

# Press Release

Friday 21 October 2011

## **OFGEM E-SERVE GRANTS OFFSHORE TRANSMISSION OWNER LICENCE FOR LINK TO WALNEY 1 OFFSHORE WIND FARM**

Blue Transmission Walney 1 Limited (a consortium of Macquarie Capital Group Limited and Barclays Integrated Infrastructure Fund) has today been granted a licence to own and operate the transmission link to the Walney 1 wind farm. £52m of the debt funding for Blue Transmission Walney 1 Limited's purchase of the link is being provided by the European Investment Bank.

Blue Transmission was chosen by Ofgem E-Serve to take over ownership of the link from DONG Energy, Scottish and Southern Energy (SSE) and OPW\*, owners of the Walney 1 wind farm, following a competitive tender delivered by Ofgem E-Serve under the Offshore Transmission Owner (OFTO) regime.

This is the highest value project to have reached financial close so far in the first transitional tender round of the offshore regime. Blue Transmission will now be able to operate the link to the 51-turbine wind farm in the Irish Sea for 20 years.

As part of the licence grant process, Blue Transmission are buying the link from DONG, SSE and OPW for £105.4m, with £52 million of debt funding for the purchase being funded by the European Investment Bank\*\* (EIB), the European Union's long-term lending institution. The EIB is providing this funding to support investment in offshore links as an essential part of the UK's renewable energy infrastructure. The EIB is providing funding totalling £300m for six of the nine links to offshore wind farms from the first transitional tender round.

Ofgem Chairman, Lord Mogg, said: "The OFTO regime has already attracted more than £250m investment from both the EIB and other new commercial and funding entrants. The EIB's involvement is one of the key factors that made the first tender round a success. It demonstrates confidence that the regime can deliver good investment opportunities while lowering the cost to developers and customers of bringing power ashore."

Simon Brooks, European Investment Bank Vice-President for the UK, said "Operation of the Walney transmission link will help reduce the overall cost of energy produced by offshore wind. Support for renewable energy across Europe, including grid links and windfarms, is essential for ensuring infrastructure investment that promotes climate action."

The OFTO licence for Walney 1 is the first to be granted to the Blue Transmission consortium, but it is the fourth OFTO licence that Ofgem E-Serve has granted this year. The other OFTO licences are for ownership of links to the Barrow, Gunfleet Sands and Robin Rigg wind farms.

All four were part of the first transitional tender round, which comprises £1.1 billion of offshore transmission links to nine offshore wind farms. The tender round attracted almost £4 billion of investment appetite and Ofgem E-Serve expects to conclude the grant of licences for the other links in the first round as they become operational over the coming year.

The second transitional tender round has four short-listed bidders competing for the first three projects to link another 1.4 GW of offshore wind farms with a total value of £1 billion.

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### Notes to editors

\*OPW is a company jointly owned by Dutch pension administrator PGGM and Ampère Equity Fund (managed by Triodos Investment Management)

\*\*Other lenders to the transaction comprise four commercial lenders.

1. The European Investment Bank is expected to provide £300m of finance for six of the nine links to offshore wind farms from the first transitional tender round.

2. Press statements on the granting of the other three OFTO licences for the Barrow, Gunfleet Sands and Robin Rigg transmission links are available here:

- [http://www.ofgem.gov.uk/Media/PressRel/Documents1/barrow%20OFTO%20licence%20grant\\_9\\_2011.pdf](http://www.ofgem.gov.uk/Media/PressRel/Documents1/barrow%20OFTO%20licence%20grant_9_2011.pdf)
- <http://www.ofgem.gov.uk/Media/PressRel/Documents1/Gunfleet%20OFTO%2019%20July%202011.pdf>
- <http://www.ofgem.gov.uk/Media/PressRel/Documents1/First%20OFTO%20press%20release.pdf>

3. The offshore regulatory regime was developed by Government and Ofgem and was launched in 2009. The regime is for licensing offshore electricity transmission and uses competitive tendering to ensure the cable connections are delivered on time and at a reasonable cost. It is the first time that Ofgem has used competitive tendering in this way. 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. Subsequent tenders will be undertaken under an enduring regulatory regime which will enable Ofgem to run transmission investment tenders that allow for either:

- Offshore Transmission Owners (OFTOs) to design, build, operate and maintain the transmission assets; or
- Generators to build the transmission assets and then transfer to OFTOs under completion of construction.

3. The shortlisted bidders for the first three projects in the second transitional tender round, Gwynt y Mor, Lincs and London Array (phase 1), are

- 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 Consortium (a consortium of National Grid Offshore Limited, BriTel Fund Trustees Limited, as custodian of the BT Pension Scheme, and the Universities Superannuation Scheme Limited)
- Transmission Capital Partners (a consortium of Transmission Capital Partners Ltd and International Public Partnerships Ltd)

A press release detailing their selection is available here: <http://www.ofgem.gov.uk/Media/PressRel/Documents1/OFTO%20TR2%20shortlist%20Press%20Release28April2011.pdf>

The Invitation to Tender phase for the Lincs project is currently underway.

4. Ofgem E-Serve was created in September 2009 as a new business unit focusing on delivery of Government environmental programmes and the delivery of sustainability projects such as offshore transmission. The regulatory functions of Ofgem, such as setting network price controls and monitoring the markets, continue under separate business units within the Ofgem Group.

5. The European Investment Bank (EIB) is owned by the 27 Member States of the European Union, and provides long-term debt financing for projects that further EU economic policies. It has been active in the UK since 1973, supporting investment ranging from motorways and rail, to water supply and treatment, energy schemes, hospitals, universities, high-tech development in industry, as well as small and medium-sized businesses. In the last five years (2006-2010) it channelled over £17 billion into projects in the UK, including over £4 billion last year.

**For further press information contact:**

**Chris Lock: 020 7901 7225 Out of Hours: 07766 511470**

**European Investment Bank:**

Richard Willis, Tel: +352 621 555758, Email: [willis@eib.org](mailto:willis@eib.org),  
website: [www.eib.org/press](http://www.eib.org/press)