

# Office of Electricity Transmission Owner (OFTO) Tender Round 8 Launch 22 July 2021



## Welcome to the launch of OFTO Tender Round 8

- Webinar is not being recorded
- Slides and documents will be available online
- Questions in chat box please

Time	Speaker	Subject
0930 - 0935	Jennifer McGregor, Stakeholder Manager, Ofgem	Welcome and housekeeping
0935 - 0940	Jonathan Brearley, CEO, Ofgem	Opening address
0940 - 0945	Rebecca Barnett, Deputy Director, Offshore Networks, Ofgem	OFTO investment overview
0945 - 1010	Jourdan Edwards, Head of the OFTO Regime, Ofgem	OFTO tender process update
1010-1030	Richard Bodal Hansen, Head of OFTO transactions, Ørsted Luke Bridgman, HOW02 deputy EPC director, Ørsted	Hornsea Two project overview
1030 - 1055	Jennifer McGregor, Stakeholder Manager, Ofgem	Question session
1055 - 1100	Rebecca Barnett, Deputy Director, Offshore Networks, Ofgem	Thanks and close

Jonathan Brearley  
CEO  
Ofgem

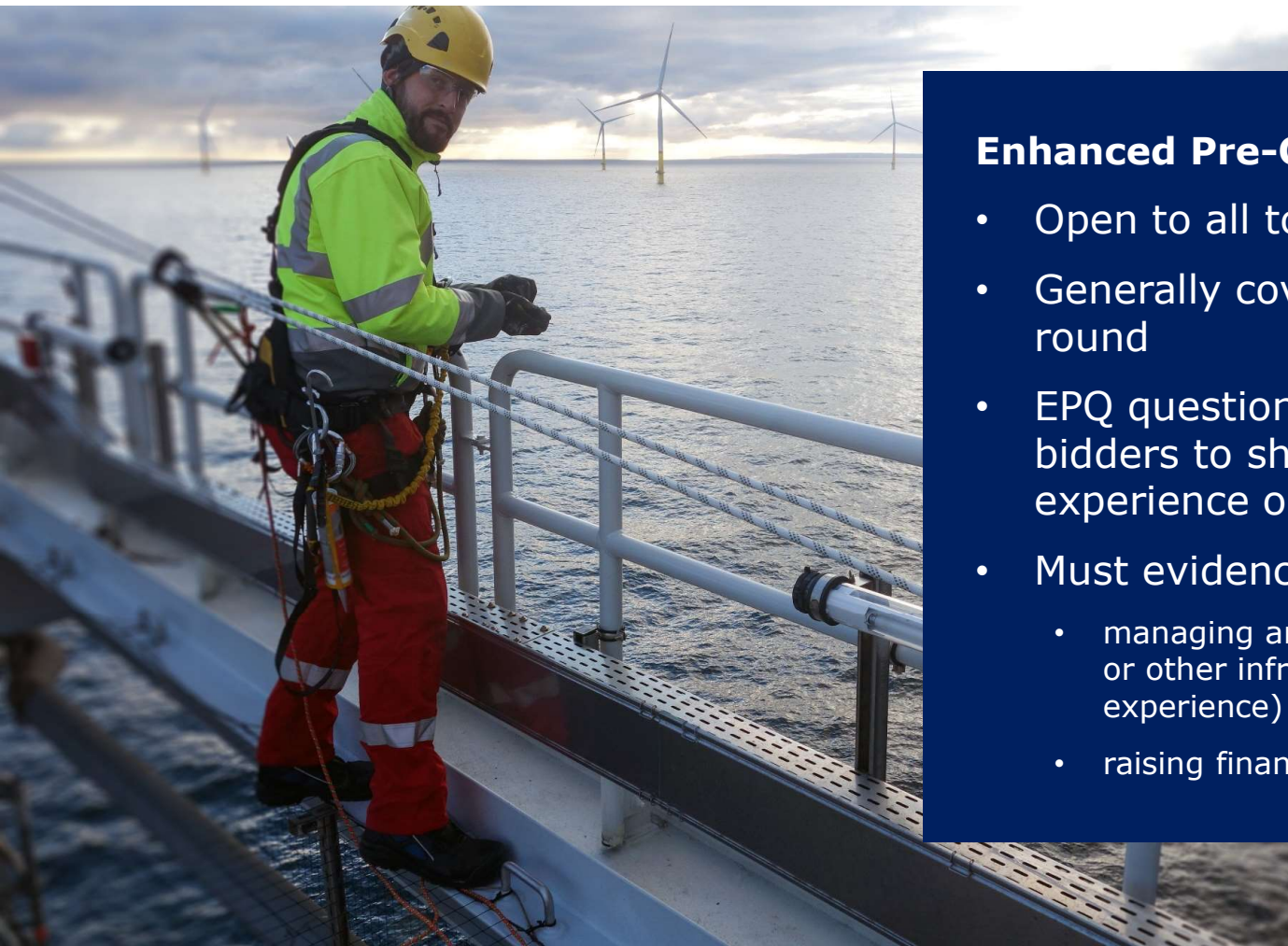
Rebecca Barnett  
Deputy Director, Offshore Networks  
Ofgem

Jourdan Edwards  
Head of the OFTO Regime, Ofgem  
Ofgem



- Bidders required to have technical experience and financial capability
- Investors can involve an asset manager as a consortium member, or contract their services to undertake that role
- OFTO awarded to bidder proposing lowest Tender Revenue Stream





