

Press Release

26 September 2012

OFGEM E-SERVE GRANTS OFFSHORE TRANSMISSION LICENCE FOR WALNEY 2, THE SECOND LINK WITH FUNDING FROM THE EUROPEAN INVESTMENT BANK

Blue Transmission Walney 2 Limited, a consortium of Macquarie Capital Group Limited and Barclays Infrastructure Funds Management Limited, has today been granted a licence to own and operate the transmission link to the Walney 2 wind farm. This is the second high voltage link which has received funding from the European Investment Bank (EIB).

Ofgem E-Serve appointed Blue Transmission to take over ownership of the link from Walney Windfarms Limited following a competitive tender under the Offshore Transmission Owner (OFTO) regime. Walney Windfarm Limited is owned by DONG Energy, Scottish and Southern Energy (SSE) and OPW*.

Lord Mogg, Ofgem Chairman, said: "The EIB's major investment in Walney 2 is a further strong endorsement of the competitive approach that is at the heart of GB's Offshore regime."

Simon Brooks, European Investment Bank Vice-President for the UK, said "Long term financing of the Walney 2 transmission link will bring down the cost of renewable energy paid by consumers. The European Investment Bank is committed to supporting investment in renewable energy across Europe, including grid links and windfarms. Ensuring funding for projects such as the Walney 2 link is essential for infrastructure investment that promotes climate action."

Blue Transmission is buying the link for £110m with half of the debt funding for the purchase being provided by the EIB and the remaining funding being provided by four commercial lenders. This brings the total amount of investment in Transitional Tender Round 1 to around £470m.

The EIB has so far approved funding totalling just under £1bn for offshore transmission projects, split evenly between Round 1 and Round 2A. They are also currently evaluating possible use of an EIB Project Bond Instrument to attract bond finance for offshore transmission links, tendered by Ofgem.

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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).

1. The European Investment Bank (EIB) is the long-term lending institution of the European Union owned by its Member States. It makes long-term finance available for sound investment in order to contribute towards EU policy goals.
2. Walney Windfarms Limited is owned by DONG Energy (50.1%), Scottish and Southern Energy (25.1%) and OPW (24.8%).
3. This transaction is the sixth to reach financial close in tender round 1 of the OFTO regime. Blue Transmission will now be able to operate the link to the 184MW wind farm, located approximately 15km off Walney Island, Cumbria, in the Irish Sea, for 20 years.
4. Blue Transmission was granted a licence by Ofgem E-Serve to own and operate the transmission link to the 184MW Walney 1 wind farm in October 2011.

Blue Transmission was also recently appointed by Ofgem E-Serve as the preferred bidder to own and operate the high voltage link for the London Array (Phase 1) wind farm. The Blue Transmission consortium appointed comprised Macquarie Capital Group Limited, Barclays Infrastructure Funds Management Limited (acting in its capacity as manager of Barclays Integrated Infrastructure Fund), Mitsubishi Corporation and Frontier Power Limited.

5. OFTO licences granted to date, for the first transitional tender round, include those for the Barrow, Gunfleet Sands, Robin Rigg, Walney 1 and Ormonde wind farms. The first transitional tender round attracted almost £4 billion of investment appetite for £1.1 billion of offshore transmission links to nine offshore wind farms.
6. Press statements on the granting of the other five OFTO licences are available here:

<http://www.ofgem.gov.uk/Media/PressRel/Documents1/Walney%20OFTO.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>

http://www.ofgem.gov.uk/Media/PressRel/Documents1/20120710_Ormonde_information_note-Final.pdf

7. The offshore regulatory regime was developed by DECC and Ofgem and was launched in 2009. The regime is for licensing offshore electricity transmission and uses competitive tendering to ensure that 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 licencees 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 regime which will enable Ofgem to run transmission investment tenders 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 them to OFTOs at construction completion.

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