

Press Release

R/55

Monday 14 December 2009

SHORTLIST FOR OVER £1 BILLION OF OFFSHORE ELECTRICITY LINKS ANNOUNCED

- **Strong competition to run over £1 billion of high-voltage transmission links with offshore wind farms**
- **Each of the first nine projects now has a short list of firms competing to own and run the transmission link with the offshore wind farm**
- **This investment is crucial for tackling climate change and securing energy supplies**
- **Winning bids for links worth over £1 billion will be announced in May 2010**

Following strong competition for the first tender to run transmission connections to offshore wind farms, Ofgem E-Serve has made a decision on a short list of firms for each of the first nine projects.

The shortlisted firms are competing to own and operate transmission links with some of Britain's first offshore wind farms. In total, the links will connect up to 2,000 megawatts of renewable electricity. This is the first phase of a £15 billion programme to ensure links to offshore wind farms, which could total 33 GW by 2020, are built on time and cost effectively for consumers and generators. The winning bidders will be announced in May 2010.

The first phase has been characterised by strong competition between new entrants and existing network companies, with some attractive offers from new entrants, putting the project on course to achieve the predicted £1 billion of savings to consumers from all phases of the programme. Also, the European Investment Bank is considering making over £300 million available for the first tender phase.

Ofgem's Chief Executive Alistair Buchanan, said:

"If Britain is to meet its climate change targets and secure energy supplies Ofgem's Project Discovery estimates that up to £200 billion may need to be invested. Offshore wind will play a key role in delivering a better environment for consumers, so it is vital that the transmission links for offshore wind attract investors and are built as quickly and cost effectively as possible.

"The strong competition for the first round of transmission links demonstrates the value of attracting new entrants and shows that firms have confidence in the tendering process and are willing to make a substantial investment. This is vital if the £15 billion needed to

connect the Government’s target of 33 gigawatts of offshore wind is to be raised in these difficult financial circumstances.”

The companies which are successful in May 2010 will take ownership of the transmission links once they are constructed. They will then run the links and in return will receive a stable, regulated income for 20 years.

Notes to editors

1. Offshore connections

In 2009 the Government introduced a new regulatory regime for licensing offshore electricity transmission, which uses competitive tendering to ensure the cable connections are delivered on time and at reasonable cost.

The present round of tenders is known as the **Transitional** regime and opens the way for transmission licensees to own and operate transmission assets for offshore renewable projects which have been or are being constructed. A second transitional tender process is scheduled to begin next summer.

Subsequent tenders will be known as the **Enduring** regime for projects that will be identified as they meet certain preconditions set by Ofgem. Under the enduring regime, potential investors will be able to bid to design, build, finance and maintain the transmission assets required to connect offshore generators to the onshore grid.

For more information see Factsheet 79 *"Networks for offshore wind power – regulating for sound investment."* is available from the Ofgem website at www.ofgem.gov.uk.

2. Short list of firms competing for transmission links to wind farms

- Balfour Beatty Capital Ltd (**BBCL**);
- DONG Energy Sales and Distribution A/S (**DESD**);
- Green Energy Transmission (a consortium of Equitix Ltd and AMP Capital Investors Ltd) (**GET**);
- Macquarie Capital Group Ltd (**MCGL**);
- National Grid Offshore Ltd (**NGOL**);
- Transmission Capital Partners (a consortium of Transmission Capital, International Public Partnerships and Amber Infrastructure Group) (**TCP**)

Project/MW	Shortlist for each project
Barrow 90 MW	BBCL; DESD; MCGL; TCP
Greater Gabbard 504 MW	GET; MCGL; NGOL; TCP
Gunfleet Sands 1&2 164 MW	BBCL; DESD; MCGL; TCP
Ormonde 150 MW	BBCL; GET; MCGL; TCP
Robin Rigg 180 MW	GET; MCGL; NGOL; TCP
Sheringham Shoal 315 MW	BBCL; GET; MCGL; TCP

Thanet 300 MW	BBCL; GET; MCGL; TCP
Walney 1 178 MW	BBCL; DESD; GET; MCGL; TCP
Walney 2 183 MW	BBCL; DESD; GET; MCGL; TCP
Total MW 2,064	

3. European Investment Bank (EIB)

In October the EIB announced that it is considering provision of over £300 million of funding for the first transitional tender round for connections to offshore wind farms.

The EIB funding is intended for 6 projects- Thanet, Greater Gabbard, Walney 1, Walney2, Sheringham Shoal and Ormonde.

4. Ofgem E-Serve

To reflect the importance of sustainability and the low carbon agenda, the Ofgem Group is made up of two Business Units: **Ofgem**, the regulator and **Ofgem E-Serve**, the delivery arm.

Ofgem E-Serve focuses on administering environmental programmes such as the Renewables Obligation, Carbon Emission Reduction Target (CERT), Community Energy Saving Programme (CESP) and the Climate Change levy exemption for renewables. It also manages the delivery of sustainable projects such as offshore transmission connections and is expected to have a key role in the delivering of feed-in tariffs for micro generation and the proposed Carbon Capture and Storage Levy.

5. Advisors

Ofgem's advisors on the first transitional tender round include Ernst & Young, Royal Bank of Canada, KEMA, Herbert Smith and Willis.

For further press information contact:

Ofgem

Mark Wiltsher 020 7901 7006/Mobile: 07879602838