

Enhanced Pre-Qualification (EPQ) Document for Tender Round 3 (TR3)

Tender Document

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Contact: Catherine McArthur

Team: Offshore Tenders and Transactions

Tel: 0203 263 2739

Email: tendercoordinator@ofgem.gov.uk

Overview:

The regulatory regime for offshore electricity transmission enables the Authority to grant an OFTO Licence on the basis of a competitive tender process. Ofgem is responsible for managing this process.

A Tender Exercise is run over a number of stages. For TR3, the Authority has decided not to hold a Qualification to Tender (QTT) Stage; therefore the first stage will be the EPQ Stage. This EPQ Document sets out the requirements Bidders need to demonstrate in order to be invited to participate in subsequent stages. Bidders are invited to demonstrate to Ofgem that they have a sufficiently robust track record against the requirements set out in this EPQ Document and to set out their proposals for financing, operating and managing offshore Transmission Assets, referred to as Qualifying Projects. These proposals are evaluated by Ofgem against the criteria published in this EPQ Document. The outcome of Ofgem's evaluation of the EPQ Submissions is the selection of a shortlist of Qualifying Bidders in respect of each of the two Qualifying Projects, who will be invited to participate in the ITT Stage.

Context

With the government setting an ambitious target that 15% of the UK's energy needs to be met from renewable sources by 2020, a dynamic approach was needed to deliver the substantial investment required in transmission. In the case of offshore wind, the Department of Energy and Climate Change, together with Ofgem, established the competitive regulatory regime for offshore transmission in June 2009. Under the regime we run the competitive tender process to select and licence OFTOs.

From the outset the offshore transmission regime has sought to encourage innovation and to attract new sources of technical expertise and finance, whilst ensuring that grid connections are delivered efficiently and effectively. The competitive regime was designed to be delivered in two parts, a transitional and an enduring regime. Once we have granted OFTO Licences for all projects in the transitional tender rounds, it will bring total investment in Great Britain's offshore transmission to approximately £2.5billion.

The enduring regime is for projects qualifying after 31 March 2012. The investment opportunity in the enduring regime is expected to be significantly larger and is likely to deliver billions of pounds of investment in offshore transmission over the next decade. The Enduring Regime is also operating in the context of the proposed development of increasingly complex, integrated and coordinated offshore grid networks in the UK and the European Union.

Tender Round 3 (TR3) will be the first tender round under the enduring regime. The Electricity (Competitive Tenders for Offshore Transmission Licences) Regulations 2013, which came into force on 22 February 2013¹ (the Tender Regulations), together with the Tender Rules for TR3 and this EPQ Document set out the rules for participation in the EPQ Stage of TR3.

¹ The Tender Regulations revoke, subject to Regulation 2, the Electricity (Competitive Tenders for Offshore Transmission Licences) Regulations 2010.

Associated documents

- The EPQ Questionnaire template, in which Bidders will need to complete their EPQ Submission, will be made available in the Portal.
- Preliminary Information Memoranda (PIMs): The project-specific and generic PIMs for TR3 are available for download from the Ofgem website and the Offshore e-Tendering Portal (Portal).
- Information Memoranda (IMs): the IMs for both Qualifying Projects within TR3 will be released to Bidders via the Portal.
- The Electricity (Competitive Tenders for Offshore Transmission Licences) Regulations 2013
<http://www.legislation.gov.uk/uksi/2013/175/made>
- Offshore Electricity Transmission: Tender Rules for Tender Round 3
<https://www.ofgem.gov.uk/ofgem-publications/86332/20140225tr3tenderrules.pdf>
- Offshore Electricity Transmission: Process to Close for Tender Round 3
<https://www.ofgem.gov.uk/publications-and-updates/process-close-tender-round-3-tr3>
- Offshore Electricity Transmission: Guidance on the Transfer Agreement
<https://www.ofgem.gov.uk/ofgem-publications/86334/20140225tr3transferagreement.pdf>
- Guidance on the Offshore Transmission Owner (OFTO) of Last Resort Mechanism (25/02/14)
<https://www.ofgem.gov.uk/ofgem-publications/50983/v04oftooflastresortq12014.pdf>
- Offshore Electricity Transmission: Cost Recovery Methodology for Tender Round 3
<https://www.ofgem.gov.uk/publications-and-updates/cost-recovery-methodology-tender-round-3-tr3>
- Certification of transmission system operators (TSOs) under the ownership unbundling requirements of the Third Package
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=95&refer=Europe>
- Transmission Licence Standard Conditions (17/12/13)
<https://epr.ofgem.gov.uk/Content/Documents/Electricity%20transmission%20full%20set%20of%20consolidated%20standard%20licence%20conditions%20-%20Current%20Version.pdf>
- Generic Offshore Transmission Owner (OFTO) Licence (07/03/14)
<https://www.ofgem.gov.uk/ofgem-publications/86476/app3tr3v2licence.pdf>
- Decision Letter on the offshore transmission owner (OFTO) licence for Tender Round 3
<https://www.ofgem.gov.uk/publications-and-updates/generic-offshore-transmission-owner-ofto-licence-tender-round-3>
- The most recent guidance from the Crown Estate on insurance requirements - this will be released to Bidders via the Portal

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1. Overview of a Tender Round and Regulatory Framework

Chapter Summary

This chapter provides an overview of the process Ofgem will follow during the EPQ Stage for TR3.

Legal framework

- 1.1. The Tender Regulations set out the legal framework Ofgem must follow to run competitive Tender Exercises for the grant of OFTO Licences. Regulation 12 sets out the stages of a Tender Round and regulation 13 details the contents of the EPQ Document – these are covered in greater detail in the following sections.
- 1.2. The Tender Rules are published in accordance with the Tender Regulations and provide participants with further detail about how Ofgem will run the Tender Exercises.
- 1.3. In the event of any conflict between this EPQ Document, the Tender Rules and the Tender Regulations, the order of precedence shall be as follows:
 - Tender Regulations;
 - EPQ Document;
 - Tender Rules.

