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Bidder Day

Offshore Transmission

23rd July 2009

Start time 11am BST

Dial in: +44 (0) 20 8609 1046

PIN Code: 300848#

11.00	**Registration**	
11.15 – 12.15	**Main Presentation**	
	1. Update	*Robert Hull, Director, Regulatory Services, Ofgem*
	2. Projects Overview	*David Gray, Senior Manager, Developer Engagement, Ofgem*
	3. Tender Process	*Stephanie McGregor, Associate Director, Offshore Transmission, Ofgem*
12.15 – 13.15	**Buffet Lunch**	
13.15 – 14.30	**Bravo Sessions**	

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Section 1

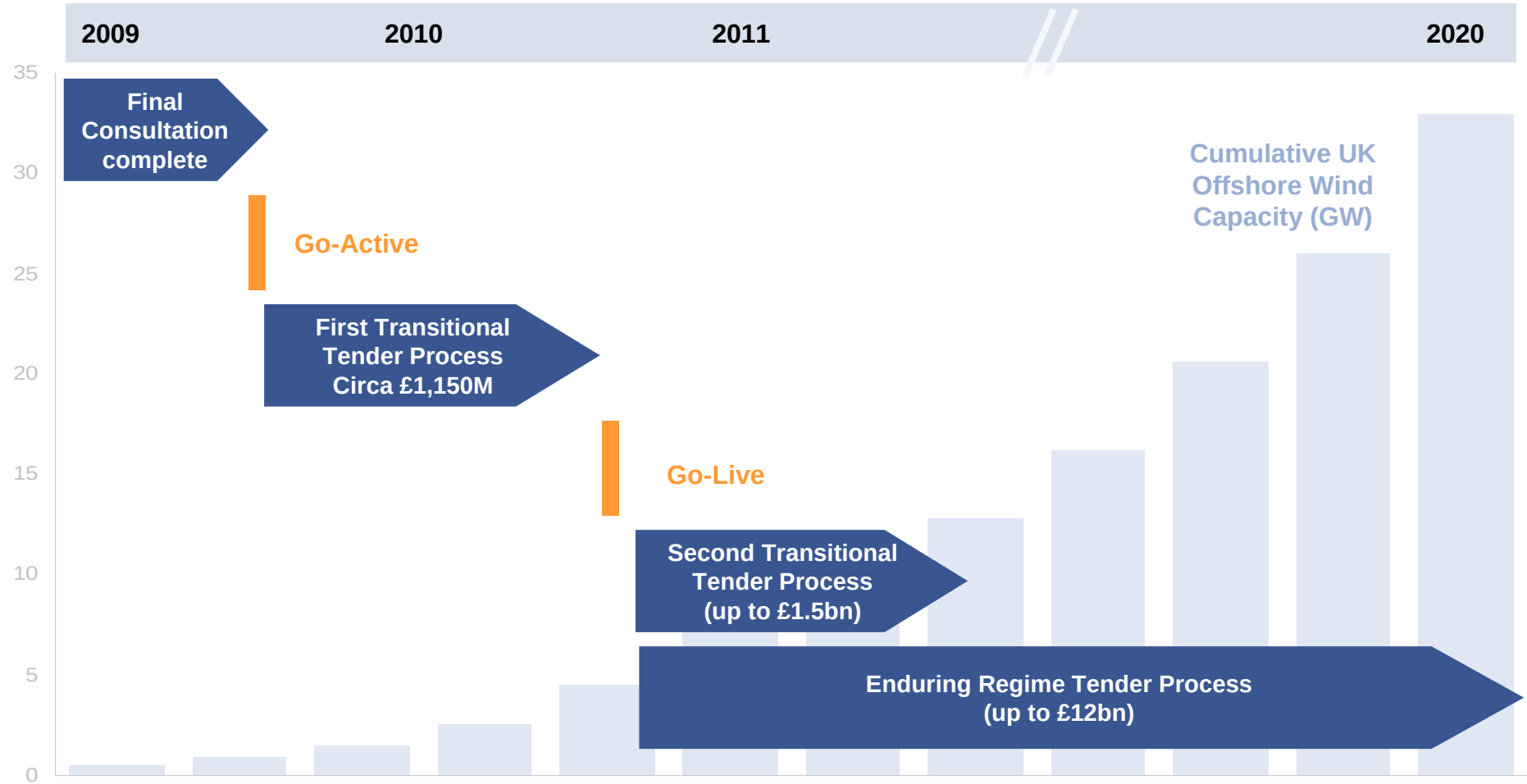
General Update

Robert Hull, Director, Regulatory Services

Background

- **Binding EU renewables energy target**
  - UK Committed to offshore wind
    - 600 MW operational
    - 8GW under construction
    - Up to 39GW expected in total by 2020
  - Go Active achieved - 24th June 2009
  - UK Low Carbon Transition Plan published July 2009
- **Start of first Transitional Round Tender**
  - OJEU issued - tender commenced 22nd July 2009
  - 9 projects qualified as Transitional with a combined asset value of £1,150m
  - Preferred Bidder expected in Spring 2010
  - Go Live June 2010

Overview of Offshore Regulatory Regime Timeline



Consultation on Enduring Regime to commence shortly

Overview of Investment Opportunity

Opportunity to enter UK transmission	▪ Rare opportunity to enter the UK transmission sector for new entrants ▪ Strong political and regulatory support for UK offshore transmission
New regime to support development of offshore wind	▪ Limited regulatory intervention ▪ Long term low risk regime
Robust and transparent competitive process	▪ Structured to ensure fair and transparent process ▪ Qualification stages followed by ITT stage with data room access
Long term opportunity	▪ Up to £15 billion of transmission assets ▪ Early participation will provide valuable experience for the enduring regime