### Enhanced Pre-Qualification

- Open to all to express interest/submit a bid
- Generally covers all projects in a tender round
- EPQ questions 'backward looking', i.e. bidders to show relevant infrastructure experience on past projects
- Must evidence experience of:
  - managing and operating either transmission assets or other infrastructure assets (need not be UK experience)
  - raising finance for equivalent-sized acquisitions



Financial standing – bidder solvency; experience of raising capital

Technical standing – experience of asset takeover; experience of managing infrastructure assets

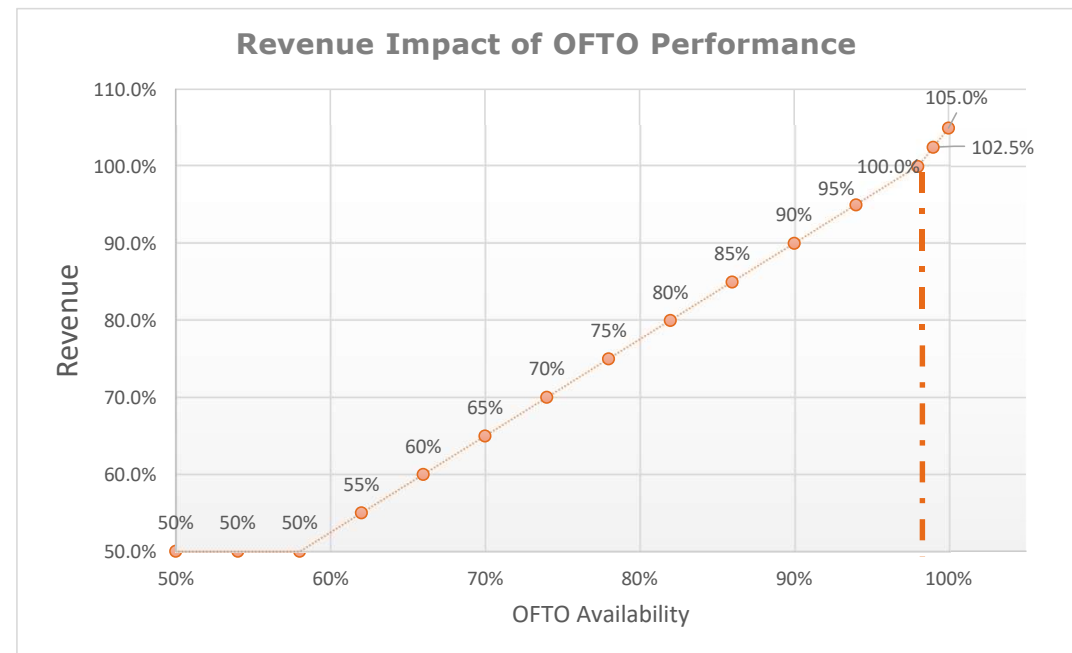
Prospective approach to asset takeover, management and operations, funding, risk management

## Invitation to Tender

- Bidders invited to participate
- ITT questions based on project specific assets, supported by electronic data room of information to undertake due diligence
- Questions evaluated on pass/fail basis, with lowest Tender Revenue Stream (TRS) winning

## Tender Revenue Stream

What the OFTO will receive to operate and maintain the OFTO assets for a defined period of up to 25 years



Income is  
unaffected by  
output of wind farm

Payments are subject to bonuses/penalties  
for over/ underperformance against the  
target of 98% availability  
Maximum annual penalty capped at 10%

