

Preliminary Information Memorandum

Walney I 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 Walney I offshore wind farm (the "**Walney I Wind Farm**"). The Walney I Wind Farm will consist of 51 Siemens SWT 3.6MW wind turbine generators .

The transmission assets for the Walney I Wind Farm (referred to in this document as the "**Walney I Transmission Assets**") are owned and will be constructed by DONG Walney (UK) Ltd. ("**DONG Walney**"), a wholly owned subsidiary of DONG Energy A/S ("**DONG Energy**"). DONG Walney has contracted construction of the Walney I Transmission Assets to various third party contractors, as set out later in this document.

It is currently expected that construction of the Walney I Transmission Assets will be completed in October 2010. Once completed, the Walney I 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 Walney I Transmission Assets is £99.4 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

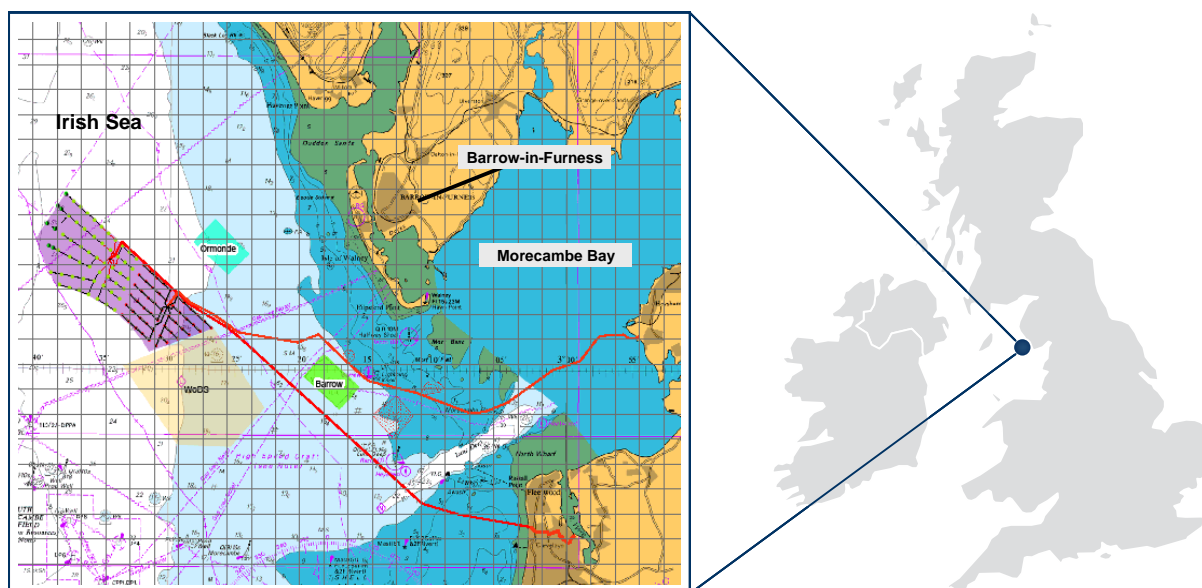
The Walney I Wind Farm is to be located approximately 15km west of Walney Island and some 18km from Barrow-in-Furness, off the Cumbrian coast in northwest England. The offshore connection point will be on the OSP located within the boundaries of the Walney I Wind Farm layout, as illustrated in Figure 1 below. In Figure 1 the turbine layout of the Walney I Wind Farm is represented by the red dots. Figure 1 also shows the Walney II wind farm project ("**Walney II Wind Farm**") where the turbines are represented by the green dots.

The Walney 1 Transmission Assets will connect to the 400/132kV National Grid substation at Heysham, Cumbria – the more northerly of the two red transmission lines shown in Figure 1. The onshore transmission licensee is National Grid Electricity Transmission ("**NGET**"). The Walney II Wind Farm will be connected to a different onshore location at Stanah, Cumbria and its transmission assets will be subject to a separate tender process.

It is expected that the connection point between the Walney I Wind Farm and the Walney I Transmission Assets will be at the point at which the 33kV inter-array cables connect to the offshore 132/33kV transformer, as further described below.

The Walney I Transmission Assets are located entirely within UK territorial waters.

Figure 1: Location of the Walney I Wind Farm and Transmission Assets



Source: DONG Energy – NIRAS

Notes: Red dots represent Walney I turbine layout whilst the green dots represent Walney II turbine layout

Timeline

Construction of the Walney I Wind Farm is due to commence in April 2010, with work on the Walney I Transmission Assets expected to begin in July of the same year. The current expected date of delivery of the onshore connection by NGET is 31 December 2009. Construction of the Walney I Transmission Assets is expected to be completed in October 2010, with the Walney I Wind Farm being fully operational by April 2011.

