

Press Release

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Thursday 28 April 2011

FOUR BIDDERS SHORTLISTED IN THE SECOND ROUND OF TENDERS FOR OFFSHORE TRANSMISSION LINKS

- **Strong competition to own and operate over £1bn of high-voltage transmission links for three offshore wind farms**
- **Shortlist of bidders follows strong interest in the first round of tenders which attracted £4bn investment appetite**
- **Preferred bidders for links will be announced from autumn 2011**

Ofgem E-Serve has today announced a short list of four bidders competing to own and run links to a further three offshore wind farms.

The shortlisted bidders for the second tender round are competing to own and run connections to the Gwynt y Môr, Lincs and London Array (phase 1) offshore wind projects. This follows strong competition for the first tender round which attracted almost £4 billion worth of investment appetite to own and operate £1.1 billion worth of links. The first round resulted in estimated savings of £350 million for offshore wind farms and ultimately consumers.

Ofgem E-Serve's Managing Director, Commercial, Robert Hull, said: "The variety of firms competing to own these three links shows that the offshore transmission regime has again proved very successful at attracting investment into the offshore wind sector. Competitive tendering will ensure that these wind farms can be connected at a lower cost to customers."

The following bidders have been shortlisted for all three projects in the second tender round:

- Balfour Beatty Equitix consortium (a consortium of Balfour Beatty Capital Ltd and Equitix Ltd)
- Blue Transmission (a consortium of Macquarie Capital Group Ltd, Barclays Infrastructure Funds Management Ltd and Mitsubishi Corporation)
- National Grid Offshore Limited
- Transmission Capital Partners (a consortium of Transmission Capital Partners Ltd and International Public Partnerships Ltd)

The shortlisted companies are bidding to become Offshore Transmission Owners (OFTOs) which will take over ownership of the links and receive a stable, regulated income for 20 years. Ofgem expects to announce the preferred bidders for the Lincs and London Array

(phase 1) projects in autumn 2011. The preferred bidder for Gwynt y Môr will be selected later than the bidders for the other two projects, as construction is not as far advanced.

Tenders for a further three projects in a follow up stage (Tranche B) to the second tender round – Humber Gateway, West of Duddon Sands and Race Bank – are expected to start next spring. In total these six projects represent around £2 billion of offshore transmission links connecting some 2.8 GW of offshore wind.

The news follows Ofgem’s announcement last month that Transmission Capital Partners has secured the first offshore transmission owner licence for the Robin Rigg wind farm. Robin Rigg was one of the projects in the first tender round.

- Ends-

1. The Transitional Tender Round 2 Tranche A Projects

The shortlisted bidders are bidding to own and run the first 3 projects (Tranche A) in the second transitional tender round. These are:

Project	Developer(s)	Initial transfer value*	MW
Gwynt y Môr	RWE Innogy, Siemens, Stadtwerke Munchen,	£305.7 million	576
Lincs	Centrica, DONG Energy, Siemens	£310.5 million	250
London Array (phase 1)	DONG Energy, E.On, Masdar	£475.7 million	630