Average  
availability  
99.19%

Asset takeover

Ongoing operations

Statutory and regulatory compliance

Decommissioning

Financial deliverability

Insurance

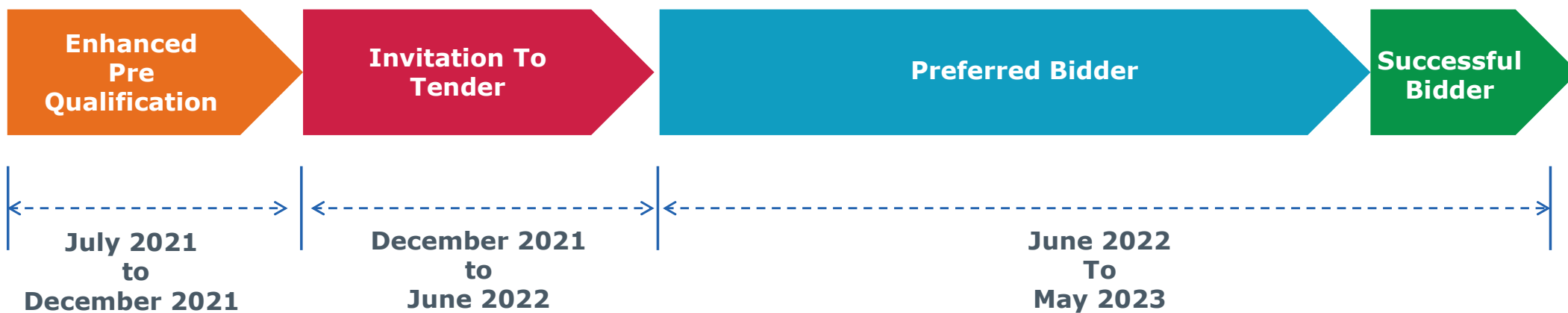
Tender revenue stream



## Tender Round 8

OFTO for the world's largest offshore  
wind farm

**Hornsea Two**  
Wind farm capacity: 1400MW



## TR8 tender process: anticipated key timings

### EPQ Stage

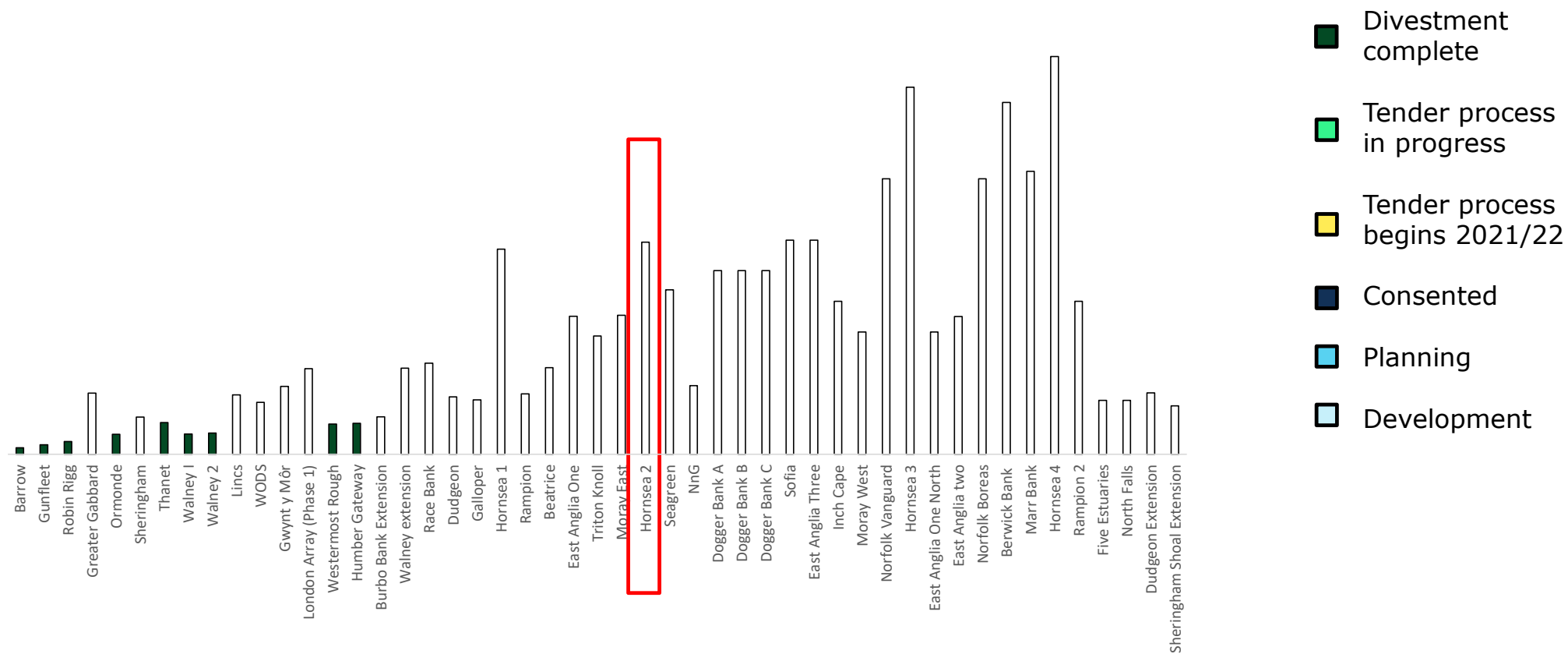
Milestone	Date
EPQ commences (tender documents available)	22 July 2021
Bid submission deadline	7 October 2021, by 12 noon
ITT shortlist announced	6 December 2021

### ITT Stage

Milestone	Date
ITT stage commences (tender documents available/data room opens)*	13 December 2021
Bid submission deadline	14 March 2021 2022
Announcement of preferred bidder	Late-May/early-June 2022
Estimated Transfer Date/Licence Grant**	Early-December 2022

\* Where feasible, the project data room will open to bidders earlier

\*\* Based on a default period of 6 months for the transaction period to complete





## **Next Steps for TR8**

Tender documentation is now available on the Ofgem website. This includes:

- EPQ Document
- Generic and project specific Preliminary Information Memoranda
- Draft Licence and associated guidance

<https://www.ofgem.gov.uk/energy-policy-and-regulation/policy-and-regulatory-programmes/offshore-electricity-transmission-ofto/offshore-transmission-tender-publications> (please use the filter 'Tender Round 8' to locate these).

Some documents (draft Transfer Agreements and Information Memoranda) can only be obtained after signing a Confidentiality Agreement and Conflict of Interest certificate, available through Ofgem's online e-tendering portal (from 28<sup>th</sup> July).

To register your interest and access the tender documents:

- Go to Ofgem's online e-tendering portal at: <https://ofgem.bravosolution.co.uk/web>
- Create an account, register your interest in TR8 and access the documents.
- Any questions or comments can be directed to: [tendercoordinator@ofgem.gov.uk](mailto:tendercoordinator@ofgem.gov.uk)