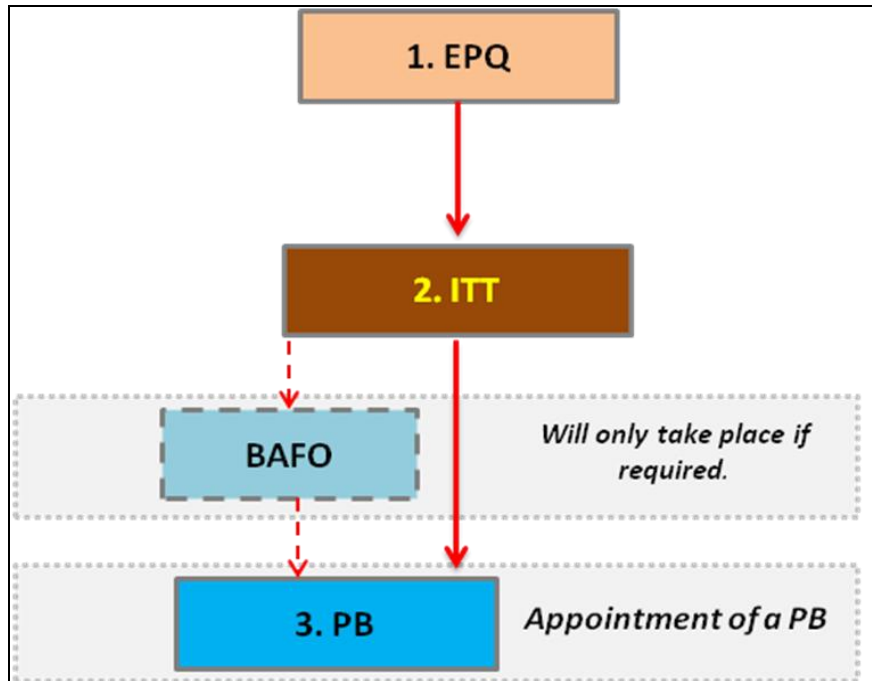
Tender Round

- 1.4. The key objectives of the Tender Round are:
 - the delivery of fit for purpose transmission infrastructure to connect offshore generation;
 - the provision of certainty and best value to consumers through the competitive process; and
 - attracting new entrants to the sector.
- 1.5. Ofgem has launched TR3, the first Tender Round in the enduring regime. TR3 is comprised of Tender Exercises for two Generator Build Qualifying Projects: Westermost Rough and Humber Gateway. Information about each Qualifying Project is available in the relevant Preliminary Information Memoranda (PIMs) and Information Memoranda (IMs).
- 1.6. The Tender Regulations allow Ofgem to decide not to hold a QTT Stage. For TR3, Ofgem has decided not to hold a QTT Stage and to instead hold an Enhanced Pre-Qualification, or EPQ Stage, for the following reasons:
 - An EPQ Stage enables a more efficient overall process by reducing:
 - costs associated with resourcing requirements for all parties;
 - the duration of the tender process;
 - costs for bidders as they will have to prepare only one EPQ submission instead of two submissions (for the PQ Stage and QTT Stage).

- Feedback from previous successful and unsuccessful bidders, as well as potential new entrants, has indicated that a shorter and more streamlined tender process would be welcomed by all interested parties.

1.7. The Tender Exercises in TR3 will include the stages set out in Figure 1:

Figure 1: Outline of Tender Stages for TR3



1.8. The stages of the TR3 Tender Round are as follows:

- an EPQ Stage to identify a shortlist of Qualifying Bidders to progress to the Invitation To Tender (ITT) Stage for each Qualifying Project;
- an ITT Stage to select the Preferred Bidder (PB) for each Qualifying Project;
- if the criteria set out in the ITT Document are met, a Best And Final Offer (BAFO) Stage for the relevant Qualifying Project;
- a Preferred Bidder Stage where the PB will demonstrate that it should become the Successful Bidder (SB).

1.9. The SB for each Qualifying Project will be granted an OFTO Licence by Ofgem², which will include an entitlement to an associated 20 year revenue stream in return for purchasing the Transmission Assets from the Developer and owning and managing them in accordance with the obligations of the OFTO Licence.

EPQ Document

1.10. This EPQ Document sets out the requirements that Bidders must demonstrate, to Ofgem's satisfaction, to progress to the ITT Stage for the relevant Qualifying Project.

² The Authority grants licences under Section 6(1)(b) of the Electricity Act 1989. "Ofgem" and "the Authority" are used interchangeably in this document.

- 1.11. In accordance with the Tender Regulations³, this EPQ Document sets out:
- the timeline for the EPQ Stage, including an overview of the key activities and steps;
 - the rules particular to the EPQ Stage;
 - the EPQ Questionnaire;
 - the instructions that apply to the EPQ Questionnaire;
 - the date, time and manner in which a Bidder must submit to Ofgem:
 - the completed EPQ Questionnaire; and
 - the EPQ Payment⁴ required in accordance with the Cost Recovery Methodology;
 - the criteria against which Ofgem will evaluate EPQ Submissions; and
 - details of information available to Bidders to compile their EPQ Submissions.
- 1.12. Bidders should familiarise themselves fully with this EPQ Document, the Tender Rules and the Tender Regulations.
- 1.13. For the avoidance of doubt, this EPQ Document applies to the EPQ Stage for the Qualifying Projects in TR3 only.

Right to vary a Tender Exercise

- 1.14. Subject to the provisions of the Tender Regulations, Ofgem may vary any element of a Tender Exercise, issue supplementary documentation or make additional arrangements at any time during a Tender Exercise in order to clarify any issue or amend any aspects of the Tender Exercise. Any such variation shall only take effect so as to actually vary the Tender Exercise if subsequently confirmed in writing. This includes where Ofgem determines that it is impracticable to complete any action, or to deliver or publish any document or notice, by the time, date or in the manner specified within the Tender Regulations.
- 1.15. Any such supplementary documentation issued by Ofgem during a Tender Exercise will be deemed to form part of this EPQ Document to the extent indicated in the amendment. Ofgem may decide to extend a Tender Exercise and postpone any EPQ Submission deadline in the event of any such amendment.

Costs and losses

- 1.16. Each Bidder will bear its own costs of participating in a Tender Exercise and will be responsible for meeting the costs incurred by Ofgem in administering that Tender Exercise in accordance with the Tender Regulations and as prescribed in the Cost Recovery Methodology. In accordance with the Cost Recovery methodology, at the EPQ Stage, Bidders are required to make a payment of £5,000 to the relevant Ofgem Bank Account. Payment must be received by Ofgem no later than 12 noon on 6 June 2014 and Bidders will be required to provide confirmation that the EPQ Payment of £5,000 has been transferred to Ofgem as part of their Bid. For further information on payment of fees, please refer to schedule 2 of the Cost Recovery Methodology.

³ Regulation 13(2) and Schedule 3 to the Tender Regulations.

⁴ The Cost Recovery Methodology refers to 'PQ Stage payment, where a QTT Stage is not held'. In this EPQ Document, we refer to this as the EPQ Payment.

- 1.17. Ofgem is under no obligation and shall not accept any liability for any costs, expenses, damages or losses incurred by any Bidder, including without limitation any unsuccessful Bidder, in connection with a Tender Exercise.
- 1.18. If a Bidder withdraws or is disqualified from a Tender Exercise or Ofgem cancels a Tender Exercise, in each case in accordance with the Tender Regulations, Ofgem shall not incur any liability for any losses whatsoever⁵ towards any Bidder or any of their Related Parties.