Overview of Regulatory Regime

Low Risk Revenue Stream

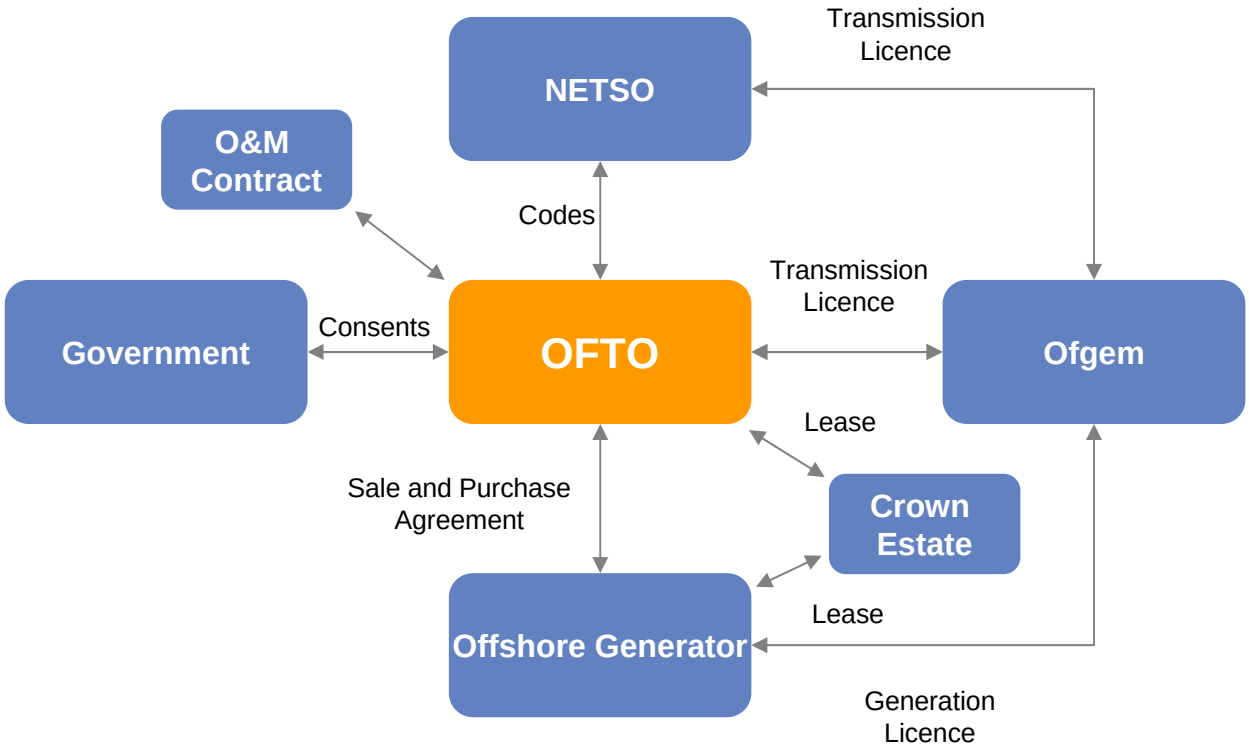
- 20 year revenue stream from GBSO
- Availability based
- No automatic periodic regulatory review
- No construction, energy or stranding risk
- Low counterparty risk – no generator exposure
- Well defined and proven regulatory regime – extending onshore precedent
- Well defined tender process
- Upside: performance on operating costs, increased capacity, certain on regulated services and reactive power

Revenue Adjustments

- Availability incentives and penalties both capped at 10% of revenue
- Post construction revenue adjustments to reflect final transfer value
- Revenue fully indexed to RPI
- Cost pass through and pre-defined adjustments for business rates, Ofgem costs, leases, code changes
- Pass through of extra decommissioning costs if change of law
- Incremental capex up to cumulative 20%
- Possible extension or re-tender at the end of the revenue stream

Regulatory Regime

OFTO Commercial Structure



Key Documents - status	
Codes	Updated and available on Ofgem's website
Transmission Licence	Updated Special Conditions now available On Ofgem's website
SPA	Model agreement available on Ofgem's website Project Specific versions currently being updated

Key Industry Codes

STC

The STC Code defines the high-level relationship between the GB System Operator and the Transmission Owners. It is supported by a number of procedures (SOTO Code Procedures or STCPs) that set out in greater detail the roles, responsibilities, obligations and rights etc of the GBSO and the TOs.

CUSC

The Connection and Use of System Code (CUSC), which constitutes the contractual framework for connection to, and use of, National Grid's high voltage transmission system.

Grid Codes

The Grid Code is required to cover all material technical aspects relating to connections to and the operation and use of the transmission system or, in as far as relevant to the operation and use of the transmission system, the operation of the electric lines and electrical plant connected to it or to a distribution system.

The Grid Code also specifies data which system users are obliged to provide to National Grid for use in the planning and operation of the transmission system

Distribution Codes

Licenced electricity distribution businesses, or Distribution Network Operators (DNOs), are obliged under Condition 21 of their licences to maintain a Distribution Code detailing the technical parameters and considerations relating to connexion to, and use of, their electrical networks.

