

Preliminary Information Memorandum

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

The transmission assets for the Walney II Wind Farm (referred to in this document as the "**Walney II 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 II Transmission Assets to various third party contractors, as set out later in this document.

It is currently expected that construction of the Walney II Transmission Assets will be completed in July 2011. Once completed, the Walney II 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 II Transmission Assets is £104.4 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

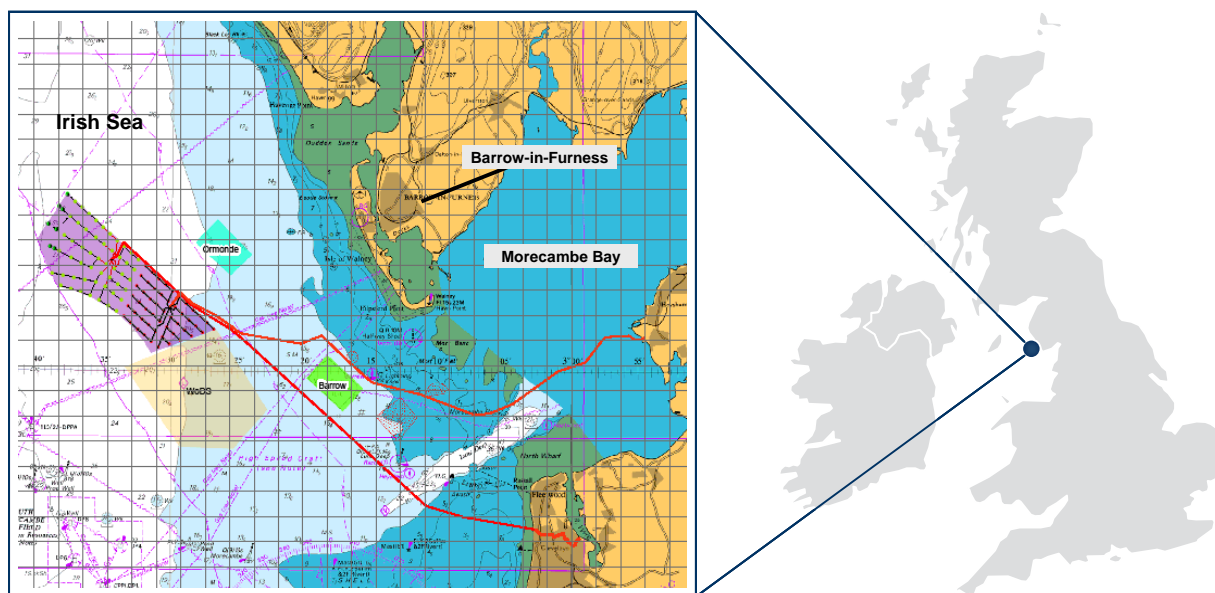
The Walney II Wind Farm is to be located approximately 15km west of Walney Island, and some 18km from Barrow-in-Furness, off the Cumbrian coast in northwest England. The offshore connection point will be on the OSP located within the boundaries of the Walney II Wind Farm layout, as illustrated in Figure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

The Walney II Transmission Assets will connect to the 132 kV substation at Stanah, Cumbria, owned by Electricity North West Ltd. (“**ENW**”) – the more southerly of the two red transmission lines shown in Figure 1. Walney I Wind Farm will be connected to a different onshore location at Heysham, Cumbria and its transmission assets will be subject to a separate tender process.

It is expected that the connection point between the Walney II Wind Farm and the Walney II 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 II Transmission Assets are located entirely within UK territorial waters.