# Hornsea Project Two (HOW02)

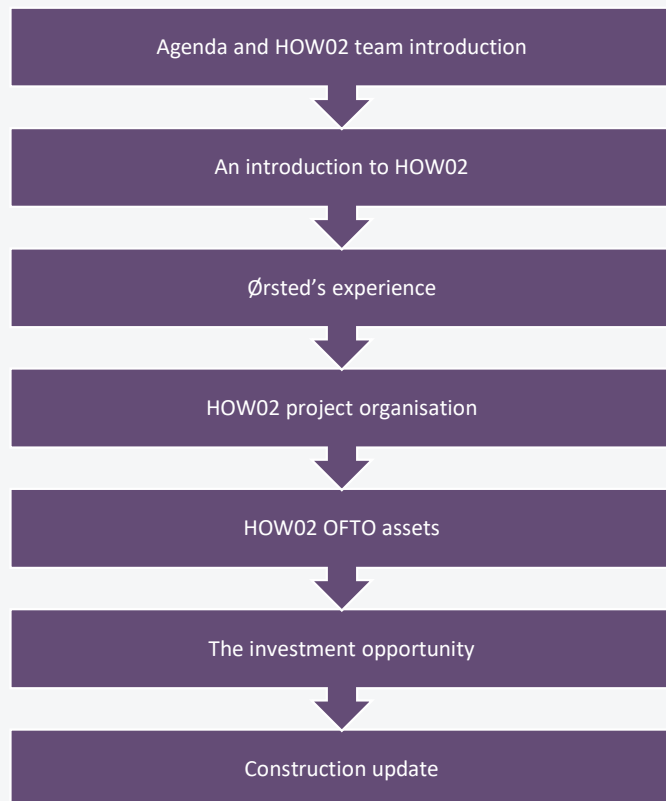
Project Overview

Orsted

Tender Round 8 Launch Event  
22 July 2021

## Agenda and HOW02 introduction

### Agenda



### HOW02 OFTO Divestment Team



**Luke Bridgeman**  
HOW02 EPC Director – Transmission  
Joined Ørsted in 2014  
Background in engineering and construction leadership



**Richard Bodal Hansen**  
Head of OFTO transactions  
Joined Ørsted in 2012  
M&A and legal background



**Sacha Henty**  
Senior OFTO Transaction Manager  
Joined Ørsted in 2019  
M&A background, incl renewables and oil & gas



## HOW02 will be the world's largest offshore wind farm...

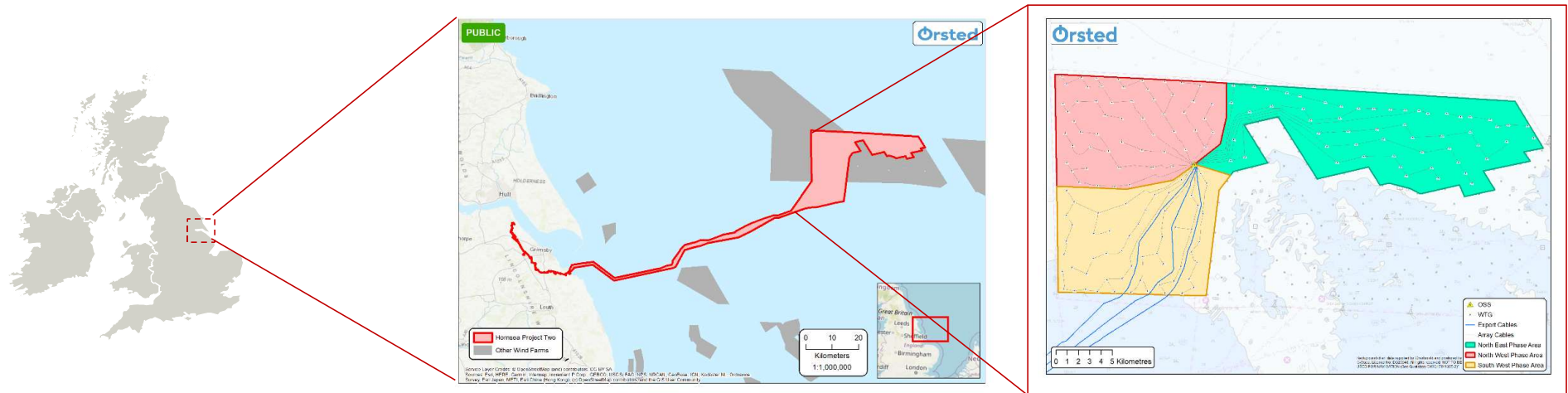


Situated in the attractive Hornsea Zone leased in Round 3, HOW02 is a record breaking project:

- Largest MW wind farm in the world
- Furthest from shore
- Largest transmission asset