Latest Developments

- Estimated Transfer Value determined
- 9 projects now qualified
- Enhancements to Regulatory Regime
  - Business separation arrangements now complete: National Grid and Developers
  - Reduced tender entry costs for OFTO bidders
- Project Specific PIMs available for each project
- Tender documents released

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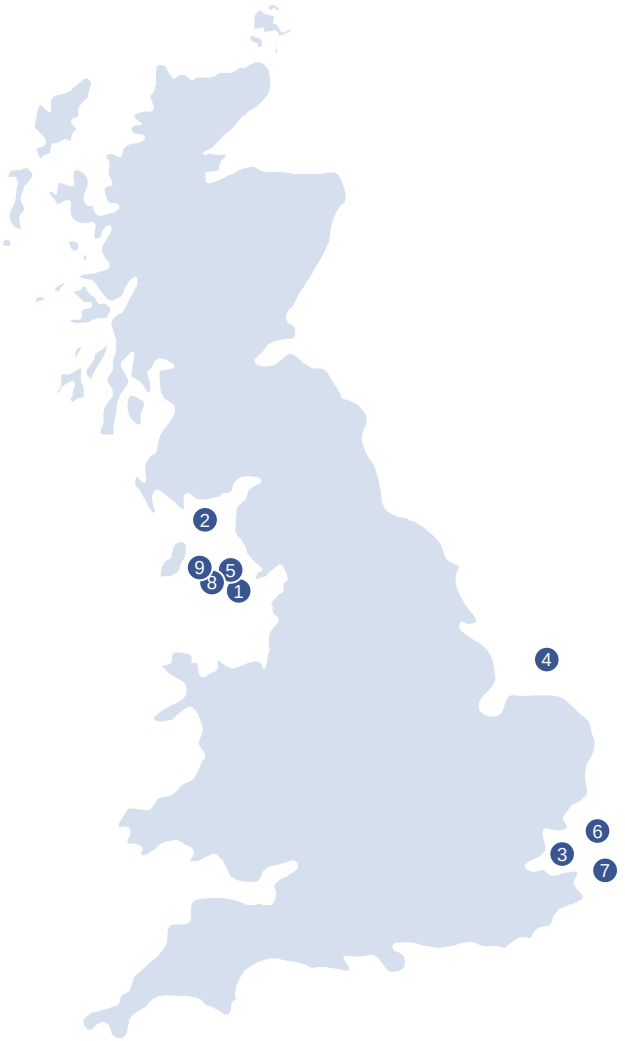
Section 2

Projects Overview

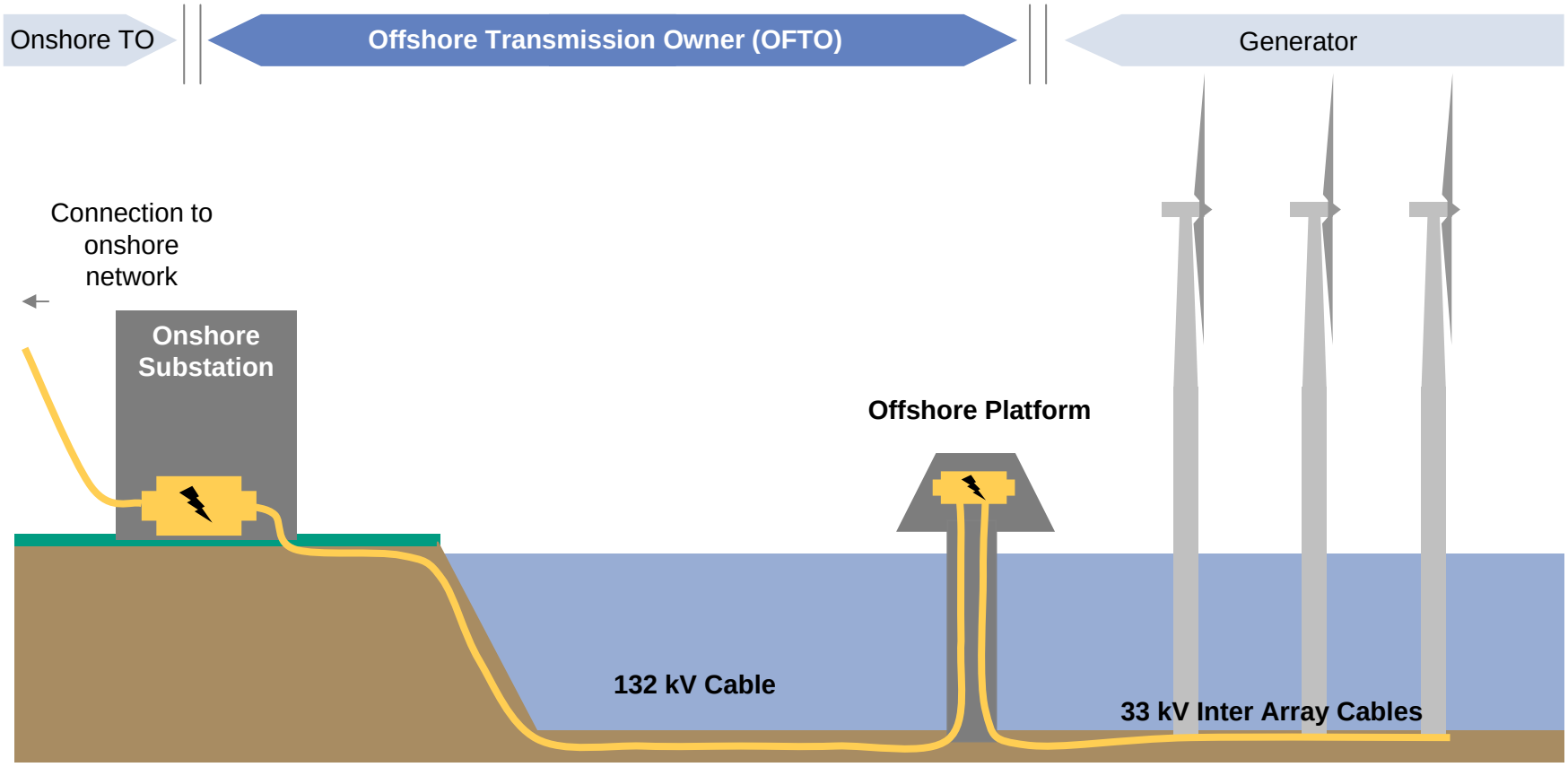
David Gray, Senior Manager, Developer Engagement, Ofgem