Timetable

- 1.19. The Tender Rules provide the overall timetable for TR3. The timetable for the EPQ Stage is set out below:

Milestone	Date
TR3 launch event	26 February 2014
EPQ Document published via the Portal along with Confidentiality Agreement and Conflicts of Interest (COI) declaration	31 March 2014
Bidders should aim to return the signed Confidentiality Agreements and COI declarations to allow Ofgem time to review and accept them	9 April 2014
Information Memoranda (IMs) and Transfer Agreements made available to Bidders who have returned the signed Confidentiality Agreements and COI declarations	14 April 2014
Deadline for Bidder clarifications to Ofgem	23 May 2014 (12 noon)
EPQ Submissions due	6 June 2014 (12 noon)
Evaluation of EPQ Submissions (including Ofgem clarifications to Bidders)	6 June – early August 2014
Bidders notified of outcomes and Qualifying Bidder shortlists for the Qualifying Projects published	Early August 2014

- 1.20. Ofgem reserves the right to vary this timetable at its discretion. Any such variation will be communicated via the Portal. Further information regarding the Portal can be found in the Tender Rules.

Certification of Transmission System Operators

- 1.21. The government has implemented a package of European legislation on the liberalisation of EU gas and electricity markets, namely the Third Package, into domestic legislation through the Third Package Regulations. The measures of the Third Package aim to ensure that the benefits of a competitive energy market can be realised. A key requirement of the Third Package is ownership unbundling, meaning the separation of transmission interests (ownership and operation of

⁵ Whether in contract, tort or otherwise and including direct, indirect and consequential losses.

transmission systems) from generation, production and supply activities. The Third Package Regulations have amended the Electricity Act to include the requirement for electricity transmission licensees to be certified as complying with the full ownership unbundling requirements.

- 1.22. The Third Package Regulations designate the Authority as the body with the responsibility for administering the certification process. A person who holds a Transmission Licence and participates in the transmission of electricity, for the purpose of giving a supply to any premises or enabling a supply to be given, must ensure that they are certified by the Authority throughout that period. OFTO Licensees need to be certified by the Authority as complying with the full ownership unbundling requirements.
- 1.23. All Bidders are advised to make themselves aware of the requirement for certification and to review the Third Package Regulations. Further information on the procedure for processing applications for certification under the ownership unbundling requirements can be found in the open letter dated 10 November 2011⁶, issued by Ofgem.
- 1.24. It is important to note that any decisions the Authority takes in relation to this Tender Round are taken in its role as manager of the competitive tendering process pursuant to Section 6C of the Electricity Act and the Tender Regulations. Unless otherwise notified by Ofgem, any decision the Authority takes in relation to this Tender Round should not be taken as a decision, or any indication of what decision may be taken, on certification.
- 1.25. Ofgem is not able to advise Bidders as to the provisions of the Third Package Regulations and strongly recommends that Bidders seek appropriate independent legal advice in this respect.

Relevant Guidance and Other Documents

- 1.26. The non-exhaustive list of documents provided in the Associated Documents section at the start of this EPQ Document contains additional information that Ofgem would expect Bidders to be aware of. Many of these documents also include references to other useful documentation not listed.
- 1.27. Bidders should also be familiar with the standard industry framework documents that underpin the Great Britain transmission market, for example the industry codes⁷ and technical standards.
- 1.28. Ofgem may publish additional information during the EPQ Stage. Any such information will be made available to Bidders via the Portal.

⁶ <https://www.ofgem.gov.uk/ofgem-publications/59314/111110-open-letter-certification-post-legislation.pdf>

⁷ The codes establish detailed rules for industry that govern market operation, the terms for connection and access to energy markets. Further details in relation to the codes relevant to offshore transmission can be found at <http://www.ofgem.gov.uk/NETWORKS/OFFTRANS/SF/Pages/sf.aspx>

2. Instructions to Bidders

Chapter Summary

This chapter sets out the instructions to Bidders in respect of the EPQ Stage, including the EPQ Questionnaire, EPQ Submissions, draft Transfer Agreements and the clarification process.

EPQ Questionnaire

- 2.1. The EPQ Questionnaire, which is included in Chapter 3, has been produced to enable Ofgem to evaluate each Bidder's technical and financial capability in taking over and managing the relevant Qualifying Project(s).
- 2.2. Bidders should provide responses to each relevant question in the EPQ Questionnaire by completing the EPQ Questionnaire template provided in the Portal.
- 2.3. In completing the EPQ Questionnaire template Bidders should adhere to the page limits stipulated in each section of the EPQ Questionnaire. In addition to this Bidders may provide supporting documentation which they should upload to the Portal. Any supporting documentation should be uploaded to the supporting documentation folder for the Section to which it relates. Where a Bidder provides documentation in support of any response to this EPQ Questionnaire, there should be clear reference made to this documentation in the text of the Bidder's response. Further information on uploading supporting documentation is provided in the 'Instructions to Bidders participating in Tender Round 3' document provided in the Portal.

Bidder Groups

- 2.4. Questions in the EPQ Questionnaire which are required to be completed by the Bidder should be answered by, in the case of a Bidder which is a single entity, that entity, and in the case of a Bidder which is formed of a Bidder Group, the lead member of that Bidder Group.
- 2.5. Certain questions in the EPQ Questionnaire require that information be provided in relation to individual members of a Bidder Group, in which case the lead member of a Bidder Group must provide information in relation to each Bidder Group member, ensuring that such information is clearly identified as relating to that Bidder Group member.
- 2.6. Ofgem recognises that in the case of a Bidder Group not every Bidder Group member will, for example, be able to provide examples of experience requested. Ofgem's evaluation will look at the capabilities of the Bidder Group taken as a whole.
- 2.7. Ofgem expects the membership of and the respective interests in a Bidder Group to be finalised when that Bidder Group makes its EPQ Submission. However, if this is not the case and a change is proposed to the membership of a Bidder Group after an EPQ Submission, each individual member of a Bidder Group should

make itself aware of the requirements under regulation 32 of the Tender Regulations.

Confidentiality Agreement & Conflicts of Interest (COI) Declaration

- 2.8. Ofgem will make available a Confidentiality Agreement and COI declaration in respect of each of the Qualifying Projects, along with instructions that apply to those documents, including the date, time and manner in which both should be returned to Ofgem. The Confidentiality Agreement will already have been signed by the relevant Developer as a tender entry condition and should not be amended.
- 2.9. **Each Bidder must return a signed Confidentiality Agreement and COI declaration to Ofgem in respect of each Qualifying Project for which it wishes to bid.** Return of the Confidentiality Agreement and COI declaration will enable Ofgem to release the IMs and draft Transfer Agreements to the Bidder in order to assist with the completion of its EPQ Submission. Both the Confidentiality Agreement and COI declaration are required from Bidders to protect the confidentiality of the IMs and draft Transfer Agreements and to ensure that any commercially sensitive information they contain is not compromised.
- 2.10. To ensure a Bidder is provided with the IMs and draft Transfer Agreements of the relevant Qualifying Project(s) at the earliest opportunity, we would advise Bidders to submit their completed Confidentiality Agreements and COI declarations to Ofgem by 9 April 2014. Subject to Ofgem's satisfaction with these documents, any Bidders who have returned them by 9 April 2014 will be granted access to the IMs and draft Transfer Agreements on 14 April 2014. Bidders returning these forms later than 9 April 2014 will only be granted access to the IMs and draft Transfer Agreements once they have returned signed Confidentiality Agreements and COI declarations and Ofgem has confirmed that they are acceptable.