...built using proven technology and market leading Ørsted experience

## Location and layout



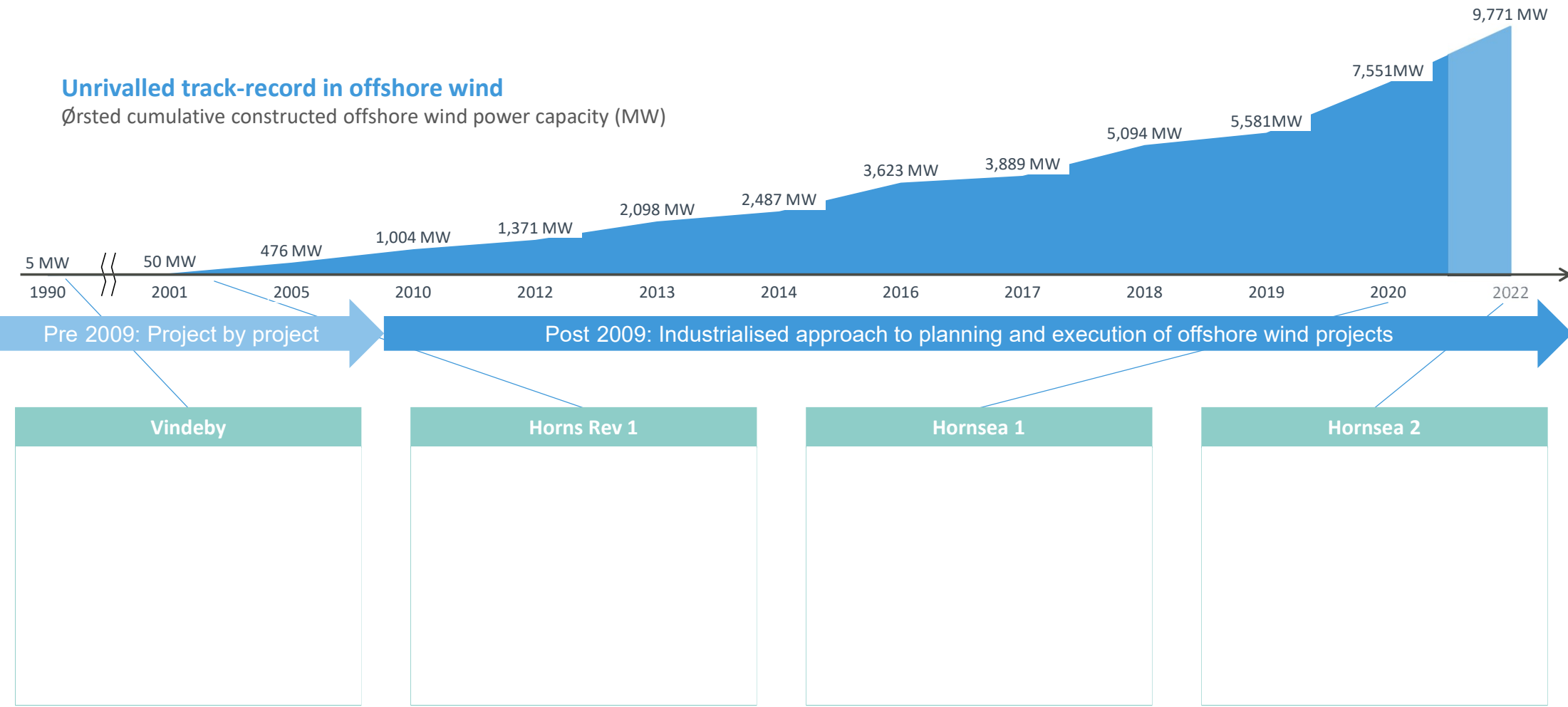
Characteristics	
Well known operating environment	✓
Well known and proven technology	✓
Well tested and successful construction approach	✓
Well designed with efficient cost and operability	✓

Parameter	Summary
Support regime	Contract for Difference
Capacity	1320 MW <sup>1</sup>
Water depth	28-43 metres LAT
Length of export cable route	~130km offshore and ~38km onshore
Number of WTGs <sup>2</sup>	165 Siemens Gamesa 8.4 MW

# Ørsted pioneered the offshore wind industry

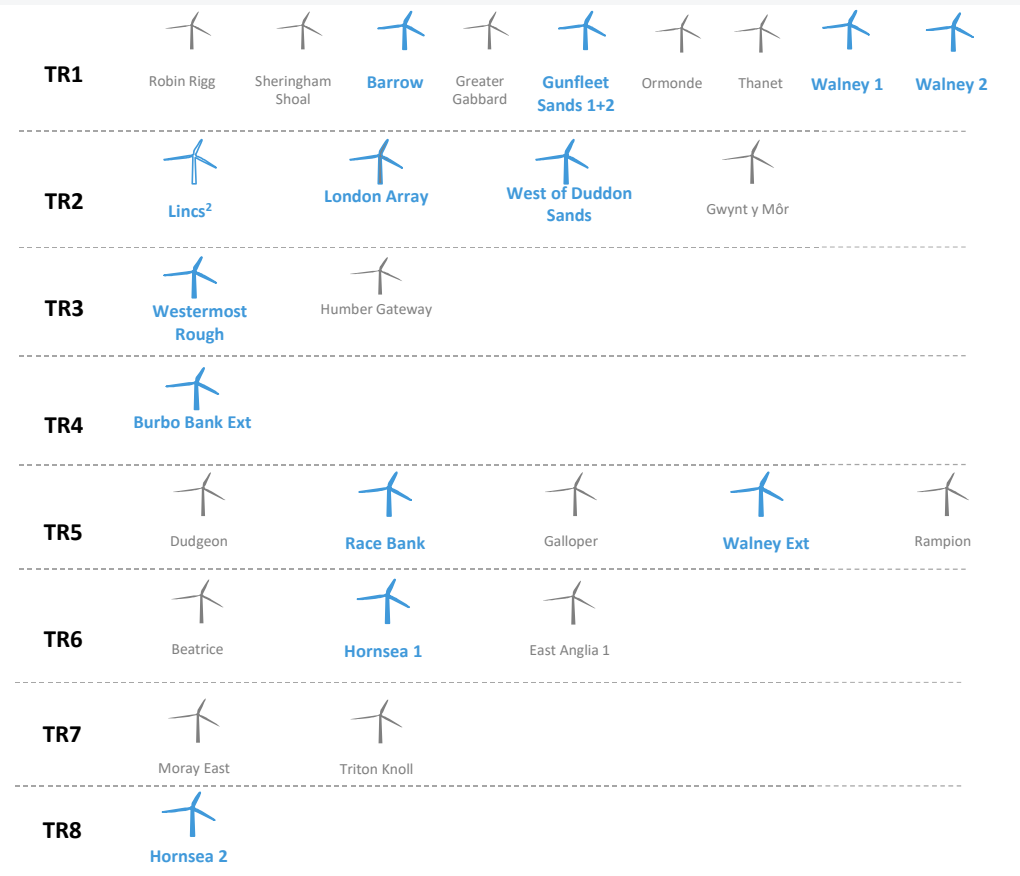
## Unrivalled track-record in offshore wind

Ørsted cumulative constructed offshore wind power capacity (MW)

