

Preliminary Information Memorandum

Robin Rigg 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 east and west sections of the Robin Rigg offshore wind project (the "**Robin Rigg Wind Farms (East and West)**"). The Robin Rigg Wind Farms (East and West) will each consist of 30 Vestas 3MW wind turbine generators.

The transmission assets for the Robin Rigg Wind Farms (East and West) (referred to in this document as the "**Robin Rigg Transmission Assets**") are owned and being constructed by E.ON Climate & Renewables (UK) Ltd. ("**E.ON**"), which has contracted construction of the Robin Rigg Transmission Assets to various third party contractors, as set out later in this document.

It is currently expected that construction of the Robin Rigg Transmission Assets will be completed by September 2009. Once completed, the Robin Rigg 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 Robin Rigg Transmission Assets is £58.7 million. This Estimated Transfer Value excludes the offshore substation platforms ("**OSPs**"). 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

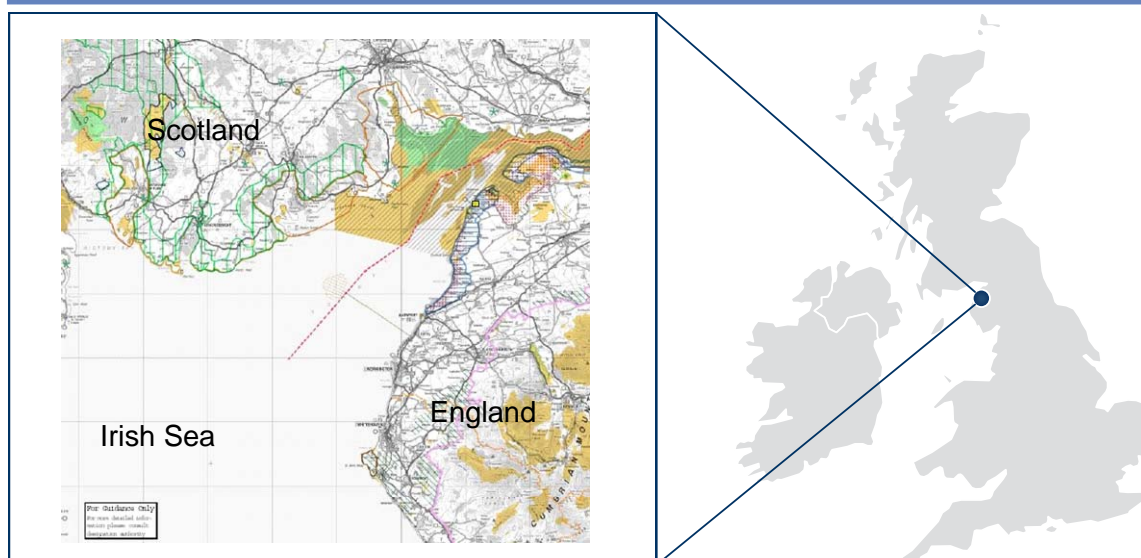
Location

The Robin Rigg Wind Farms (East and West) are located in the Solway Firth. The site is located near the ports of Workington and Maryport, with the offshore connection points approximately 12 km from the English shore line and 8 km from the Scottish, as illustrated in Figure 1 below. In Figure 1 the turbine layout of the Robin Rigg Wind Farms (East and West) is represented by the hatched area on the red territorial England/Scotland water boundary, with the route to shore marked by the black connecting line. The OSPs are located at the point at which the two 132KV cables intersect the English Scottish territorial sea limit.

The Robin Rigg Transmission Assets will connect to the onshore distribution network at the 132kV substation owned by Electricity North West Ltd ("**ENW**") in Seaton, Cumbria. The onshore distribution licensee is ENW.

The Robin Rigg Transmission Assets are located inside UK territorial waters.

Figure 1: Location of the Robin Rigg Wind Farms (East and West) and Transmission Assets



Source: E.ON

Timeline

Construction of the Robin Rigg Wind Farms (East and West) began in January 2008 with work on the Robin Rigg Transmission Assets starting earlier in July 2007. The Robin Rigg Transmission Assets are due to be fully completed in September this year, with the Robin Rigg Wind Farms (East and West) being completed by December 2009.