Information Memoranda (IMs) on Qualifying Projects

- 2.11. The IMs contain detailed information in relation to the Qualifying Projects. As set out in paragraphs 2.8 to 2.9 Bidders that have submitted satisfactory Confidentiality Agreements and COI declarations will be granted access, via the Portal, to the Information Memorandum (IM) for the relevant Qualifying Project.
- 2.12. The table below sets out key information and estimated dates that can be used as assumptions to inform Bids, in relation the Qualifying Projects for TR3. These dates are subject to change based on the progress of the project and the tender process:

Project	Developer	Size (MW)	Initial Transfer Value	Estimated ITT Submission Date	Estimated Preferred Bidder Announcement
Westermost Rough	Dong Energy	205	£199.5m	December 2014	February 2015
Humber Gateway	E.On Climate and Renewables	220	£194.7m	March 2015	May 2015

- 2.13. The Initial Transfer Values are based on information provided by the relevant Developers of each Qualifying Project. Bidders should use the Initial Transfer Values detailed above for the purposes of completing their EPQ Submission. Ofgem expects to publish the Indicative Transfer Values for the Qualifying Projects during the relevant ITT Stage.

Draft Transfer Agreements

- 2.14. Under the Tender Regulations, the tender entry conditions require a Developer to complete a Transfer Agreement, as far as possible, with all relevant information available to it, for its Qualifying Project. In addition, Developers are required to provide undertakings to continue to update their draft Transfer Agreements with all relevant information. The Transfer Agreement for each Qualifying Project will set out the terms upon which the Transmission Assets transfer from the Developer to the OFTO.
- 2.15. Ofgem is satisfied that the draft Transfer Agreements for the Qualifying Projects are sufficiently advanced to share with Bidders. Therefore, in accordance with the Tender Rules, Ofgem intends to share the draft Transfer Agreement for the relevant Qualifying Project with Bidders via the Portal. Before Ofgem can share these, Bidders must return a signed Confidentiality Agreement and COI declaration for the relevant Qualifying Project as outlined in paragraph 2.8 to 2.9.
- 2.16. Bidders should use the draft Transfer Agreements to inform their EPQ Submissions. However, Bidders should also be aware that the draft Transfer Agreements released at the EPQ Stage are subject to further development by the relevant Developers.
- 2.17. The EPQ Questionnaire includes a section on the transfer of assets under the draft Transfer Agreement for the relevant Qualifying Project (see Section 11). **Commentary tables on the draft Transfer Agreements are optional at the EPQ Stage and will not be evaluated during the evaluation process.**
- 2.18. Ofgem will provide any commentary tables completed by Bidders to the relevant Developer on an anonymous and confidential basis to enable the Developer to consider the comments as part of the ongoing development of the Transfer Agreement. The final Transfer Agreement for each Qualifying Project will be made available at the relevant ITT Stage.
- 2.19. Bidders should note that in releasing the draft Transfer Agreements to Bidders at the EPQ Stage, Ofgem does not endorse the draft Transfer Agreements nor the positions taken by the Developers expressed in them, or constrain its discretion as to the terms on which it might make a property transfer scheme under Schedule 2A to the Electricity Act in a particular case.

- 2.20. The Tender Rules set out further information on the development of the Transfer Agreement after the EPQ Stage. Bidders are also advised to familiarise themselves with Ofgem's Guidance on the Transfer Agreement.

EPQ Submissions

EPQ Submission Deadline

- 2.21. All EPQ Submissions must be submitted via the Portal **no later than 12 noon on 6 June 2014. The Portal will be closed at this time and no late EPQ Submissions will be accepted.**

Content of an EPQ Submission

- 2.22. All EPQ Submissions must be made in the templates provided on the Portal. Ofgem will not accept EPQ Submissions in any other form.
- 2.23. The EPQ Submission must be completed in English, including any supplementary supporting documentation. Further information on making EPQ Submissions via the Portal can be found in the Tender Rules.
- 2.24. A compliant EPQ Submission must contain the following:
- responses to all requirements set out in the EPQ Questionnaire, together with relevant supporting documentation. Responses must be provided in the templates available on the Portal;
 - confirmation that the EPQ Payment of £5,000 has been transferred to Ofgem in accordance with the requirements set out in paragraph 1.16 and the Cost Recovery Methodology; and
 - a signed Confidentiality Agreement and COI declaration for each Qualifying Project to which the EPQ Submission relates as set out in paragraphs 2.8 to 2.9.
- 2.25. Bidders should note that while a signed Confidentiality Agreement and COI declaration are mandatory for a compliant EPQ Submission, they should be completed as early as possible as Bidders will not be granted access to the IM nor the draft Transfer Agreement for the relevant Qualifying Project until these documents have been received and accepted by Ofgem.
- 2.26. Where page limits are indicated in the requirements for response, these refer to A4 size pages. The font style should be in 'Verdana' and must be in a font size no smaller than 10. Any such page limits must be adhered to. Ofgem reserves the right to ignore any additional information submitted in excess of these limits.
- 2.27. Where a Bidder is submitting supplementary documentation in support of any response to the EPQ Questionnaire, this should be clearly referenced in the text of the EPQ Submission. Supplementary documentation which is not clearly referenced will not be taken into account in evaluation.
- 2.28. Ofgem reserves the right to amend these requirements during the EPQ Stage prior to the EPQ Submission deadline.

Changes arising after EPQ Submission

2.29. Bidders should note that if, after their EPQ Submission has been submitted and prior to the publication of the Qualifying Bidder shortlist:

- there is a material change or proposed material change in the information provided in their EPQ Submission;
- or a Bidder becomes aware that information previously submitted is no longer true or accurate,

they are obliged to notify Ofgem as soon as reasonably practicable. Where a Bidder notifies Ofgem of such matters, Ofgem will be entitled to re-evaluate the EPQ Submission in light of the change.

Clarifications

2.30. Ofgem's general approach to dealing with clarifications is set out in the Tender Rules. The following sections set out Ofgem's approach to clarifications at the EPQ Stage in respect of the Qualifying Projects.

