

Press Release

18 September 2012

PREFERRED BIDDER APPOINTED FOR HIGH VOLTAGE LINK TO BRITAIN'S LARGEST OFFSHORE WINDFARM

Ofgem E-Serve has today appointed Blue Transmission as the preferred bidder to own and operate the high voltage link for the London Array (Phase 1) wind farm. This is the largest offshore transmission project to have reached this stage; the estimated value of the assets is £428 million. The London Array (Phase 1) windfarm, located in the Thames estuary, has a capacity of 630MW.

Blue Transmission, a consortium comprising 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, was selected by Ofgem E-Serve through a competitive process in which bidders compete to become offshore transmission owners (OFTOs).

Robert Hull, Ofgem E-Serve Managing Director, Commercial said "Competitive tendering for the ownership of offshore power links is attracting new investment into the GB energy sector at a time of tough financial market conditions. The competitive regime developed by the Department of Energy and Climate Change (DECC) and Ofgem ensures the costs to consumers for the high voltage links are kept as low as possible."

"The appointment of Blue Transmission as the preferred bidder to own and operate offshore links for the London Array (Phase 1) project is a significant milestone for the offshore regime. It is the largest offshore transmission project to have reached this stage and has been the most competitive tender to date".

The London Array (Phase 1) wind farm project is owned by a consortium of Dong Energy, E.ON and Masdar.

The offshore regulatory regime is now firmly established, with existing tender rounds attracting significant investment despite challenging market conditions. We will soon be launching a new tender competition for the transmission link to the West of Duddon Sands project. The Pre-Qualification (PQ) stage is due to commence towards the end of this year, and will provide an opportunity for new investors to enter the market.

Ends

Notes to editors

1. The Reserve Bidder for the project is Balfour Beatty Equitix Consortium (a consortium of Balfour Beatty Capital Ltd and Equitix Ltd).
2. A full list of the projects in the second tender round is set out below:

Project	MW	Estimated Transfer Value (£m)*
Lincs	250	282
London Array	630	428
Gwynt-y-Mor	576	306
West of Duddon Sands	389	255

*Final Transfer Value to be determined by Ofgem

3. In total the second transitional tender round will link 1.8GW of offshore wind farms, with the transmission assets valued at £1.3bn, adding to the 2.1GW of offshore wind farms that are being connected in Transitional Round 1. The other projects that comprise the second tender round are Lincs, Gwynt-y-Mor and West of Duddon Sands. Transmission Capital Partners was appointed as the preferred bidder for the Lincs project in May 2012. The Invitation to Tender (ITT) process for Gwynt-y-Mor is due to start in the next couple of months, with the Pre-Qualification (PQ) stage for West of Duddon Sands expected to commence towards the end of the year.
4. The second transitional tender round follows Ofgem E-Serve's first transitional tender round which attracted almost £4 billion worth of investment appetite to own and operate £1.1 billion worth of links. The regime has continued to attract interest from a wide variety of funding sources, at competitive rates, despite the challenging market conditions. To date, five OFTOs have been appointed as part of the first transitional tender round, with a sixth anticipated by the end of September.
5. Future tenders will be undertaken under an enduring regulatory 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.
6. Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. The Authority's powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002, the Energy Act 2004 as well as arising from directly effective European Community legislation.

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