Transmission Network Design

Table 1 summarises the key transmission network design features of the Robin Rigg Transmission Assets:

Table 1: Robin Rigg Network Design Features

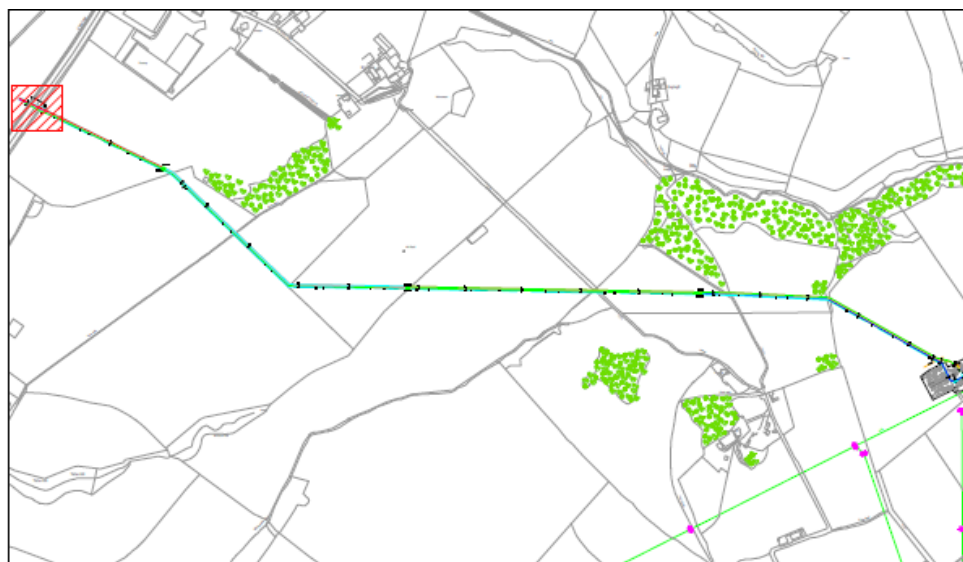
Key Features	Description
Expected minimum designated service life	20 years
Capacity rating	100MVA (each circuit)

E.ON has a contractual agreement with ENW to export a maximum of 99MW and import 1.5 MW for each wind farm from the onshore connection at Seaton. The export right at the proposed offshore connection points is 180MW i.e. 90MW per wind farm.

Description of Transmission Assets

Figure 2 shows the proposed route for the onshore cable.

Figure 2: Route of Robin Rigg Onshore Transmission Cable



Source: E.ON

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

Table 2 – Asset summary

Asset	Description
OSPs	It is not expected that the OSPs will transfer to the OFTO
Subsea cables	A single subsea cable connects each OSP to the shore where they are joined to the onshore cable in a jointing chamber. Each connection will be a single 3 core 132kV cable, 12.5km in length.
Onshore cables	The onshore cables link the subsea connections to the onshore substation. The connections will consist of two 132kV cables, 1.8km in length.
Onshore substation	The onshore substation houses the necessary high voltage switchgear for connecting the onshore cable to the transmission or distribution network. The main equipment proposed to be transferred consists of two 132/33kV transformers, capacitors and reactors for reactive compensation and 33kV switchgear.
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	At a point 300 millimetres below where the 132kV singles cores pass through the 132kV disconnector module base plate.
Onshore	Boundary likely to be at the 132KV overhead bus-bar Palm connections to the High Accuracy Metering Unit.

Redundancy

Each OSP is connected to the mainland by a single 132kV subsea cable.

Contractual arrangements

E.ON has adopted a multi contract strategy for the delivery of Robin Rigg, all of which have now been awarded, including the site surveys which were carried out onshore by Metoc and Geo technics and offshore by Osiris. All contracts are being managed individually by E.ON.

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

Table 4 – Key Contracts and Assets

Services & Main Equipment List	Contract	Contractor
Subsea cables: 2 x 12.5km 132kV 3 core cables	Supply Installation	Prysmian Subocean
Onshore cables: 2 x 1.8km 132kV single core cables	Supply and installation	Balfour Power Networks
Onshore substations: 2 x 132/33kV transformers 2 x 132kV circuit breakers 6 x 6MVA capacitors 4 x 6MVA reactors	Supply and installation	AREVA

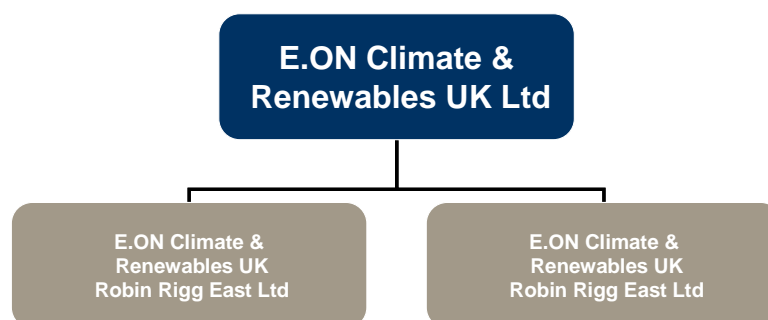
Consents and property rights

All necessary offshore consents and licences are in place for the construction of the Robin Rigg 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

An overview of the ownership structure of the Robin Rigg Wind Farms (East and West) and Robin Rigg Transmission Assets is set out 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 Robin Rigg 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 E.ON to recover its economic and efficient costs of developing the Robin Rigg 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 Robin Rigg Transmission Assets.