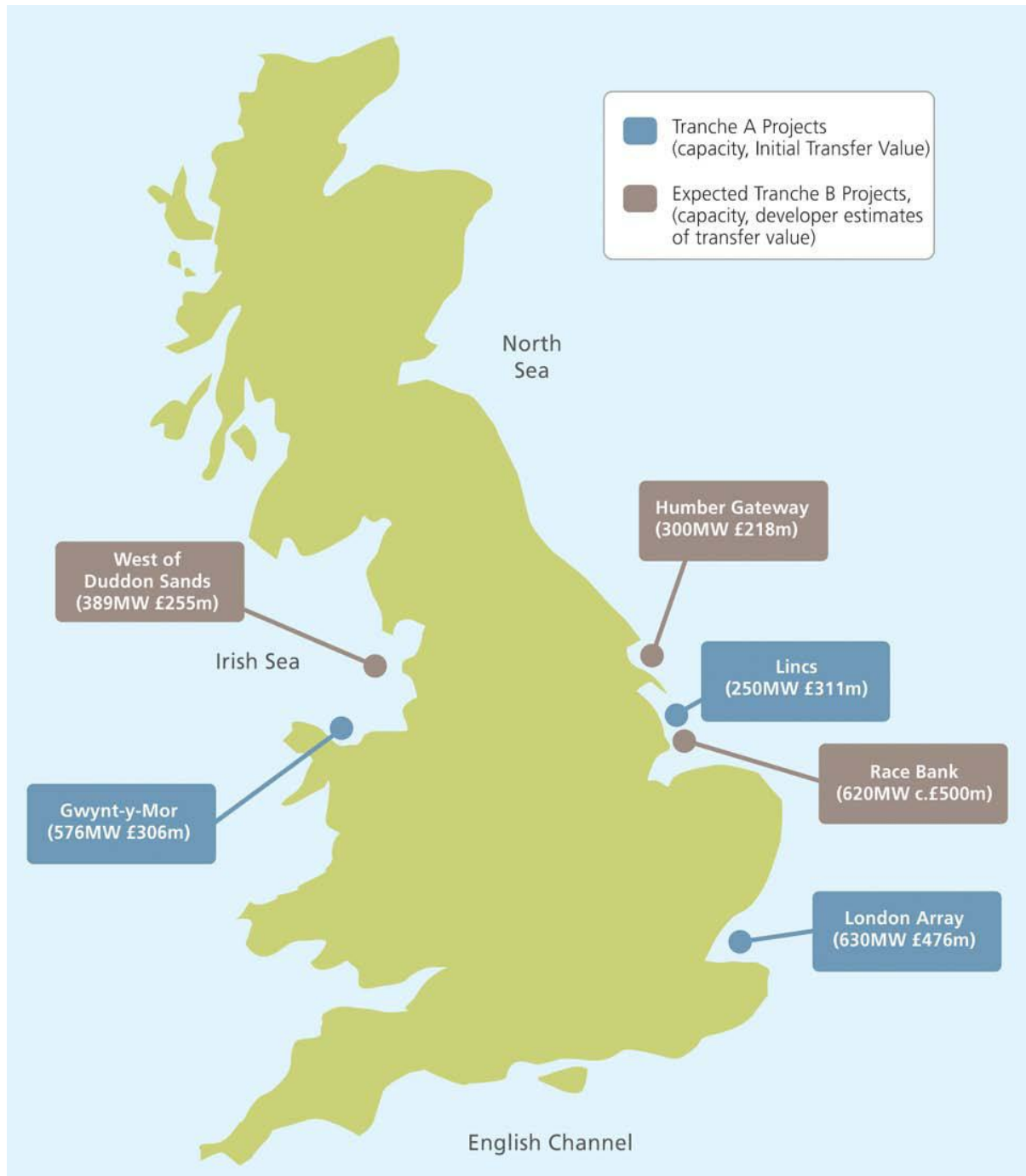
*Based on developer’s own projections.

2. The Transitional Tender Round2 Tranche B Projects

The 3 projects to be included in Tranche B of the second transitional tender round are:

Project	Developer(s)	Developer estimated transfer value	MW
Humber Gateway	E.On	£218.3 million	300
West of Duddon Sands	SP Renewables, DONG Energy	£255 million	389
Race Bank	Centrica	c.£500 million	500 - 620

3. Map showing second transitional tender round wind farms



4. Offshore connections

The offshore regulatory regime for licensing offshore electricity transmission, introduced in 2009, uses competitive tendering to ensure the cable connections are delivered on time and at a reasonable cost. The first phase of the project involves two transitional tender rounds and opens the way for transmission licensees to own and operate transmission assets for offshore renewable projects which have been or are being constructed by the offshore generator. The preferred bidders for the projects in the first tender round were

announced in August last year -

<http://www.ofgem.gov.uk/Media/PressRel/Documents1/AugustOffshorePressNotice.pdf>

Today's announcement relates to the bidders selected to tender for the first three projects (Tranche A) in the second transitional tender round. Subsequent tenders will be undertaken under an enduring regulatory regime. This regime enables Ofgem to run transmission investment tenders that allow for either:

- Offshore Transmission Owners (OFTO's) to design, build, operate and maintain the transmission assets; or
- Generator Developers to build the transmission assets and then transfer to OFTOs upon completion of construction.

For more information see Factsheet "Networks for offshore wind power – regulating for sound investment" (factsheet No. 91) available from Ofgem website at www.ofgem.gov.uk.

5. 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, its delivery arm. Ofgem E-Serve focuses on administering environmental programmes such as the Renewables Obligation, Carbon Emission Reduction Target, Community Energy Saving Programme, the Feed-in Tariffs Scheme for micro-generation and the Climate Change Levy exemption for renewable. It also manages the delivery of sustainability projects such as offshore transmission connections.

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