

Preliminary Information Memorandum

Gunfleet Sands Offshore Transmission Assets

July 2009



RBC Capital Markets®

SUMMARY

In April 2009 Ofgem distributed a teaser document, "UK Offshore Transmission – Investment Opportunity", to investors outlining the opportunity to acquire offshore electricity transmission assets in Great Britain ("**GB**") under a new regulatory regime governing the ownership and operation of offshore electricity transmission. This regime has been developed jointly by the UK Government, through the Department of Energy and Climate Change ("**DECC**") and the GB energy regulator, the Office of Gas and Electricity Markets ("**Ofgem**").

This document is a summary of information provided by the developer and outlines specifically the opportunity for investors to acquire the transmission assets and to become the licensed Offshore Transmission Owner ("**OFTO**") of the Gunfleet Sands I and Gunfleet Sands II offshore wind projects (the "**Gunfleet Sands Wind Farms**"). The Gunfleet Sands Wind Farms will consist of 48 Siemens 3.6MW wind turbine generators.

The transmission assets for the Gunfleet Sands Wind Farms (referred to in this document as the "**Gunfleet Sands Transmission Assets**") are currently owned and being constructed by subsidiaries of DONG Energy A/S ("**DONG Energy**"), which has contracted construction of the Gunfleet Sands Transmission Assets to various third party contractors, as set out later in this document.

It is currently expected that construction of the Gunfleet Sands Transmission Assets will be completed in July 2009. Once completed, the Gunfleet Sands Transmission Assets will be transferred to the OFTO identified as the successful bidder through the tender process via a sale and purchase agreement.

The preliminary transfer value estimated by Ofgem on the basis of information provided to date (the "**Estimated Transfer Value**") of the Gunfleet Sands Transmission Assets is £46.4 million. This Estimated Transfer Value includes the offshore substation platform ("**OSP**"). The Estimated Transfer Value is subject to adjustment, as described in the document entitled "Generic Preliminary Information Memorandum" and as further described below.