For the purpose of commencing the tender process, Ofgem has established an Estimated Transfer Value of £58.7million for the Robin Rigg 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 Robin Rigg Transmission Assets, to support the launch of the initial, pre-qualification phase of the first tender process.

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

DISCLAIMER

The information contained in this report has been compiled by RBC Capital Markets ("RBC CM") from sources believed to be reliable, but no representation or warranty, express or implied, is made by Royal Bank of Canada, RBC CM, its affiliates or any other person (which expression shall include the Gas and Electricity Markets Authority and Ofgem, the Office of Gas and Electricity Markets) as to its accuracy, completeness or correctness. RBC Capital Markets is a business name used by subsidiaries of the Royal Bank of Canada including RBC Dominion Securities Inc., RBC Dominion Securities Corp., RBC Dain Rauscher Inc., Royal Bank of Canada Europe Limited and Royal Bank of Canada – Sydney Branch. All opinions and estimates contained in this report constitute RBC CM's judgement as of the date of this report, are subject to change without notice and are provided in good faith but without legal responsibility. This report is not an offer to sell or a solicitation of an offer to buy any securities. RBC CM and its affiliates may have an investment banking or other relationship with some or all of the issuers mentioned herein and may trade in any of the securities mentioned herein either for their own account or the accounts of their customers. Accordingly, the entities constituting RBC CM or their affiliates may at any time have a long or short position in any such security or option thereon. Every province in Canada, state in the U.S., and most countries throughout the world have their own laws regulating the types of securities and other investment products which may be offered to their residents, as well as the process for doing so. As a result, the securities discussed in this report may not be eligible for sale in some jurisdictions. This report is not, and under no circumstances should be construed as, a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. This material is prepared for general circulation to clients and does not have regard to the particular circumstances or needs of any specific person who may read it. To the full extent permitted by law neither RBC CM or any of its affiliates, nor any other person, accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or the information contained herein. No matter contained in this document may be reproduced or copied by any means without the prior consent of RBC CM. The entities comprising RBC Capital Markets are wholly owned subsidiaries of the Royal Bank of Canada and are members of the RBC Financial Group. Additional information is available on request.

To US Residents: This publication has been approved by RBC Dominion Securities Corp. ("RBCDS Corp.") and RBC Dain Rauscher Inc. ("RBC DRI"), both of which are U.S. registered broker-dealers, which accept responsibility for this report and its dissemination in the United States. Any U.S. recipient of this report that is not a registered broker-dealer or a bank acting in a broker or dealer capacity and that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report, should contact and place orders with RBCDS Corp. or RBC DRI.

To Canadian Residents: This publication has been approved by RBC Dominion Securities Inc. Any Canadian recipient of this report that is not a Designated Institution in Ontario, an Accredited Investor in British Columbia or Alberta or a Sophisticated Purchaser in Quebec (or similar permitted purchaser in any other province) and that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report should contact and place orders with RBC Dominion Securities Inc., which, without in any way limiting the foregoing, accepts responsibility for this report and its dissemination in Canada.

To U.K. Residents: This publication has been approved by Royal Bank of Canada Europe Limited ("RBCCEL") which is regulated by Financial Services Authority ("FSA"), in connection with its distribution in the United Kingdom. This material is not for distribution in the United Kingdom to private customers, as defined under the rules of the FSA. RBCCEL accepts responsibility for this report and its dissemination in the United Kingdom.

To Persons receiving this advice in Australia: This material has been distributed in Australia by Royal Bank of Canada -Sydney Branch (ABN 86 076 940 880). This material has been prepared for general circulation and does not take into account the objectives, financial situation or needs of any recipient. Accordingly, any recipient should, before acting on this material, consider the appropriateness of this material having regard to their objectives, financial situation and needs. If this material relates to the acquisition or possible acquisition of a particular financial product, a recipient in Australia should obtain any relevant disclosure document prepared in respect of that product and consider that document before making any decision about whether to acquire the product.