Expected Assets for First Round Tender

	Project	Developer(s)	Estimated Transfer Value	MW	Expected Completion Date
1	Barrow	DONG Energy, Centrica	£36.5m	90	Operating
2	Robin Rigg	E.On	£58.7m	180	Sept 09
3	Gunfleet Sands I & II	DONG Energy	£46.4m	164	July 09
4	Sheringham Shoal	StatoilHydro, Statkraft	£186.8m	315	Q1 11
5	Ormonde	Vattenfall	£87.0m	150	Jul 11
6	Greater Gabbard	SSE/Airtricity, RWE Innogy	£343.7m	504	Mar 11
7	Thanet	Vattenfall	£189.0m	300	Oct 10
8	Walney 1	DONG Energy	£99.4m	178	Apr 11
9	Walney 2	DONG Energy	£104.4m	183	Oct 11
	TOTAL		**£1.151.9m**		



Overview of Investment Opportunity



Barrow

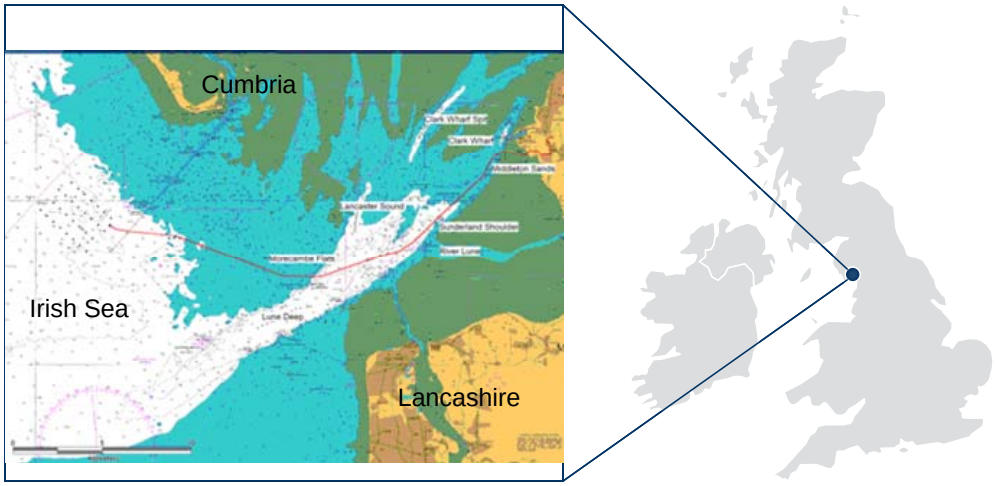
Details and Timetable

- Currently owned by DONG Energy and Centrica
- Estimated Transfer Value £36.5m
- Capacity 90 MW
- Status: Operating

- Permanently energised in February 2006
- Full commercial operation in June 2006

Assets Transferring

Offshore substation platform	60/90/120MVA 132/33kV transformer, 132kV GIS switchgear and 33kV busbar
Subsea cable(s)	One 145kV XLPE submarine cable, 26.6km in length from the offshore transmission joint.
Onshore cable(s)	Three single 400mm² copper XLPE cable, approximately 3.5km in length. Three single 400mm² XLPE cable rated at 600A.
Onshore substation(s)	24MVAr shunt reactor, 132kV arrestors, busbars but no 132kV switchgear



Robin Rigg

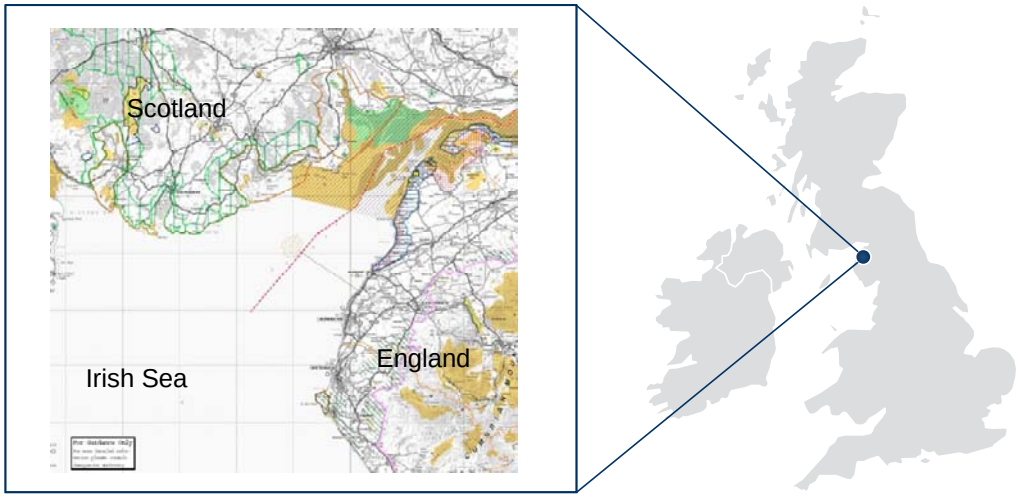
Details and Timetable

- Currently owned by E.ON Climate & Renewables (UK) Ltd.
- Estimated Transfer Value £58.7m
- Capacity 180 MW