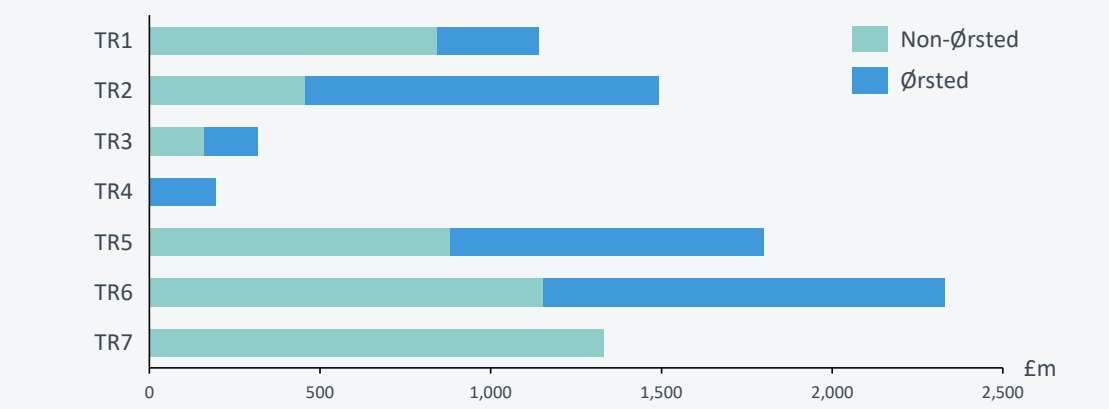


# Our experience of OFTO assets

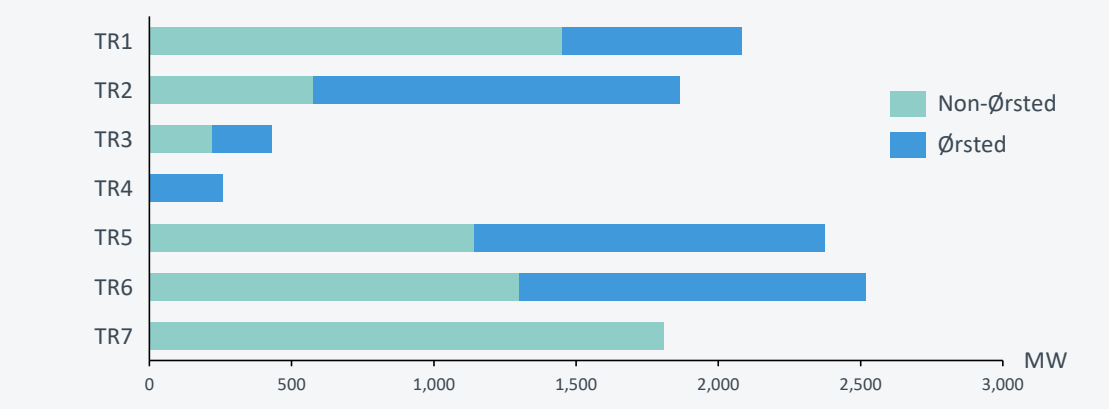
## OFTO transactions overview



## Transfer Value<sup>1</sup>



## Capacity



22

1 Based on public information  
2 Centrica was the operating partner for Lincs construction and OFTO divestment



## HOW02 ownership and project organisation

### Ownership overview

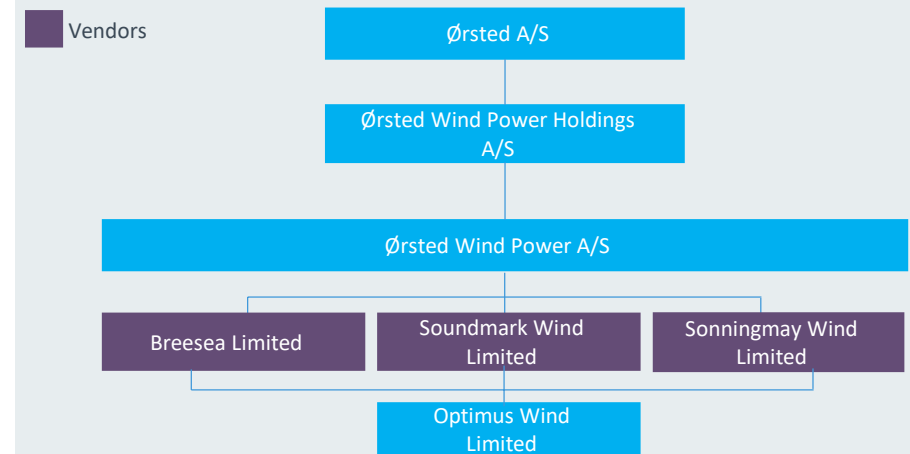
- HOW02 is being developed by Breesea Limited, Soundmark Wind Limited and Sonningmay Wind Limited (collectively the “Developer” or “Vendors”), which are indirect subsidiaries of Ørsted A/S (together with its affiliates, “Ørsted”)
- Ørsted acquired Optimus Wind Limited and Breesea Limited (which were the project owners, and subsidiaries of Smart Wind Ltd.) from Smart Wind Ltd. in August 2015. Soundmark Wind Limited and Sonningmay Wind Limited were subsequently incorporated into the project in April 2017
- Optimus Wind Limited is a wholly owned subsidiary of Breesea Limited, Soundmark Wind Limited and Sonningmay Wind Limited
- The majority of the construction contracts sit with Optimus Wind Limited, with asset title transferring to Breesea Limited, Soundmark Wind Limited and Sonningmay Wind Limited at construction completion

