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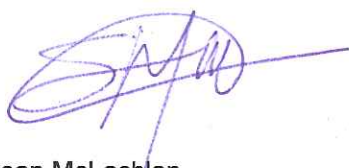
2 December 2013

Dear Hannah Evans,

Balfour Beatty Investments acting as agent for the Balfour Beatty Group Limited ("Group"), is pleased to respond to your consultation dated 7 October 2013 "Consultation on the generic Offshore Transmission Owner (OFTO) licence for Tender Round 3" (the "Consultation"). We are one of the Shareholders of Greater Gabbard OFTO plc and have been appointed preferred bidder on the Thanet project and are part of the consortium appointed as preferred bidder on the Gwynt y Môr project, and are currently bidding for West of Duddon Sands projects.

We are pleased to provide a response to the Consultation. Our response is provided as an appendix to this letter. We would be pleased to discuss in further detail with you.

Yours sincerely,



Sean McLachlan
Balfour Beatty Investments
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RESPONSE TO: Consultation dated 7 October 2013 “Consultation on the generic Offshore Transmission Owner (OFTO) licence for Tender Round 3” (the “Consultation”). **Due 2 December October 2013**

1. Indexation of Revenue

Question 1.1: Are there any other options or implications you think we should consider in determining the parameters to use for implementing biddable indexation?

The revenue inflation assumption used in bidders' models should be the same as the biddable indexation else bidders may not be evaluated on a like for like basis.

Question 1.2: Do you agree with the rationale we set out for adopting the parameters identified in paragraph 1.6 as minded-to positions?

Yes, as long as the revenue inflation assumptions are the same for all bidders.

Question 1.3 Do you agree that using the breakeven inflation, calculated in accordance with the method described in paragraph 1.15, is a suitable market implied inflation figure to use in evaluating biddable indexation bids?

Yes.

Question 1.4 Are there any other options we should consider when selecting a market implied inflation figure?

n/a

Question 1.5: Do you agree with the proposed amendment to the calculation of Base Transmission Revenue (BR) to implement biddable indexation?

Yes.

2. Refinancing of external debt

Question 2.1: Are there any other options or implications you think we should consider in determining the parameters to use for implementing a refinancing gain share?

If a refinancing gain share were to be implemented the structure requires transparency. The key principles of a mechanism should include:

- The decision to refinance is the OFTO's
- Clarity as to who the gain is share with – which entity?
- All costs associated with the refinancing are recovered before any calculation of gain share

It is not appropriated that any operational efficiencies made be shared in a refinancing as this is as a result of the OFTO's initiative in cost management and operating costs are an OFTO risk.



Question 2.2: Do you agree with the rationale we set out for adopting the parameters identified in paragraph 2.3 as minded-to positions?

See response to 2.1.

Question 2.3: Do you think the scope of the refinancing gain share, and in particular the definition of the debt to which it will apply, is appropriate?

Yes.

Question 2.4: Do you have any views on the proposed licence drafting for the refinancing gain share set out in amended standard condition E12-J3 (Restriction of Transmission Revenue: Allowed Pass-through items) of the Licence (Appendices 5 and 6)?

See response to 2.1.

3. Availability incentive – capacity weighting mechanism

Question 3.1: Do you have any views on the drafting of the capacity weighting mechanism in the generic OFTO licence?

Any incentive mechanism needs to be considered against the existing incentives and the operational behaviours of the OFTOs. The capacity weighting incentive does not appear to add necessary incentive to an OFTO for reasons including:

- Planned maintenance - the OFTO outages are typically very short in duration. Given the high availability achieved by OFTOs to date, this is evidence that OFTOs are already focussed achieving the highest availability
- Unplanned outages - the OFTO is currently incentivised to rectify any outage as quickly as it can and as such, the capacity weighting is unlikely to provide any further incentive. The implication of the capacity weighting is to accelerate the utilisation of this cap during a major outage which we do not believe is required

If additional incentive mechanisms were implemented they should be transparent and explainable so that the incentives are transparent and understandable for all investors. The proposed changes including the mathematical formula risks lack of clarity and transparency within the payment mechanism

Question 3.2: Do you agree with our rationale for setting the proposed values of a and b at $a=1$ and $b=1.3$?

See response to 3.1.

Question 3.3: Do you agree with our proposed approach to use the same values of a and b for all projects in TR3?

See response to 3.1.



4. Financial security

Question 4.1: Do you agree with our proposed requirements for the credit rating of the financial institution holding the financial security?

We believe that the need for this financial security should be viewed on a case by case basis

Question 4.2: Do you agree with our proposal to increase the value of the financial security in line with base transmission revenue?

See response to 4.1.

Question 4.3: Do you have any views on the licence drafting proposed in Part B of amended standard condition E12-J4 (Restriction of Transmission Revenue: Annual Revenue Adjustment)?

See response to 4.1.

5. Sulphur Hexafluoride (SF 6) emissions reporting

Question 5.1: Do you agree with our decision to introduce a reporting requirement on SF 6 emissions?

This may add further costs to the OFTO regime.

Question 5.2: Do you have any views on the licence drafting of amended standard condition E12-J12 (Sulphur Hexafluoride Reporting Requirements)?

No.

Question 5.3: Do you have any views on the proposed approach to reporting emissions?

No.

6. Other licence drafting changes

Question 6.1: Do you have any views on the licence drafting changes made to the generic OFTO licence for TR3?

No.