- Construction started in July 2007
- Transmission assets are due to be completed in September 2009
- Wind farms completed by December 2009

Assets Transferring

Offshore substation platform	It is not expected that the OSP will transfer to the OFTO
Subsea cable(s)	Two 132kV cables 12.5km in length.
Onshore cable(s)	Two 132kV cables, 1.8km in length.
Onshore substation(s)	Two 132/33kV transformers, capacitors and reactors for reactive compensation and 33kV switchgear.



Gunfleet Sands I & II

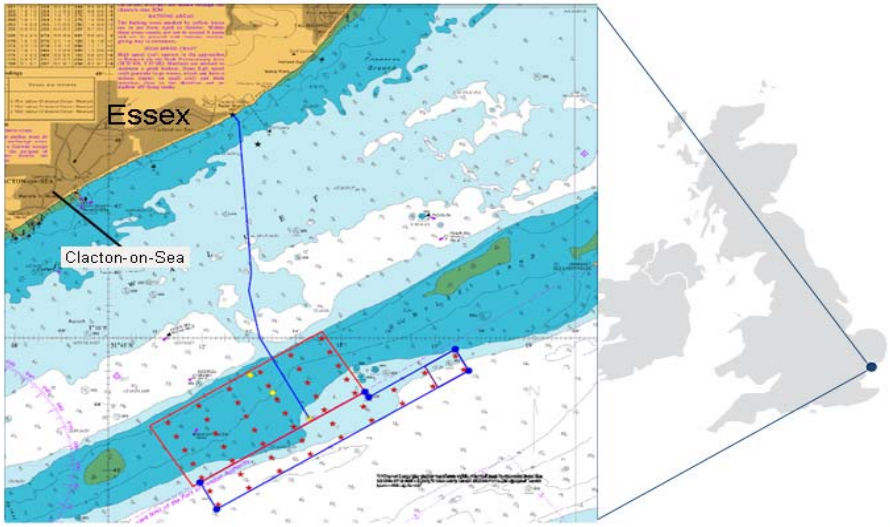
Details and Timetable

- Currently owned by subsidiaries of DONG Energy
- Estimated Transfer Value £46.4m
- Capacity 164 MW

- Construction started in February 2008
- Transmission assets are due to be completed July 2009
- Wind farms are expected to be operational by early 2010

Assets Transferring

Offshore substation platform	Offshore platform, two 132/33kV transformers, associated 132kV switchgear and one standby diesel generator.
Subsea cable(s)	One three core 800mm2 132kV copper cable, 9.3km in length buried to a depth of 2m. Rating: 182MVA.
Onshore cable(s)	Three underground single core 600mm2 132kV copper cables. Rating 182MVA.
Onshore substation(s)	Control and protection assets of the metering station. The metering station is located on land leased from EDF Energy.



Sheringham Shoal

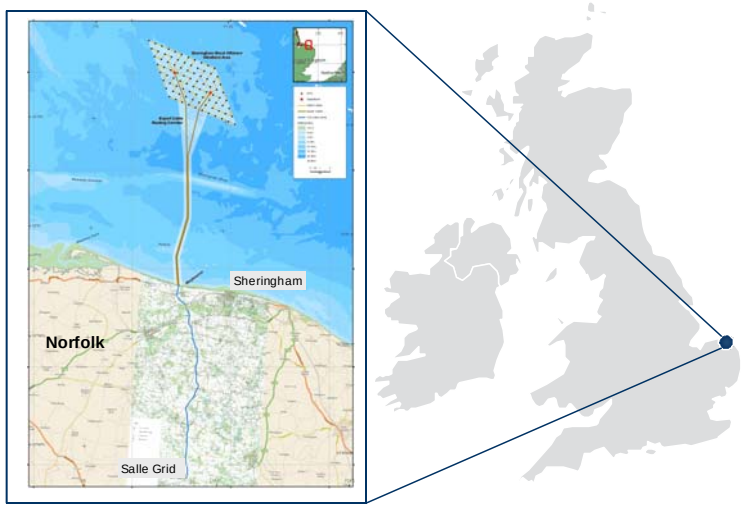
Details and Timetable

- Currently owned by Scira Offshore Energy Limited, a JV owned (50/50) by StatoilHydro and Statkraft
- Estimated Transfer Value £186.8m
- Capacity 315 MW

- Construction started in June 2009
- Transmission assets are due to be completed in Q1 2011
- Wind farm is expected to be operational by early 2012

Assets Transferring

Offshore substation platform	Two OSPs, four 132/33kV transformers together with two sets each of associated 132 kV and 33kV switchgear.
Subsea cable(s)	Two 3 core 145kV cables, each 22.4km in length. Rating 167 MVA
Onshore cable(s)	Two underground single core 145 kV cables. Rating 167MVA 158MW
Onshore substation(s)	Two sets of 132kV GIS switchgear and reactive compensation equipment as necessary.