### Experienced project organisation

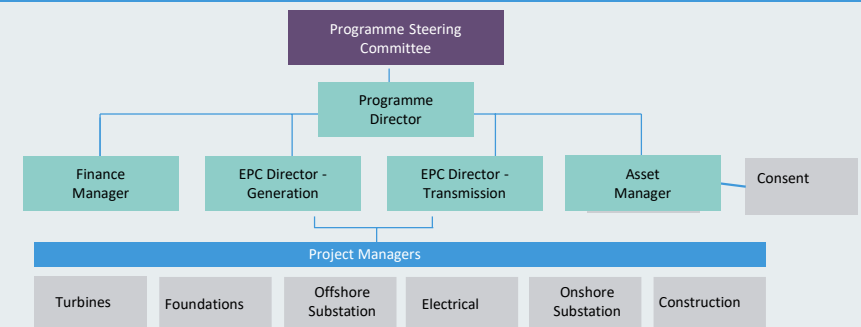
- Ørsted has an unrivalled track-record in offshore wind nearing **30 years experience**
- **HOW02 leverages this organisational experience**, benefiting from Ørsted’s mature and industrialised approach to planning and execution of offshore projects
- **The project team benefits from the significant experience gained** from previous transmission asset construction and divestment processes
- **Safety and environmental impact are key focus areas** for the delivery of the assets