Transmission Network Design

Table 1 summarises the key transmission network design features of the Walney I Transmission Assets:

Table 1 – Walney I Network Design Features

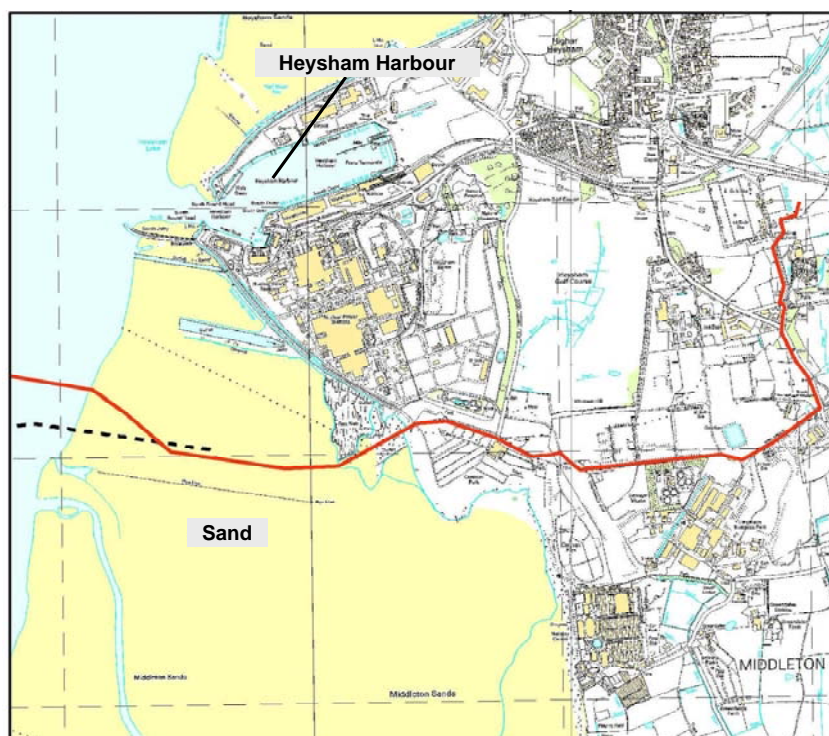
Key Features	
Expected minimum designated service life	20 years
Capacity rating	192MVA

A Connection and Use of System Agreement (“CUSA”) has been entered into between DONG Walney and NGET with export rights of 178MW.

Description of Transmission Assets

Figure 2 shows the proposed route for the onshore cable.

Figure 2: Route of Walney I Transmission Cable



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 Walney I Transmission Assets, is set out in Table 2 below. Table 4 provides a more detailed list of equipment proposed for transfer.

Table 2 – Assets summary

Asset	Description
OSP	The OSP's purpose is to house the necessary equipment for connection and switching of the wind turbine arrays. Main equipment proposed to be transferred includes two 132/33kV transformers, together with associated 132kV switchgear, two 33/0.4kV auxiliary transformers 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 three core 132kV cable, 45.3km in length buried to a depth of 2m. The cable will have a rating of 192 MVA.
Onshore cables	The onshore cables link the subsea connection to the onshore substation. The connection will consist of three underground single core 132kV cables, each 2.7km in length. The cables will have an overall rating of 192MVA.
Onshore substation	The onshore substation houses the necessary high voltage switchgear for connecting the onshore cable to the transmission or distribution network and associated reactive compensation equipment. Main equipment proposed to be transferred includes the 132kV switchgear bay. Reactive compensation for the connection will be provided by a 64MVar shunt reactor and associated harmonic filtering equipment.
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	Located within the onshore substation at NGET's 132kV busbars, with the busbars in the line bay itself being the interface between NGET and the Walney I Transmission Assets.

Redundancy

Electrical redundancy will be provided by two transformers on the OSP. There is a single subsea cable connecting the OSP to the mainland.

Contractual arrangements

DONG Energy has adopted a multi-contract strategy for the delivery of the Walney I 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 from transfer.

Table 4 – Key Contracts and Assets

Services and Main Equipment List	Contract	Contractor
OSP – construction:	Supply	Bladt Industries
four storey steel frame mounted on a four point transition frame on a jacket foundation	Installation	Scaldis
OSP – mechanical and electrical equipment:	Supply and installation	ABB/AREVA
2 x 120MVA 132/33kV transformer 132kV GIS switchgear		
Subsea cable:	Supply	Prysmian
1 x 45.3km 132kV 3 core cable	Installation	Visser Smith
Onshore cables:	Supply	Prysmian
3 x 2.7km 132kV single core cables	Installation	To be awarded
Onshore substation:	Civils	To be awarded
	64 MVAR shunt reactor	Hyosung
	132 kV GIS	To be awarded
	Harmonic filters	To be awarded

All seabed surveys required to date have been completed, with a supplementary seabed survey to be undertaken in the summer of 2009.

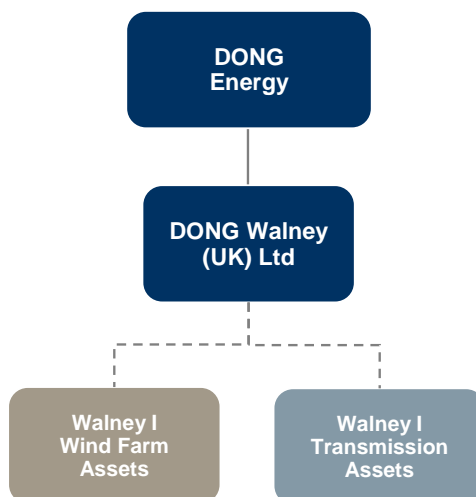
Consents and property rights

All necessary offshore consents and licences are in place for the construction of the Walney I 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. Two out of six onshore land agreements for cable easements are already in place. The remaining four land agreements are currently under negotiation.

Ownership structure

An overview of the ownership structure of the Walney I Wind Farm and Walney I 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 Walney I 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 Walney I 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 Walney I Transmission Assets.

For the purpose of commencing the tender process, Ofgem has established an Estimated Transfer Value of £99.4 million for the Walney I 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 Walney I 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.

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