THE INVESTMENT OPPORTUNITY

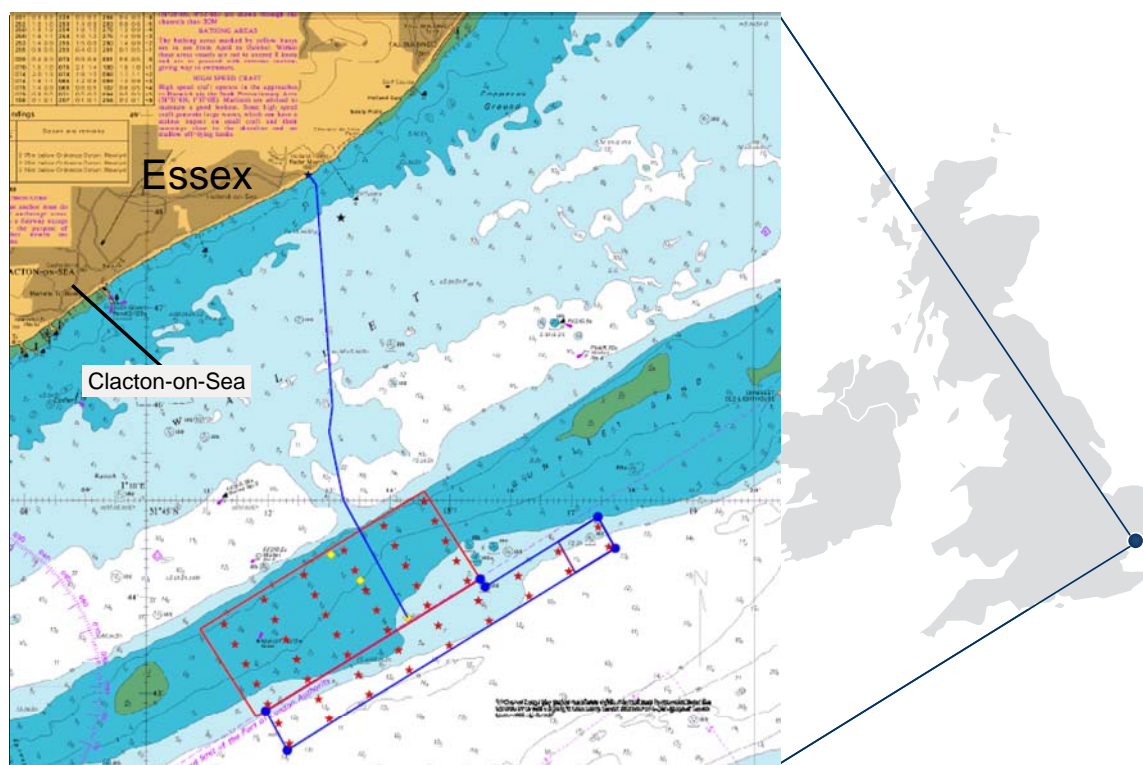
1. Transmission Assets Overview

Location

The Gunfleet Sands Wind Farms are located off the Essex coast. It is being developed in two phases, with Gunfleet Sands I shown in the red box and Gunfleet Sands II shown in the blue box in Figure 1 below. The offshore connection point will be on the OSP located approximately 7km from Clacton-on-Sea within the boundaries of the Gunfleet Sands Wind Farms. The Gunfleet Sands Transmission Assets will connect with the onshore distribution system at the Clacton 132kV Substation near Clacton-on-Sea (the “**Onshore Substation**”). The onshore distribution licensee is EDF Energy Networks (“**EDF Energy**”).

The Gunfleet Sands Transmission Assets and Wind Farms are all within UK territorial waters with Brightlingsea, Harwich and Felixstowe being the nearest ports.

Figure 1: Location of the Gunfleet Sands Wind Farm and Transmission Assets



Source: DONG Energy

Timeline

Construction of the Gunfleet Sands Wind Farms commenced in January 2007 and work on the Gunfleet Sands Transmission Assets began 13 months later in February 2008. The expected date of delivery of the onshore connection by EDF Energy is July 2009. Construction of the Gunfleet Sands Transmission Assets is expected to be completed shortly thereafter, with the wind farms being fully operational by early 2010.

Transmission Network Design

Table 1 summarises the key transmission network design features of the Gunfleet Sands Transmission Assets:

Table 1: Gunfleet Sands Network Design Features

Key Features	
Expected minimum designated service life	20 years
Capacity ratings	182MVA

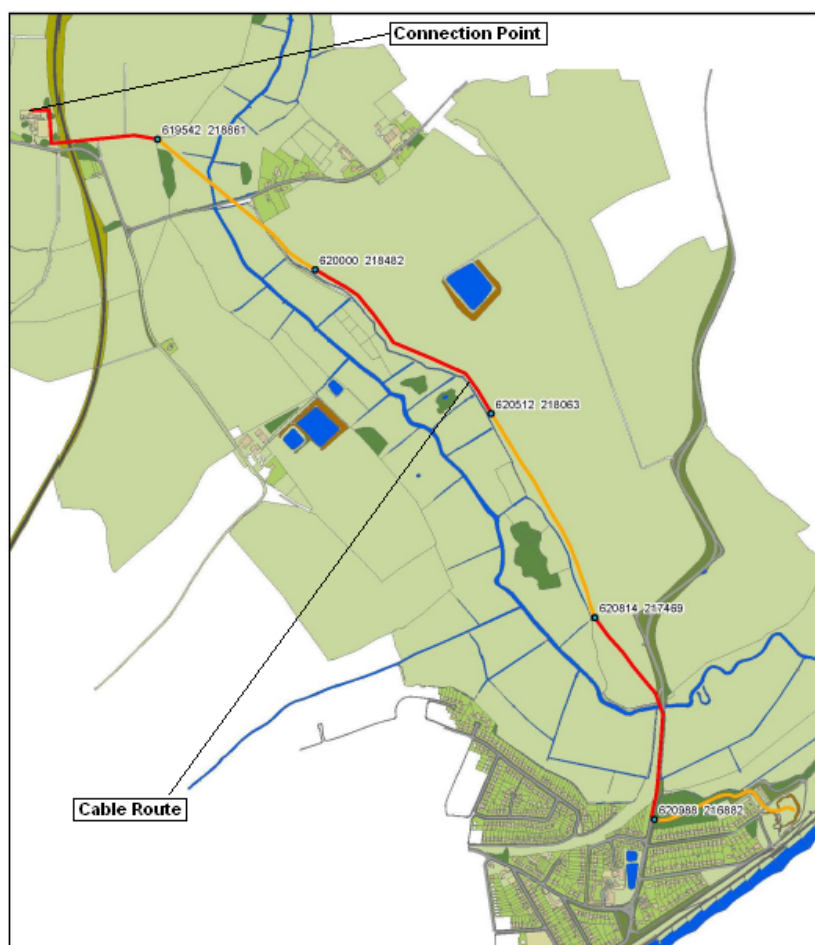
DONG Energy has a Connection and Use of System Agreement in place with EDF Energy confirming export rights of up to 164MW onto the distribution network.