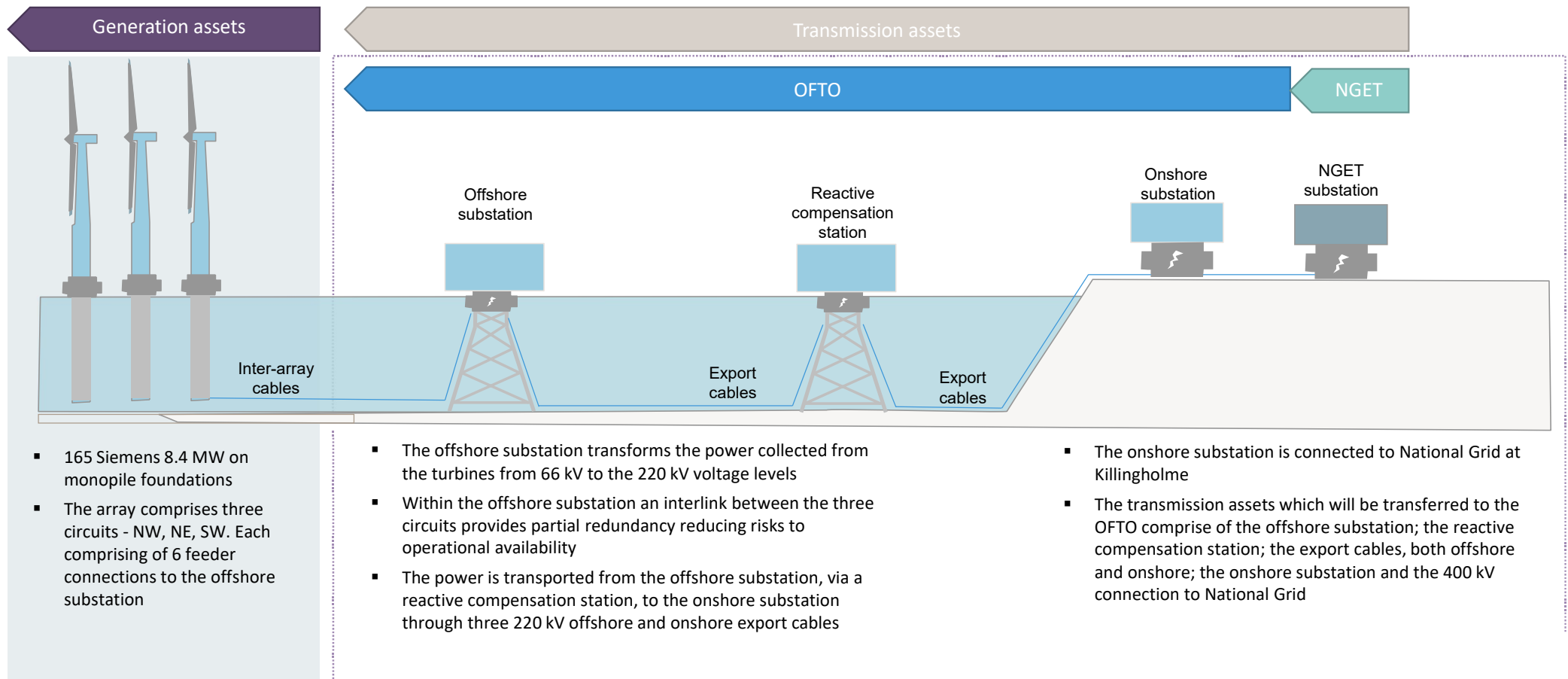
### Ownership structure



### Project organisational structure



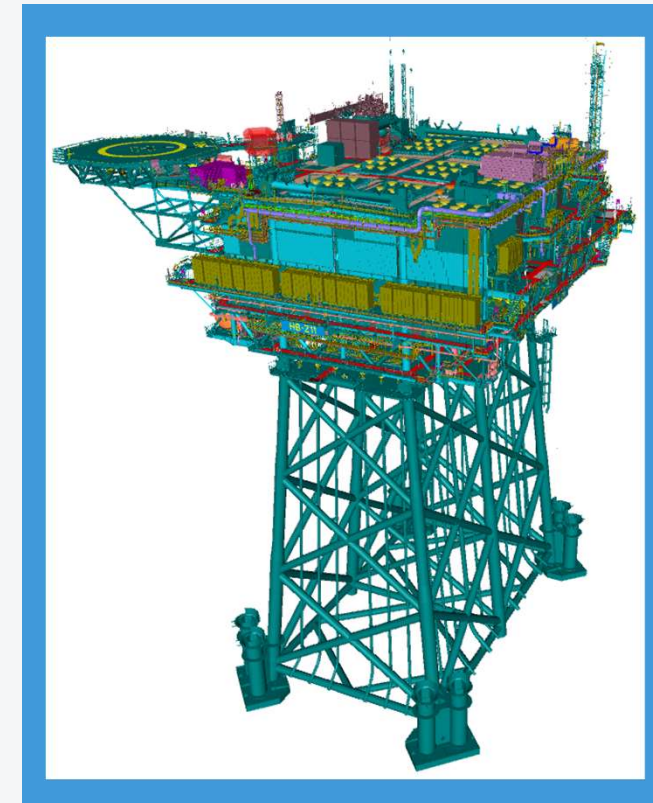
## Overview of the infrastructure



## HOW02: the investment opportunity

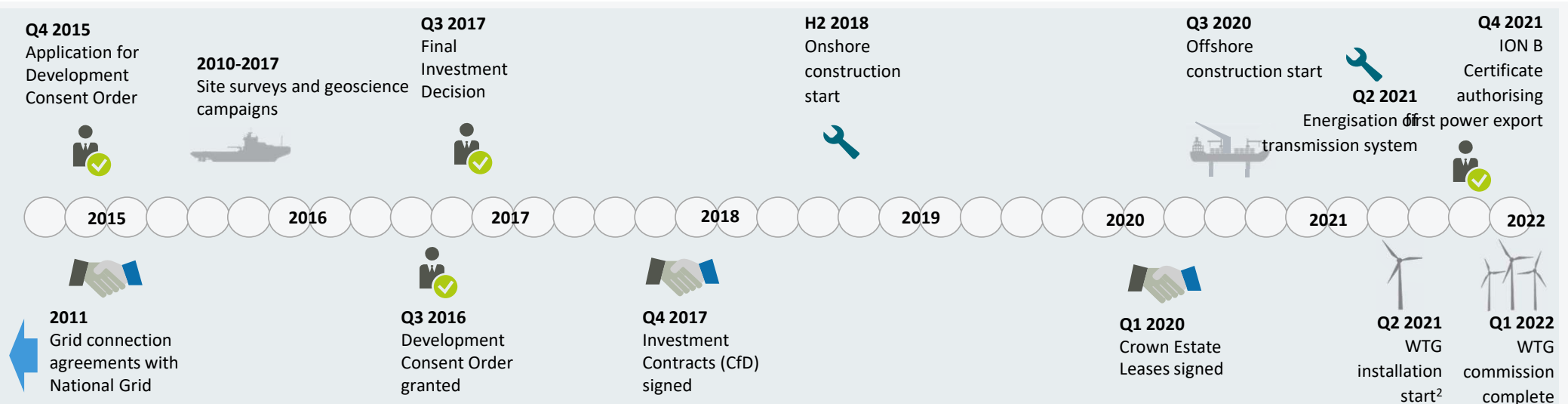
### Project highlights

Highlights	<ul style="list-style-type: none"> <li>1386 MW generation capacity<sup>1</sup> with transmission asset Initial Transfer Value 1.212 GBPbn</li> <li>Transmission asset construction nearing completion</li> </ul>
Project	<ul style="list-style-type: none"> <li>Favourable site conditions and well known location</li> <li>The characteristics of the site enable the project to make use of known technology</li> <li>Mature and efficient design based upon previous operational experience, resulting in highly operable and robust assets</li> </ul>
Supply chain	<ul style="list-style-type: none"> <li>Experienced supply and installation contractors procured by Ørsted</li> </ul>
Experienced Developer and EPC Manager	<ul style="list-style-type: none"> <li>Ørsted active in the offshore wind sector for nearing 30 years</li> <li>Ørsted has participated in the majority of Ofgem's OFTO tender rounds to date</li> <li>Competencies in place to deliver the project to the highest industry standard</li> </ul>
O&M	<ul style="list-style-type: none"> <li>Appropriate interim maintenance arrangements will be in place until asset transfer</li> <li>With a long track record of operating wind farms in Europe, Ørsted is greatly experienced in managing the long term operation of windfarms and associated transmission assets</li> <li>Ørsted expects to offer an O&amp;M agreement (OMA) for the service of the HOW02 transmission assets</li> </ul>
Transaction	<ul style="list-style-type: none"> <li>Project specific transfer and interface agreements based on Ofgem guidelines and market developments</li> <li>Transfer of OFTO related contracts including benefit of supplier warranties</li> <li>Division of responsibilities pre- and post- asset transfer</li> <li>Credit support to be procured by the Developer</li> </ul>



## HOW02 - An update on the construction progress

### HOW02 installation and construction <sup>1</sup>



#### Onshore progress

##### Onshore Substation

- Onshore construction complete and commissioning ongoing
- All HV components delivered and installed

##### Onshore Export Cables

- All cables installed and joints complete

#### Offshore progress

##### Offshore Substation & Reactive Compensation Station

- Jackets installed
- Topsides nearing completion, ready for sailaway in August 2021

##### Offshore Export Cables

- Jointing and cable laying ongoing, due to complete H2 2021



## Construction photos – Aerial view of Onshore Substation





## Construction photos – Reactive Compensation Station & Offshore Substation in yard



## Construction photos - Subsea and Onshore Export Cable Installation





## Our vision

Let's create a world  
that  
runs entirely on  
green energy



Orsted

 Orsted

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# Questions

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