Ormonde

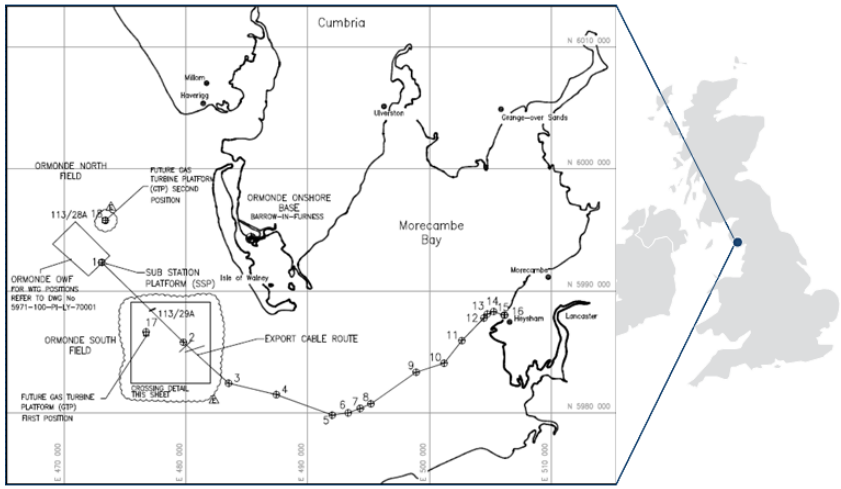
Details and Timetable

- Currently owned by Vattenfall
- Estimated Transfer Value £87.0m
- Capacity 150 MW

- Construction due to start in September 2009
- Transmission assets are due to be completed by July 2011
- Wind farm is expected to be operational by September 2011

Assets Transferring

Offshore substation platform	The offshore platform. Two 132/33 kV transformers, associated 132kV and 33kV switchgear, one standby diesel generator, tariff metering equipment and a 33kV/0.435kV auxiliary transformer.
Subsea cable(s)	One 3 core 132 kV cable. Rating 158MVA.
Onshore cable(s)	Three underground single core 132 kV cables, Rating 157MVA.
Onshore substation(s)	132kV switchgear, reactive compensation and associated harmonic filtering equipment.



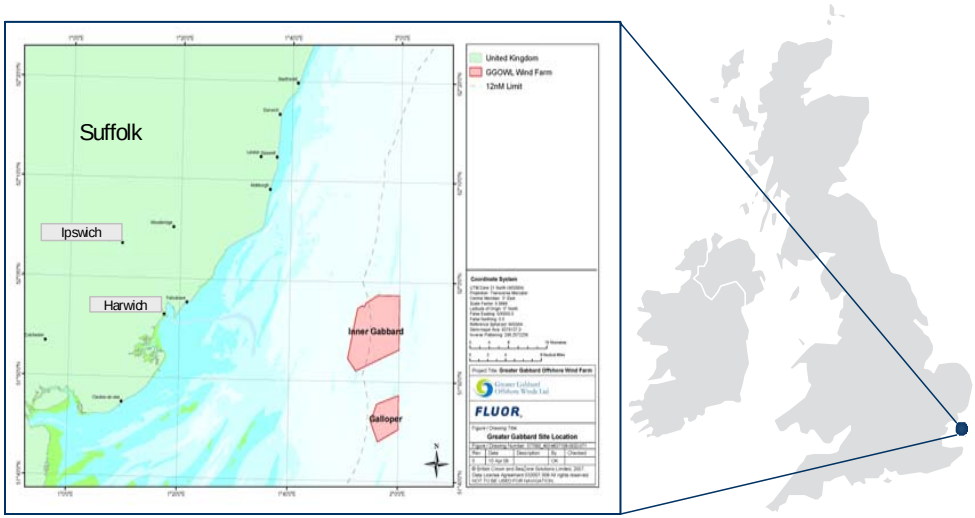
Greater Gabbard

Details and Timetable

- Currently owned by Greater Gabbard Offshore Winds Limited, a JV controlled by Scottish and Southern Energy Plc & RWE AG
- Estimated Transfer Value £343.7m
- Capacity 504 MW
- Construction due to start in September 2009
- Transmission assets and wind farm are due to be completed by March 2011

Assets Transferring

Offshore substation platform	Two OSPs, Inner Gabbard and Galloper. Five 132/33kV transformers, associated 132 kV and 33kV switchgear. Galloper platform houses to reactors.
Subsea cable(s)	Three 3 core 132 kV cables
Onshore cable(s)	Three underground 132kV cables
Onshore substation(s)	132kV switchgear and reactive compensation/harmonic filtering equipment



Thanet

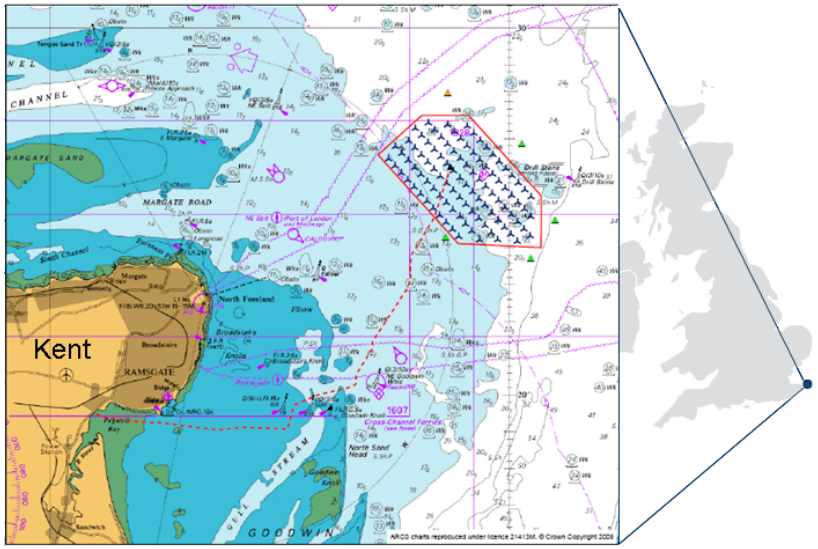
Details and Timetable

- Currently owned by Vattenfall
- Estimated Transfer Value £189.0m
- Capacity 300 MW