Bidder Clarifications

2.31. Bidders may seek clarifications from Ofgem in relation to any aspect of this EPQ Document or the information provided in the IMs. All such clarifications must be made by no later than **12 noon on 23 May 2014**. Any clarification requests submitted after this point cannot be assured of receiving a response prior to the EPQ Submission deadline.

2.32. Ofgem will endeavour to provide a response as soon as reasonably possible, although the timeframe within which it will respond will vary on a case-by-case basis depending on the nature of the clarification requested.

2.33. Ofgem may, where appropriate, forward a Bidder's clarification request to the Developer or to another third party, for example NGET, as appropriate. Where it does so, the identity of the Bidder that raised the clarification will remain confidential. Ofgem will act as the intermediary in any such clarification request, i.e. the details of the clarification and the response to it, will be managed and provided by Ofgem.

2.34. Ofgem's default position is, for reasons of transparency and fairness, to make responses to Bidders' clarifications available on the Portal to all Bidders. Where Ofgem considers that a Bidder's clarification is sufficiently specific and confidential, Ofgem may at its discretion opt to provide its response solely to that Bidder.

Ofgem Clarifications

2.35. Ofgem may issue a clarification request to a Bidder during the evaluation of EPQ Submissions, for example where a response is unclear. Bidders must respond to clarification requests issued by Ofgem within the period specified. Failure by a Bidder to respond to a clarification request within the period specified risks the issue under clarification or the clarification response submitted late not being considered as part of Ofgem's evaluation of their EPQ Submission.

3. EPQ Questionnaire

Chapter Summary

This chapter sets out the information that Bidders are required to return in their EPQ Submissions for the Qualifying Project(s).

- 3.1. This EPQ Questionnaire is for use at the EPQ Stage of TR3 and sets out the information that Bidders are required to return in their EPQ Submission. All questions are numbered. Bidders should provide their response to all questions in the corresponding numbered boxes in the EPQ Questionnaire template. References throughout the EPQ Questionnaire to 'you' and 'your' refer to the Bidder.
- 3.2. The EPQ Questionnaire is structured into the following Parts and Sections:

Part 1 - Capability	Section 1	Identification Information
	Section 2	Relevant Qualifying Project(s)
	Section 3	Financial Standing, Legal Standing and Pending Litigation
	Section 4	Proposed Approach to Asset Takeover and OFTO Set up
	Section 5	Management and Operational Capability
Part 2 - Commercial & Financial	Section 6	Corporate/Shareholding Structure
	Section 7	Indicative Tender Revenue Stream
	Section 8	Financing Strategy
	Section 9	Financial and Commercial Risk Management
	Section 10	Innovation
Part 3 - Other	Section 11	Draft Transfer Agreement
	Section 12	EPQ Certificate
	Section 13	Confidentiality

Evaluation

- 3.3. Part 1 and Part 2 will be evaluated by Ofgem. Part 3 will not be evaluated (although Section 12 must be satisfactory to Ofgem).
- 3.4. Part 1 will be evaluated on a threshold basis to ensure that Bidders demonstrate appropriate capability and understanding. Bids that do not satisfy the capability thresholds in Part 1 will not be evaluated on Part 2.
- 3.5. If Bids meet the threshold requirements for Part 1, Part 2 will then be evaluated on a scored basis (except for Section 7A, for which a response must be provided but will not be scored).
- 3.6. Part 3 of the EPQ Questionnaire will not be evaluated. Sections 11 and 13 are optional, but Bidders must complete Section 12 to Ofgem's satisfaction in order to submit a compliant EPQ Submission. Bidders are invited to provide commentary tables on the draft Transfer Agreement for the relevant Qualifying Project in

Section 11. Please note that providing commentary tables is optional and will not be evaluated.

3.7. Further information on evaluation is set out in Chapter 4.

Provision of information

3.8. Questions in Part 1 are not project specific and Bidders should answer them on a generic basis to apply to more than one Qualifying Project. **Bidders who wish to bid for both Qualifying Projects should complete Part 1 only once.**

3.9. **Part 2 must be completed separately for each Qualifying Project for which the Bidder intends to submit a Bid.**

3.10. Wherever possible Bidders are required to tailor their responses to all sections in Part 2 to the specific characteristics of the relevant Qualifying Project, based on the information available. Ofgem recognises however that in some instances, responses to certain questions may be the same, and not dependent on a particular Qualifying Project.

3.11. The expectation is that in providing responses to the EPQ Questionnaire, Bidders will focus their answers on proposed approaches, using citations of relevant experience only to substantiate/evidence the viability or robustness of the proposed approach. Bidders should not provide responses that solely comprise citations.

3.12. The requirements for Sections 1 to 13 of the EPQ Questionnaire are set out below.

PART 1 – CAPABILITY

Section 1: Identification Information

Where the Bidder is formed of a Bidder Group, please ensure that you provide details of each Bidder Group member as set out in the table format below.

<p>[1A] Name of Bidder*</p> <p><i>* If the Bidder is formed of a Bidder Group, please also state the name of each Bidder Group Member:</i></p>	
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<p>[1B] Please provide as applicable the relevant requested details in the boxes below. Where the Bidder is formed of a Bidder Group, the Bidder should complete the following for each Bidder Group member. Where an address provided is not in Great Britain, provide an address in Great Britain for the service of documents.</p>	
Registered number or identification (if applicable):	
Address of registered office (or equivalent):	
Trading address:	
Telephone number:	
Fax number:	
Date of registration:	
Details of the Bidder's (and if applicable each Bidder Group member's) VAT number (if any):	
Place of incorporation (or equivalent):	
Name of holding company or parent undertaking (if applicable) including details of such Bidder's (and if applicable Bidder Group member's) position in the relevant group structure:	
Legal status of Bidder (public limited company, private limited company, overseas company, other body corporate, partnership, unincorporated association, sole trader or other entity, in which case it should give details of its legal status):	
<p><i>If not a company, provide status of the organisation</i></p>	

[1C] Please provide the following details in relation to the Bidder (and if applicable each Bidder Group member):	
Full names and addresses of current directors (including any shadow directors within the meaning of section 251 of the Companies Act 2006):	
Authorised signatories:	
Principal shareholders:	

[1D] Where any person (other than a person whose name is given in response to question [1C] holds 20% or more of any class of shares of a Bidder (or if a Bidder Group, any of its members), please provide for each person:	
Name of person:	
Address:	
Number of shares held as percentage of the aggregate number of shares of that class represented by such shareholding:	

[1E] Where the Bidder (or if a Bidder Group, any of its members) is neither a body corporate nor a sole trader, please provide the name(s) and address(es) of the person or persons in whom effective control of the Bidder or Bidder Group member rests.	
Name:	
Address:	

[1F] Where they have already been appointed, provide details of the Bidder's legal, financial, technical, communications, or other key professional advisers in relation to TR3.	
Legal:	
Financial:	
Technical:	
Communications:	
Other:	

Section 3: Financial Standing, Legal Standing and Pending Litigation

Please respond to all applicable questions relating to the Bidder's financial and legal standing.

