average dispatch weighted price across the NEM. Unfortunately the plant’s capacity factor was held back by a week of planned network downtime in September, which was necessary for the commissioning of Project Energy Connect. The plant’s overall performance was comparable to the other solar farms in the southwest region of NSW.

<sup>1</sup> The capacity factor of a generator is the ratio of its actual electricity output over a period of time (in this case, the quarter) to the theoretical maximum electricity output of its nameplate capacity.

## Dulacca Wind Farm

### Asset Summary

<b>Location</b>	QLD
<b>Technology</b>	Wind
<b>Acquisition Date</b>	October 2023
<b>Status</b>	Commissioning (100% output)
<b>Generator Capacity</b>	181 MW

### Investment Summary<sup>1</sup>

<b>Total Equity Invested</b>	\$218.2m
<b>Total Debt</b>	\$399.7m
<b>Enterprise Value</b>	\$617.9m

### Investment Background

Dulacca Wind Farm is a fully constructed and energised wind asset in QLD, Australia. The team has been managing the asset since it began construction in 2021. Its acquisition by the Fund presented a rare opportunity to acquire a near-operational wind farm with excellent grid location, 300 kilometres west of Brisbane in the Western Downs Region. DWF comprises of 43 wind turbines with a generation capacity of 181MW.

### Performance

Dulacca Wind Farm experienced outstanding performance during the quarter, with generation above modelled assumptions and a particularly strong merchant capture price, which averaged close to \$120 per MWh during July and August. Financially, July was a particularly strong month with EBITDA approximately \$4m greater than the modelled assumptions. Dulacca’s operational expenditure was in line with expectations.



Dulacca’s construction facility was converted to an operating facility at the end of June 2024. The final commercial operations date is anticipated during 2024 Q4.

### Valuation

<b>100% Asset NAV</b>	\$260.6m
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Dulacca’s valuation increased during the quarter. This was due to a combination of strong underlying performance and an increased forecast of long-term wholesale energy prices.

<sup>1</sup> At acquisition.

Dulacca DWAP relative performance for quarter versus wind farms in NEM



In Q3, Dulacca was one of the top performing wind farms in the NEM, on both a capacity factor and dispatched weighted price basis. The high dispatch weighted price reflects the high prices seen in Queensland over the first half of the quarter and the correlation of Dulacca’s output to the higher priced evening periods. The strong capacity factors reflects the strong wind resource and high level of grid availability at Dulacca.

<sup>1</sup> The capacity factor of a generator is the ratio of its actual electricity output over a period of time (in this case, the quarter) to the theoretical maximum electricity output of its nameplate capacity.

## Investment Guidelines

- Target Returns **7.0%** net IRR (post annual management and performance fees, before tax).
- Target Yield **4-5%** per annum net yield.
- The Fund, via its investment in the OAMT, intends to invest in a geographically and technologically diversified spread of assets and, over the long term, expects that the following investment guidelines will be met:
  - Investment targets will include utility scale Australian solar PV farms, wind farms, storage and hydrogen opportunities;
  - Leverage will not, in aggregate across the Portfolio, exceed 65% of the gross asset value;
  - At any one time, more than 50% of generation from sites within the Portfolio will be covered by a fixed price contract, with a target of more than 60% under normal market conditions (as determined by the Manager, acting reasonably)
- Quarterly liquidity on best endeavours basis.
- Investment manager **Octopus Aust OREO Manager Pty Ltd.**

### Octopus Aust OREO Manager Pty Ltd (Manager)

Level 8, 627 Chapel Street  
South Yarra VIC 3141

### Apex Fund Services (Australia) Pty Ltd (Administrator)

Level 13, 459 Little Collins Street  
Melbourne VIC 3000

### OneVue Fund Services Pty Ltd (Share Registry)

Level 16, 385 Bourke Street  
Melbourne VIC 3000

### Equity Trustees Limited (Responsible Entity)

Level 1, 575 Bourke Street  
Melbourne VIC 3000

## Octopus Australia – who we are

Octopus Aust OREO Manager Pty Ltd (“the Manager”) is a subsidiary of Octopus Capital Aust Pty Ltd (ACN 627 019 096) (“OCA”), which employs greater than 55 energy professionals and renewables experts across wind/solar/storage development as well as construction, asset and fund management. The team has a deep knowledge of the Australian energy market and has extensive experience within the domestic renewable energy market.

OCA provide its team’s experience to the Fund via service contracts directly with the underlying assets (development, construction and asset management) or with the Fund (fund management). Asset-level services relating to a project are carried out by OSCAR Management Aust Pty Ltd (“OSCAR”), a 100% subsidiary of OCA, unless otherwise determined by the Manager in respect of one or more projects. Such services represent the necessary costs associated with developing institutional grade assets designed to perform for 30+ years. Fund management services will be carried out by the Manager.

### Glossary

<b>AEMO</b>	Australian Energy Market Operator	<b>LGC</b>	Large-scale Generation Certificate	<b>OCA</b>	Octopus Capital Aust Pty Ltd
<b>AC</b>	Alternating Current	<b>MW</b>	Megawatt (all figures are AC unless otherwise specified)	<b>OREO</b>	Octopus Renewable Energy Opportunities Fund
<b>BESS</b>	Battery Energy Storage Systems	<b>MWh</b>	Megawatt hour	<b>OSCAR</b>	OSCAR Management Aust Pty Ltd
<b>COD</b>	Commercial Operation Date	<b>NEM</b>	National Electricity Market	<b>PPA</b>	Power Purchase Agreement
<b>CPI</b>	Consumer Price Index	<b>OA</b>	Octopus Australia	<b>PV</b>	Photo Voltaic
<b>DC</b>	Direct Current	<b>OAMT</b>	Octopus Australia Master Trust		
<b>DPSF</b>	Darlington Point Solar Farm	<b>OASIS</b>	Octopus Australia Sustainable Investments Fund		
<b>DWF</b>	Dulacca Wind Farm				
<b>IC</b>	Investment Committee				

## Key risks

An investment in OREO will place capital at risk. The value of investments, and any income, can go down as well as up, so investors could get back less than the amount invested.

Neither past performance nor any forecasts should be considered a reliable indicator of future results. Actual performance will depend on factors such as wholesale power prices, power purchase agreements, regulatory environment, government incentives, exchange rates, inflation, grid connections, asset concentrations and site performance.

OREO is investing in OAMT which is investing in construction and operational renewable energy assets and, therefore, may be exposed to certain risks, such as cost overruns, construction delay and construction defects, which may be outside OREO’s control.

Investment valuation is based on financial projections for the Fund’s relevant Renewable Energy Assets. Projections will primarily be based on the Investment Manager’s assessment and are only estimates based on assumptions made at the time of the projection.

For the full list of investment risks please refer to the OREO Information Memorandum.

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