DONG Energy estimate that its required ongoing offshore export right at the offshore substation once the Gunfleet Sands Transmission Assets have been transferred to the OFTO will be 99.9MW and 64.8MW for Gunfleet Sands I and Gunfleet Sands II respectively.

Description of Transmission Assets

Figure 2 below shows the proposed route for the onshore cable.

Figure 2: Route of Gunfleet Sands Transmission Cable (Onshore)



Source: DONG Energy

An overview of the assets that DONG Energy currently propose to transfer to the OFTO and which were used by Ofgem to derive the Estimated Transfer Value of the Gunfleet Sands Transmission Assets, is set out in Table 2 below. Table 4 provides a more detailed list of equipment proposed for transfer.

Table 2 – Asset summary

Asset	Description
OSP	The OSP's purpose is to house the necessary equipment for connection and switching of the wind turbine arrays. Main apparatus proposed to be transferred to the OFTO includes the offshore platform, two 132/33kV transformers together with associated 132kV switchgear and one standby diesel generator.
Subsea cable	The subsea cable connects the OSP to the shore where it is joined to the onshore cable in a jointing chamber. The subsea cable connection will consist of one 3 core 132kV cable, 9.3km in length buried to a depth of 2m. The cable will have a rating of 182MVA.
Onshore cable	The onshore cable links the subsea connection to the Onshore Substation. The onshore cable connection will consist of three underground single core 132kV cables, each 3.8 km in length buried to a depth of 1.2m. The cable will have an overall rating of 182MVA.
Onshore substation	The onshore substation houses the necessary high voltage switchgear equipment for connecting the onshore cable to the distribution network and associated reactive compensation equipment. Main apparatus proposed to be transferred to the OFTO is control and protection assets of the metering station inside the Onshore Substation. The metering station is located on land leased from EDF Energy.
Spares	Currently, no spares have been put forward to be transferred to the OFTO.

Table 3 below sets out the current offshore and onshore boundary points proposed by the developer. These have been used for the purposes of calculating the Estimated Transfer Value.

Table 3 – Proposed boundary points offshore and onshore

Boundary Point	Location
Offshore	Located at the transformer cable sealing end of the 33kV cables connected to the 132/33kV transformer.
Onshore	The 132kV cable is directly connected to the 132kV bay of the Onshore Substation which is owned by EDF Energy. As such, the proposed boundary point will be located at the 132kV cable sealing ends inside the Onshore Substation.

Redundancy

Electrical redundancy for the Gunfleet Sands Transmission Assets will be provided by two offshore transformers on the OSP. There is a single subsea cable connecting the OSP to the land.