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



Source: DONG Energy – NIRAS

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

Timeline

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

Transmission Network Design

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

Table 1 – Walney II Network Design Features

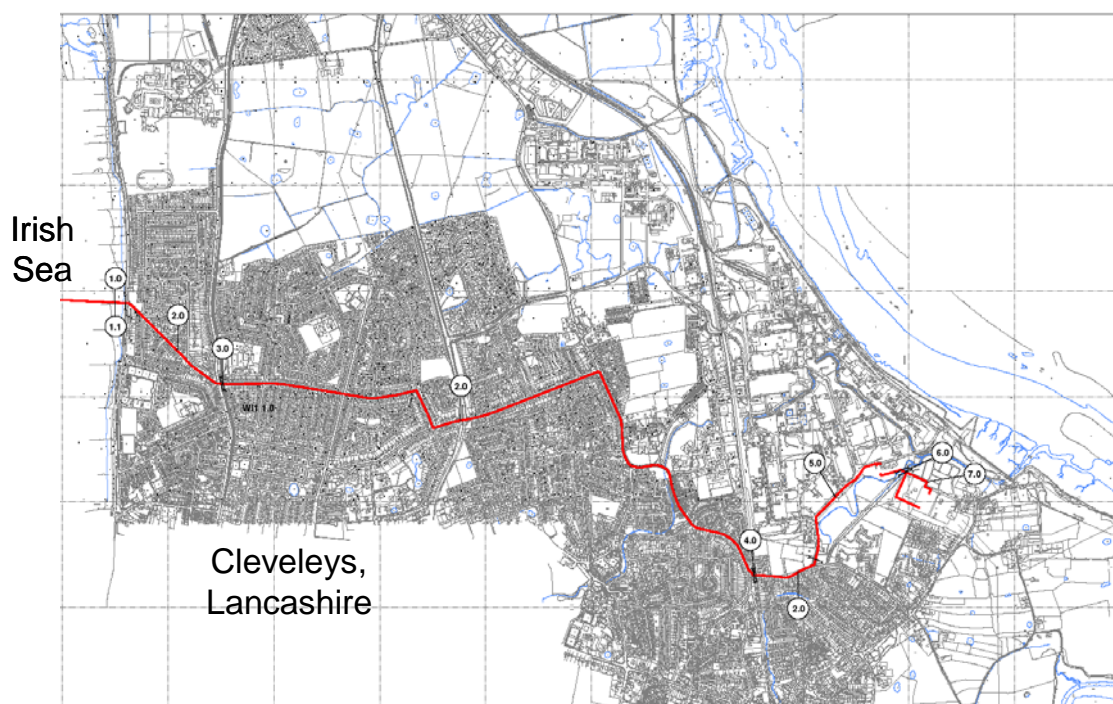
Key Features	
Expected minimum designated service life	20 years
Capacity rating	192MVA

A Connection Offer has been accepted by DONG Walney from ENW, which envisages a Connection and Use of System Agreement (“**CUSA**”) to be entered into, with rights to export up to 183MW onto the ENW distribution system.

Description of Transmission Assets

Figure 2 shows the proposed route for the onshore cable.

Figure 2: Route of Walney II Onshore 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 II 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 equipment proposed to be transferred includes two 132/33 kV 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 a three core 132kV cable, 43.7km in length buried to a depth of 2m. The cable will have a rating of 192MVA.
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 5km 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 distribution network and associated reactive compensation equipment. Main equipment proposed to be transferred includes the 132kV switchgear bay.
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. 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 33 kV cables connected to the 132/33kV transformer.
Onshore	Located at the top of the 132kV cable termination end inside ENW's Stanah substation.

Redundancy

Electrical redundancy will be provided by two offshore 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 II 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
	Installation	Scaldis
OSP – mechanical and electrical equipment:	Supply and installation	TBC
2 x 120MVA 132/33kV transformer		
132 kV GIS switchgear		
Subsea cable:	Supply	TBC
	Installation	Visser Smith
1 x 43.7km 132kV 3 core cable		
Onshore cables:	Supply	TBC
	Installation	To be awarded
3 x 5km 132kV single core cable		
Onshore substation:	Civils	To be awarded
	64MVAR shunt reactor	To be awarded
	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

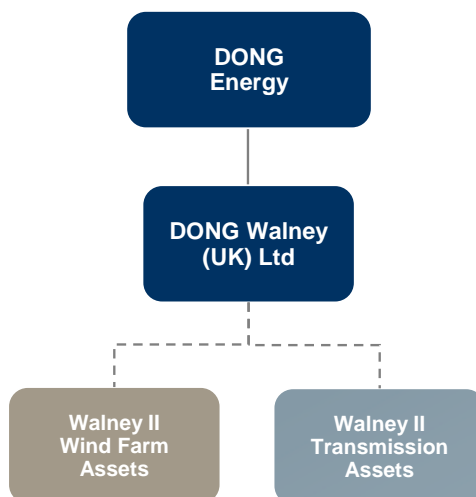
Consents and property rights

All necessary offshore consents and licences are in place for the construction of the Walney II 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. Four onshore land agreements for cable easements are currently under negotiation.

Ownership structure

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

For the purpose of commencing the tender process, Ofgem has established an Estimated Transfer Value of £104.4 million for the Walney II 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 II 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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