- Construction started in March 2008
- Transmission assets are due to be completed by April 2010
- Wind farm is expected to be fully operational by October 2010

Assets Transferring

Offshore substation platform	The OSP, two 132/33/33 kV transformers, associated 132kV and 33kV switchgear and one standby diesel generator.
Subsea cable(s)	Two 26.3km 3 core 132 kV cables.
Onshore cable(s)	Each cable has an overall rating of at least 150MW.
Onshore substation(s)	Two sets of three underground single core 132 kV aluminium cables.



Walney I

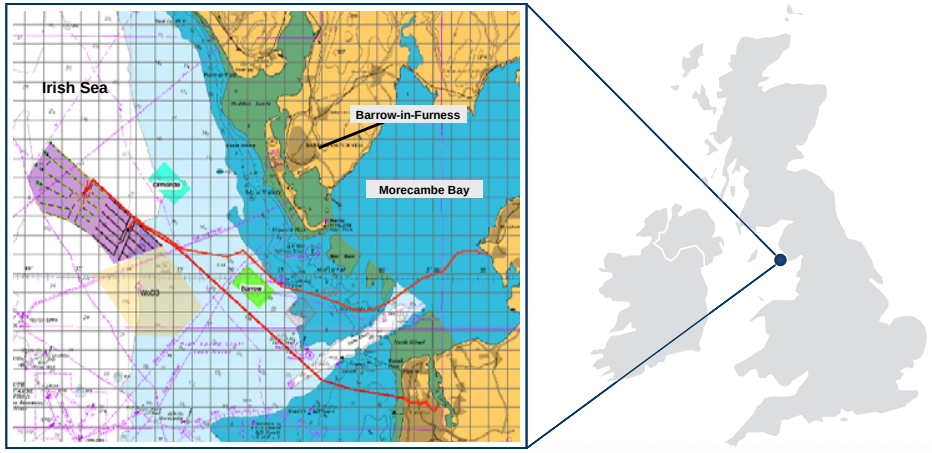
Details and Timetable

- Currently owned by Dong Energy
- Estimated Transfer Value £99.4m
- Capacity 178 MW

- Construction due to start in July 2010
- Transmission assets are due to be completed by October 2010
- Wind farm is expected to be fully operational by April 2011

Assets Transferring

Offshore substation platform	The OSP plus two 132/33kV transformers, associated 132kV switchgear, two 33/0.4kV auxillary transformers and one standby diesel generator.
Subsea cable(s)	One three core 132kV cable. Rating 192 MVA.
Onshore cable(s)	Three underground single core 132kV cables. Rating 192 MVA.
Onshore substation(s)	132kV switchgear bay, reactive compensation by a 64MVAr shunt reactor and associated harmonic filtering equipment.



Walney II

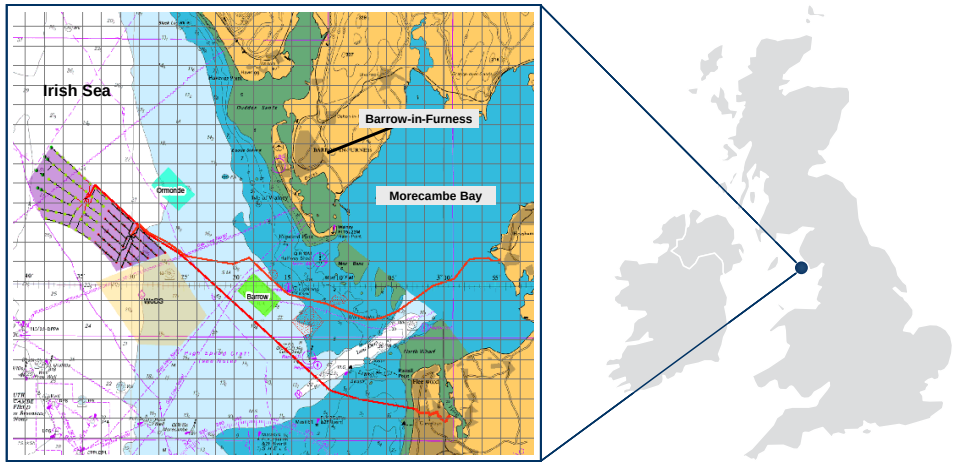
Details and Timetable

- Currently owned by Dong Energy
- Estimated Transfer Value £104.4m
- Capacity 183 MW

- Construction due to start in April 2011
- Transmission assets are due to be completed by July 2011
- Wind farm is expected to be fully operational by October 2011

Assets Transferring

Offshore substation platform	The OSP plus two 132/33 kV transformers, together with associated 132kV switchgear and one standby diesel generator.
Subsea cable(s)	One three core 132kV cable. Rating 192MVA.
Onshore cable(s)	Three underground single core 132kV cables, each 5km in length. Rating 192MVA.
Onshore substation(s)	132kV switchgear bay.