Contractual Arrangements

DONG Energy has adopted a multi contract strategy for the delivery of the Gunfleet Sands Transmission Assets. This is consistent with DONG Energy's preferred contracting strategy for power generation assets, including offshore wind farms. This strategy is based on the strength of DONG Energy's in-house engineering and

management expertise and many years' experience in the design and construction of multi-contract power projects.

Table 4 sets out the main contracts, current contract status and assets proposed for transfer.

Table 4 – Key Contracts and Assets

Services and Main Equipment List	Contract	Contractor
OSP - construction:	Supply and installation	Bladt
OSP - mechanical and electrical equipment: 2 x 132/33kV transformer 132kV GIS switchgear	Supply and installation	ABB/AREVA
Offshore cable: 1 x 9.3km 132kV 3 core cable	Supply Installation	Prysmian Visser and Smith Hanab
Onshore cables: 3 x 3.8km 132kV single core cables	Supply Installation	Prysmian Visser and Smith Hanab
Onshore Substation:	TBC	TBC

All seabed surveys required to date have been completed.

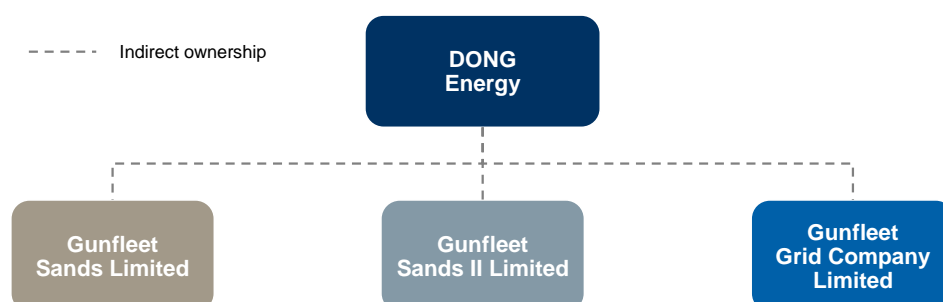
Consents and property rights

All necessary offshore consents and licences are in place for the construction of the Gunfleet Sands Transmission Assets. These include an exercised option on the Crown Estate lease, Electricity Act (1989) Section 36 and Coastal Protection Act (1949) consents and a Food and Environment Protection Act (1985) licence. In addition to this, all necessary property rights for the onshore cable route have been agreed and secured.

Ownership Structure

DONG Energy own the Gunfleet Sands Transmission Assets and Wind Farms through three indirect UK subsidiaries, Gunfleet Sands Limited, Gunfleet Grid Company Limited and Gunfleet Sands II Limited. An overview of the ownership structure of the Gunfleet Sands Wind Farms and Transmission Assets is illustrated in Figure 3 below:

Figure 3: Ownership Structure



2. Preliminary view of Estimated Transfer Value

Ofgem, with input from its external advisers, has undertaken an exercise to determine the Estimated Transfer Value for the Gunfleet Sands Transmission Assets summarised in Table 2 and 4 above, assuming the boundary points summarised in Table 3. The Estimated Transfer Value is intended to allow DONG Energy to recover its economic and efficient costs of developing the Gunfleet Sands Transmission Assets and, as such, may be subject to adjustment based on new or more detailed information becoming available to Ofgem, and upon final completion of the Gunfleet Sands Transmission Assets.

For the purpose of commencing the tender process, Ofgem has established an Estimated Transfer Value of £46.4 million for the Gunfleet Sands Transmission Assets.

CONTACT DETAILS

The information in this document is provided for information purposes only. It is designed to provide prospective OFTOs, lenders and advisers with certain high-level information related to the Gunfleet Sands Transmission Assets, to support the launch of the initial, pre-qualification (“PQ”) phase of the first tender process.

All enquiries or communications, including requests for additional information, should be sent to tendercoordinator@ofgem.gov.uk.

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