Notes to questions [3A] to [3D] of this EPQ Questionnaire:

Bidders should take into consideration the following instructions when responding to this section:

- (i) If the assessment of the Bidder or Bidder Group member (as appropriate) is to be based on the parent company/group, the Bidder or Bidder Group member will need to demonstrate that the parent company/group will further participate in the process. This should be evidenced by the provision of letters of support at an appropriate level offering unqualified guarantees.
- (ii) When submitting financial statements disclosed in foreign currencies, Bidders are required to provide their balance sheets in Pounds Sterling at the average annual exchange rate for the financial statement year presented.
- (iii) Where there has been a significant reduction in either net assets or exchange rates since the latest balance set date such that the net assets do not meet the 120% requirement in [3B] and [3C] the impact and reason should be disclosed.

[3A] Please provide the aggregate of the Initial Transfer Values for the Qualifying Project(s) for which the Bidder wishes to be invited to tender.

Questions **[3B]** and **[3C]** require Bidders to demonstrate their ability to finance the Qualifying Project(s) for which they are bidding.

Please note that it is expected that financing solutions will be based either upon corporate financing or project financing. In the case of **corporate financing** please answer question **[3B]**. In the case of **project financing** please answer question **[3C]**

[3B] Where the Bidder proposes to fund the Qualifying Project(s) identified in response to Section 2 using **corporate finance** please provide the following:

- (a)** evidence to demonstrate that the net assets of the Bidder are equal to or more than 120% of the proposed investment identified in response to **[3A]**. The net assets should be consistent with the latest audited accounts and adjusted for any significant changes since that balance sheet date.
- (b)** a letter from the relevant corporate entity detailing a proven track record in the last five years of funding projects from the balance sheet totalling at least 120% of the proposed investment identified in response to **[3A]**.

The letter should include, but not be limited to the following:

- The name and type of project for which the finance was put forward;
- The amount of finance put forward;
- The key funding terms and conditions;

- Details of how the Corporate Finance was funded, whether it was sourced from cash reserves or where corporate capital was raised. In the case of corporate capital, please include the relevant terms.

[3C] Where the Bidder proposes to fund the Qualifying Project(s) identified in response to Section 2 using **project finance**, identify the proposed debt and equity split. Your response should demonstrate that you have the ability to source debt and equity finance equal to at least 120% of the proposed investment identified in response to **[3A]**.

In addition please respond to the relevant sections below taking account of this debt and equity split.

[a] Where **Debt Finance** is proposed, the Bidder must provide evidence of its track record for its proposed funding structure using **one** of the following:

(i) A proven track record in the last five years of raising debt totalling at least 100% of its proposed debt finance requirement. Evidence of raising debt finance in the last five years should provide information as to:

- The name and type of project for which the finance was raised;
- The amount of finance raised, and when it was raised;
- Role of Bidder (or Bidder Group member) in raising finance;
- Details on the form of finance raised including, but not limited to the following:
 - The form of finance raised, including the nature of the providers of the debt finance, the term of the debt and the identified sources of repayment;
 - The timescale for the successful issue of such finance; and
 - Details of any equity provision.

Or

(ii) A proven track record in the last five years of investing in infrastructure assets or businesses with existing debt totalling at least 100% of its proposed debt finance.

Or

(iii) A comfort letter from one or more acceptable independent financial institutions (for example having at least an 'A' category credit rating (that is, at least any of A-, A or A+/A1, A2 or A3) or equivalent from a recognised credit rating agency) stating its/their intent to provide debt finance to the relevant Qualifying Project(s) which states:

- The level of support being provided (whether for all or a proportion of the funding requirement);
- Availability of funds and period of availability;
- Source of funds, with detail of where new funds may be raised;
- Key terms and conditions of finance; and
- Any relevant approvals which have already been achieved.

[b] Where **Equity Finance** is proposed, the Bidder must provide evidence of its track record for its proposed funding structure using **one** of the following:

(i) Net assets of at least 100% of its proposed equity investment. The net assets of

the Bidder, or if applicable, the net assets of the Bidder Group members as a whole, should be reconciled to the latest audited accounts and adjusted for any significant changes since that balance sheet date.

Or

(ii) A proven track record in the last five years of raising equity totalling at least 100% of its proposed equity investment. Evidence of raising equity finance in the last five years should provide information as to:

- The name and type of project for which the finance was raised;
- The amount of finance raised, and when it was raised;
- Role of Bidder (or Bidder Group member) in raising finance;
- Details on the form of finance raised including, but not limited to the following:
 - The form of finance raised; and
 - The timescale for the successful issue of such finance.

Or

(iii) A comfort letter from acceptable entities, for example having at least a BBB credit rating or equivalent from a recognised credit rating agency, stating its/their intent to provide equity finance to the relevant Qualifying Project(s) which states:

- The level of support being provided (whether for all or a proportion of the funding requirement);
- Availability of funds and period of availability;
- Source of funds, with detail of where new funds may be raised;
- Key terms and conditions of finance; and
- Any relevant approvals which have already been achieved.

Please indicate which items you have responded to and list details of the supporting documentation you have provided:

Questions answered. Please insert into square bracket:	[]
Response:	
Please list supporting documentation provided:	

[3D] The Bidder (and where applicable each Bidder Group member) should provide the following:

- (i) copies of the last three years’ audited statutory financial accounts (or equivalent) or for the period that is available if trading for fewer than three years. If the Bidder is formed of a Bidder Group, provide this information for each Bidder Group member and (where applicable) the ultimate holding company/parent entity (or equivalent legal body) of each such entity;
- (ii) a statement, as at the date of the Bidder’s most recent annual report and accounts, of any contingent liability or loss (where not otherwise reported) that would require disclosure in accordance with International Accounting Standard 10; and
- (iii) if at the time of the EPQ Submission the Bidder’s, or where relevant, any Bidder Group member’s, most recent audited balance sheet is more than ten months

out of date, provide a copy of the Chairman's half-yearly statement (if available) and a statement signed by the Director responsible for financial matters setting out any known significant changes in the current financial position from the last available audited balance sheet.

Please list details of the supporting documentation you have provided:

Please list supporting documentation provided:

[3E] The Bidder (and where applicable each Bidder Group member) should provide **one** of the following:

- (i) details of any actual, pending or threatened regulatory enforcement action taken against the Bidder (and if applicable, any Bidder Group member) in any sector.

Or

- (ii) a statement signed by a duly authorised officer of the Bidder, and where relevant each Bidder Group member, that, to the best of the signatory's knowledge and belief, having made all reasonable enquiries, there is no such actual, pending or threatened regulatory enforcement action taking place.

