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For the attention of Colin Down/Laura Nell

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12 August 2010

Dear Sirs,

Consultation on the draft generic Offshore Transmission Owner Licence: Proposed new condition A3 (Market Rate Revenue Adjustment) (the "Consultation")

Balfour Beatty Capital, acting as agent for Balfour Beatty Group Limited, is responding to the Consultation dated 29 July 2010 in its capacity as Preferred Bidder for the Thanet project, Reserved Bidder for the Sheringham Shoal project and a Qualifying Bidder for the Ormonde project.

In summary, the proposed amendments to the licence are sensible and promote efficiency and the licence certainty for asset transfer to occur. The incorporation of the OFTO Special Licence Conditions into the "Amended Standard Conditions" allows for a simultaneous licence grant, asset transfer and financial close; and introducing a refinement into the proposed Amended Standard Condition E12 - A3 will enable the Authority to issue a direction so that the Authority can determine the value of the market rate adjustment (MRAt) on the day of licence grant.

As requested in the Consultation we have provided comments specifically on the following three areas:

1. The proposed approach to enabling the revenue adjustment for changes in market rates

We view the proposed approach to enabling the revenue adjustment for changes in market rates as reasonable as it allows for market rates to be fixed at licence grant. However, the process for the Authority issuing a direction to determine the value of the MRAt on the day of licence grant and asset transfer has not been explained fully in the Consultation and needs to be fully understood by all relevant parties well advance of licence grant to ensure a smooth transfer process.



2. The detailed drafting of proposed new Amended Standard Condition E12 - A3

The overall proposal is sensible provided the methodology adjustment is made to accommodate the financial close structure of a specific asset. For projects with two transfer payments (i.e. the first transfer payment for 75% of the ETV paid at financial close with the second transfer payment occurring up to six months post financial close once the FTV is finalised) we would expect to enter into a second swap at the date of the subsequent drawdown of senior debt for the second transfer payment so the OFTO is not exposed to market rate risk associated with the payment timing differential. The Amended Standard Condition E12 - A3, in conjunction with the Authority approved market rate adjustment methodology statement, should be flexible to take into account projects that may require more than one swap process.

The definition of 'market rates' should be a broader term to capture other reference interest rates that might be relevant.

3. The proposed drafting refinements to Amended Standard Conditions E12 - A2 and E12 - J2 to accommodate the incorporation of new Amended Standard Condition E12 - A3

Our position is that changes to the Post Tender Revenue Adjustment (PTRAt) should be such that the OFTO's position is no better or worse following the change. A statement reflecting OFTO cost neutrality principle should be included in Amended Standard Condition E12 – A2(2) which is supported by the adjustment mechanism.

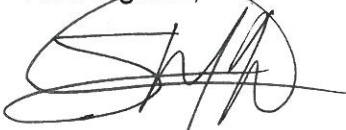
For clarity, we would recommend that the Amended Standard Condition E12 – A2(3) state that the PTRAt is the difference between the Estimated Transfer Value assumed by the preferred bidder and the Final Transfer Value against which the successful bidder raises the required funds.

Version 5 of Special Licence Condition A2(3), placed time limits on the licensee on responding to information requests from or making representations to the Authority and also placed time limits on the Authority for notifying the licensee on its determination. The Amended Standard Condition E12 – A2(4) which does not have time limits on the Authority should be amended to reflect the time limits as per version 5 of Special Licence Condition A2(3).

The Amended Standard Condition E12 – A2 does not address dispute resolution in the event the Authority and the licensee cannot reach an agreement on the PTRAt term. Dispute resolution procedures should be included.

We would be pleased to discuss any element of our response to this Consultation with you. If you have any questions in the interim, please do not hesitate to contact me

Kind regards,



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