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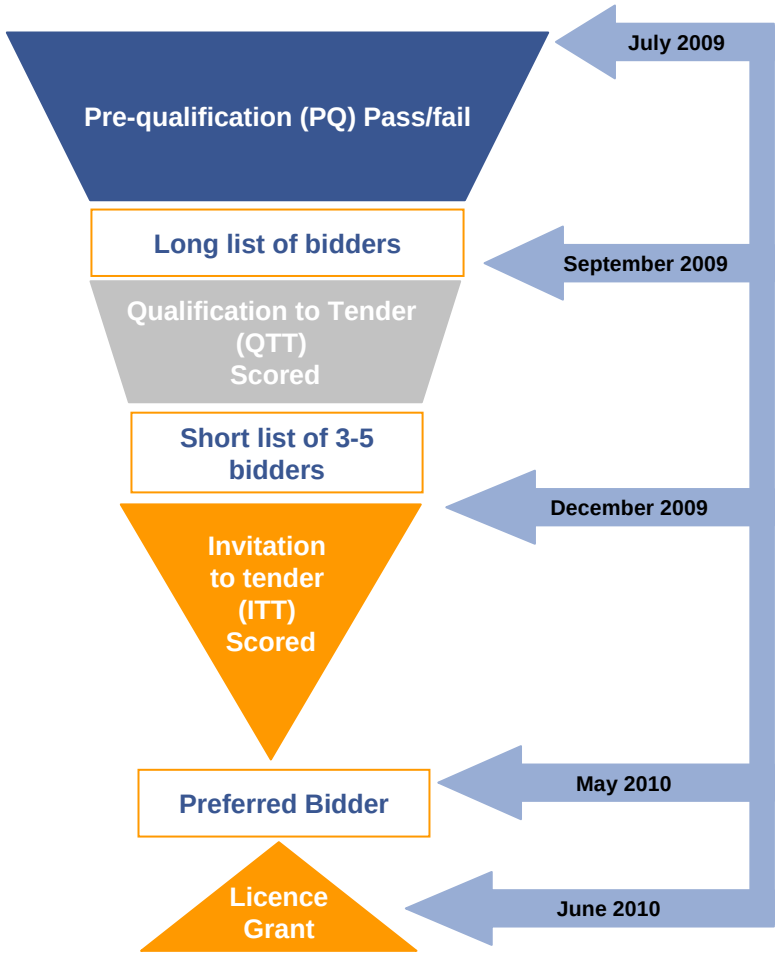
Section 3

Tender Process

Stephanie McGregor, Associate Director, Offshore Transmission

Timetable



10 August 2009	Deadline for Clarification queries to Ofgem
24 August 2009	PQ responses submitted
23 September 2009	Clarifications on PQ submissions completed
24 September 2009	Notify applicants and publish qualifying long list
End September 2009	Pre-qualifying bidders enter into a Confidentiality Agreement
End September 2009	Publication of Information Memorandums and QTT documentation
End September 2009 to end of October 2009	Pre-qualifying bidders submit clarification to Ofgem
End of October 2009	Deadline for QTT submissions
End of October 2009 to mid December 2009	Clarifications and evaluation of QTT submissions (including any consortium changes)
Mid December 2009	Notify qualifying applicants and publish qualifying bidder-short list

Tender Process

Bidders	Ofgem
Consortium structure, size and capability	Initial pass/fail screening of bidders, based on bidder characteristics & track record
Per project, initial approach to financing, asset management and operations	Assess proposed approach per project & rank bidders
Detailed proposals, including SPA, financial and management proposals	Evaluation of detailed project proposals and binding financial proposals
Re-submission of binding financial proposals	Evaluation of financial proposals only
Finalise funding positions & SPA terms	SPA terms finalised with parties

Pre-Qualification and Qualification To Tender

PQ (Published)

Intended to test

- the economic and financial standing of applicants
- management and operational capability

To establish

- any potential conflicts to the OFTO
- details of the proposed structure

Pass/Fail

QTT (draft published)

Intended to test

- consistency with PQ stage
- value for money (Project IRR and approach Indicative Tender Revenue Stream)
- financial strategy
- financial and operational risk management
- management capability
- takeover and operational plan

To establish

- the final list of projects applied for
- final shareholding and organisational structure
- issues arising on the SPA

Scored

Pre-Qualification Questions

- **Has the Applicant made the non-refundable payment of £5,000?**
- **Has the Applicant answered the following questions (and provided required evidence)?**
  - Identification data
  - Organisational structure
  - Economic and financial standing
  - Management and operational capability
  - Potential conflict issues and pending litigation
  - Certificate
  - Confidentiality statement

These will be evaluated on a Pass/Fail basis

Charging Schedule

Stage	Developer	Bidder/ Participant
Cost estimate	£50,000	
Security	£500,000	
PQ Stage		£5,000
QTT Stage		Nil
ITT Stage		Sliding scale
Preferred Bidder		£250,000
Successful Bidder		£350,000
Cost Assessment		£50,000

Sliding Scale has a maximum of £50,000 whatever the number of projects. For each project it is a fixed fee of £10,000 plus a variable fee of £5,000 for each £50m band of transfer value (i.e. a project of £140m is in band 3 (i.e. £100m-£150m) thus variable is £15,000 and total £25,000

Next Steps

- **All information can be accessed through the Bravo website:**
  - https://ofgem.bravosolution.co.uk/web/login.shtml
- **Documents now available here include:**
  - Tender Regulations
  - Tender Rules
  - Pre Qualification document
  - Draft Qualification to Tender document
  - Project Specific Preliminary Information Memoranda
  - Generic Regime Preliminary Information Memoranda
  - Model Sale & Purchase Agreement & commentary
  - Draft Generic OFTO Special Licence Conditions & open letter