Please indicate which item you have responded to and list details of the supporting documentation you have provided:

Question answered. Please insert into square bracket:

[]

Please list supporting documentation provided:

[3F] The Bidder (and where applicable each Bidder Group member) should provide **one** of the following:

- (i) Particulars of any criminal convictions of the Bidder, any Bidder Group member and any person specified by the Bidder or any Bidder Group member in response to Section 1 (other than offences under the Road Traffic Offenders Act 1988 or convictions in respect of which the person has become rehabilitated under the Rehabilitation of Offenders Act 1974).

Or

- (ii) a statement signed by a duly authorised officer of the Bidder, and where relevant each Bidder group member, that to the best of the signatory's knowledge and belief, having made all reasonable enquiries, there are no such convictions.

Please indicate which item you have responded to and list details of the supporting documentation you have provided:

Question answered. Please insert into square bracket:

[]

Please list supporting documentation provided:

[3G] The Bidder (and where applicable each Bidder Group member) should provide **one** of the following:

- (i) particulars of whether during the last six years, any prosecutions have been instigated or threatened, cautions given, notices served or other action taken against the Bidder or individuals related to the Bidder (and where applicable each Bidder Group member) for whom any details are required to be provided in response to the questions under section 1 of this EPQ Questionnaire for contraventions of environmental legislation (including town and country planning legislation) including in the case of prosecutions details of charges, dates and venues of hearings, verdicts of the court and penalties, if found guilty.

Or

- (ii) a statement signed by a duly authorised officer of the Bidder, and where relevant each Bidder Group member, that, to the best of the signatory's knowledge and belief, having made all reasonable enquiries, there are no such prosecutions against the Bidder or individuals related to the Bidder (and where applicable each Bidder Group member).

Please indicate which item you have responded to and list details of the supporting documentation you have provided:

Question answered. Please insert into square bracket:

[]

Please list supporting documentation provided:

[3H] Provide details of any licences held by the Bidder (and where applicable each Bidder Group member) under the Electricity Act 1989 (as amended) or Gas Act 1986 (as amended).

[3I] The Bidder (and where applicable each Bidder Group member) should provide **one** of the following:

- (i) details of the circumstances of any licences granted under the Electricity Act 1989 (as amended) or Gas Act 1986 (as amended) which have been revoked or where an application was not successful.

Or

- (ii) a statement signed by a duly authorised officer of the Bidder and where relevant each Bidder Group member, that, to the best of the signatory's knowledge and belief, having made all reasonable enquiries, there are no such licences that have either been revoked or where an application was not successful.

Please indicate which item you have responded to and list details of the supporting documentation you have provided:

Question answered. Please insert into square bracket:

[]

Please list supporting documentation provided:

Section 4: Proposed Approach to Asset Takeover and OFTO Set up

*Please provide a response, which must not exceed **8 pages** in total, outlining the following:*

[4A] Please outline the key principles and considerations that you will apply to takeover of operational infrastructure assets and set up of an infrastructure business, describing how this will guide your high level approach during the period following Preferred Bidder appointment for an OFTO asset. Your response should consider legal, regulatory, commercial, technical and financial aspects and include management control arrangements and approach to stakeholder engagement.

Your approach should be evidenced wherever possible using references, for example to past experience of mergers and acquisitions, establishing new business units in the infrastructure sector, or expanding business units.

[4B] Please outline how you intend to apply the principles set out in your response to **[4A]** to taking over the following elements of an offshore transmission system:

- i. onshore substation
- ii. offshore substation
- iii. onshore cable
- iv. subsea cable

[4C] Please outline how you intend to apply the principles set out in your response to **[4A]** to set up an OFTO business.

Section 5: Management and Operational Capability

Please provide a response, which must not exceed **25 pages** in total outlining how you propose to approach the management requirements described in [5A] to [5H] below.

In your response you should explain how your experience of managing similar infrastructure projects informs your approach including, where relevant, with reference to your internal policies, codes of conduct and best practice principles.

Please outline:

[5A] your general approach to managing and operating essential services or regulated infrastructure assets of similar size and complexity in accordance with the required operational performance standards;

[5B] the key performance indicators and operational outcomes that you would expect senior management to deliver against in relation to your ownership of the transmission system. This may be based on your experience from managing and operating essential services or regulated infrastructure assets of similar size and complexity;

[5C] your proposed approach to operating Transmission Assets and delivering services for an OFTO project in accordance with the required operational performance standards. If you have not previously operated Transmission Assets this may be based on your experience from managing and operating essential services or regulated infrastructure assets of similar size and complexity.

Your response should explain how your approach will change and adapt over the full 20 year period of the revenue term, referring to past experience where applicable, and should include the following:

- i. operation and maintenance of Transmission Assets, including for example the approach to handling routine maintenance; life cycle management; avoiding and rectifying service failures; liaising with generators on outage management and crisis management, managing spares; and managing cable inspection and surveys;
- ii. obtaining and managing the necessary resources and/or contracts to deliver the transmission services for an OFTO project, including roles and responsibilities of any Bidder Group members and sub contractors;

[5D] your proposed approach to managing and mitigating the impact of the key business and operational risks set out below, including examples from your experience of managing and operating essential services or regulated infrastructure where applicable. (Note you are not required to detail here how you would approach dealing with the financial and/or commercial impact of the risks as this is addressed in Section 9):

- i. Major failure / outage of the transmission link (once you have ownership of the Transmission Assets);
- ii. Persistent under-performance of the transmission system sufficient to impact the availability incentive (once you have ownership of the Transmission Assets);
- iii. Unavailability of vessels for maintenance work;
- iv. Failure of supply chain member;
- v. Variability in insurance costs over time; and
- vi. Any additional risks you have identified which could have a significant

operational impact.

[5E] your proposed approach to managing managerial and operational interfaces with key stakeholders and third parties for an OFTO project, referring to past experience of your contract management capability;

[5F] your understanding of the electricity industry regulatory framework applicable to an OFTO and how you intend to ensure compliance in operating and managing offshore Transmission Assets (Bidders should refer to documents referenced under 'Relevant Guidance and Other Documents' provided in paragraph 1.26 in considering their responses to this question);

[5G] how your past experience with applying principles of best practice and following internal codes of conduct for similar infrastructure projects will help you ensure compliance when operating and managing a transmission system, in terms of:

- (i) applicable health and safety legislation in managing the key health and safety risks to your employees, subcontractors' employees, members of the public and with respect to the safety of the installations themselves; and
- (ii) applicable environmental and planning legislation.

[5H] your proposed high level approach to decommissioning of OFTO assets (guidance notes on decommissioning⁸ are available on DECC's website).

⁸<http://webarchive.nationalarchives.gov.uk/20121217150421/http://decc.gov.uk/publications/basket.aspx?filepath=what+we+do%2fuk+energy+supply%2fenergy+mix%2frenewable+energy%2fpolicy%2foffshore%2forei%2ffile35754.pdf&filetype=4>

PART 2 – COMMERCIAL AND FINANCIAL PROPOSAL

Section 6: Corporate / Shareholding Structure

Please provide the following, with your response not exceeding **a maximum of 5 pages** in total:

[6A] details of the proposed shareholding/Bidder Group organisational structure, making clear:

- the identity of the entity that will hold the OFTO Licence for the Qualifying Project;
- the proposed management and leadership structure of the entity that will hold the OFTO licence for the Qualifying Project;
- the roles, decision-making responsibilities, delegated authority, and relationship which each Bidder Group member will have within and/or with the OFTO, including identification of the Ultimate Controller(s) of the OFTO; and
- key contractual relationships and accountability for managing these.

[6B] in the case of a Bidder Group, outline the proposed ownership arrangements, the proposed ownership proportions, and how you propose to share liability between Bidder Group members.

Section 7: Indicative Tender Revenue Stream (ITRS)

Note that responses in relation to this section must be submitted in the template provided by Ofgem.

The statements made in response to this section are not required to be a binding commitment for the ITT Stage. However Ofgem will require a detailed explanation of any changes to the assumptions at the ITT Stage, should the Bidder reach that stage, where such changes result in a material increase to the ITRS. Please note also the ITRS value in [7A] will not be evaluated. The rationale underlying the ITRS elements will be evaluated under [7B].

[7A] Please provide an Indicative Tender Revenue Stream (ITRS) for the relevant Qualifying Project, consisting of:

- (i) a **first year** indicative tender revenue stream requirement; and
- (ii) a **percentage** representing the proportion of that ITRS that will be indexed to RPI over the length of the revenue term.

The first year ITRS should be based upon the Default Availability Standard, assuming no deductions. In addition, it should be based upon a 20 year term and assume the Initial Transfer Value for the relevant Qualifying Project, as detailed in paragraph 2.12.

As part of your submission, please include a copy of the analysis schedules or financial model(s) you have used to develop the individual elements underpinning the ITRS. These schedules/models will not be evaluated, but are requested to assist Ofgem in understanding the rationale underlying your estimate assumptions of the ITRS elements that will be evaluated under [7B]. See Chapter 4 on Evaluation of EPQ Submissions for more detail.

Common Assumptions:

Market Rates:

Where a Bidder's funding solution is reliant on underlying market rates then the assumptions in Table 7-1, where relevant, should be used for the purpose of the EPQ submission.

Table 7-1: Market Rate Assumptions

Rate	Source	Time Obtained	Rate
RPI Swap Rate⁹	Bloomberg	End of Day 27/3/14	3.5900
Interest Rate Swap Rate¹⁰	Bloomberg	End of Day 27/3/14	2.9298
Gilt Rate¹¹	Bloomberg	End of Day 27/3/14	2.776
Index Linked Gilt Rate¹²	Bloomberg	End of Day 27/3/14	-0.304

⁹ This is the twenty year RPI swap mid rate.

¹⁰ This is the mid rate for twelve year interest rate swap (equivalent to the approximate average life of a 19 year fully amortising debt instrument).

¹¹ UKT 5% 2025

¹² UKTI 2.5% 2024

Where your funding solution is a public issuance capital market solution, which will make use of the adjustment mechanism in Amended Standard Condition E12-A2 (Market Rate Revenue Adjustment) of the TR3 Generic OFTO Licence, please make an assumption for the bond spreads. In doing so you may wish to refer to data in relation to the Greater Gabbard bond transaction and/or secondary market. Bidders do not need to provide a detailed credit rating or credit spread analysis at the EPQ stage. As part of your submission for this section, please provide Ofgem with the assumptions you have employed, for information purposes.

For all other funding solutions, please set out your assumptions in Section 8.

[7B]: Underlying Assumptions & Rationale for Indicative ITRS *(Please provide the following, with your response not exceeding a maximum of 12 pages for this question.)*

Please describe the assumptions used in deriving your ITRS, and the rationale underlying these estimate assumptions. The assumptions must include the following elements:

- (i) Operation and Maintenance;
- (ii) Insurance;
- (iii) Decommissioning;
- (iv) Taxation;
- (v) Special Purpose Vehicle (SPV) and/or management costs;
- (vi) Bid Cost Recoveries;
- (vii) Other Income Items;
- (viii) Equity/Debt or Corporate Finance servicing costs; and
- (ix) Other Foreseen Costs.

For each of the ITRS elements you should provide the following:

ITRS Amount (£) for each element:

Please calculate the average real annual cost or income for each of the assumption elements. Ofgem will not be comparing the absolute value of cost figures, as the ITRS figure itself will not be scored. The figures are required to provide context to the Bidder's assumptions used in deriving an ITRS, which will inform Ofgem's evaluation of this section. See Chapter 4: Evaluation of EPQ Submissions for more detail.

Inflation Assumption:

Please provide the inflation assumption you have used as part of calculations for your ITRS.

Total ITRS Figure:

This should be the sum of the ITRS Amount for each element. Bidders should note that the total of the ITRS elements will not equal the first year ITRS, as outlined in response to 7[A](i), in cases where a Bidder requests other than 100% of their revenue stream be indexed to inflation.

Proportion of ITRS (%):

Please calculate the equivalent percentage portion of the annual cost or income for each of the assumption elements detailed in the submission template.

Explanation of Assumption:

Please provide an explanation of how you arrived at the ITRS amount and proportion of ITRS figures for each element, including the specific assumptions and rationale for each assumption. Where appropriate this should include a description of how the relevant item will vary over the 20 year period including any cyclical, front-ended or back-ended

elements and the underlying reason for such features. Assumptions may be based on any information provided at the EPQ Stage including, but not limited to, the Information Memorandum, the draft Transfer Agreement, draft Amended Standard Conditions applicable to OFTOs and documents referenced within the 'Relevant Guidance and Other Documents' section (paragraph 1.26). Ofgem acknowledges that this may not provide relevant information for certain cost items. Where you consider that you do not have sufficient information in order to price any element, you should develop an assumption based on your experience of similar projects, including non-OFTO projects where applicable, and outline the basis of those assumptions.

Approach to ITT:

Please outline the process you will follow at the ITT Stage to develop each assumption element further for a final TRS at ITT submission. Please detail examples of similar processes that you may have followed previously either in the OFTO or other relevant sectors, to demonstrate that the overall final TRS will be robust and deliverable.

[7C]: Approach to Indexation of the ITRS and Strategies for Reducing an ITRS
(Please provide the following, with your response not exceeding a maximum of 5 pages for this question.)

(i) Please outline the assumptions that underpin your approach to the proportion of the ITRS to be indexed to RPI over the length of the revenue term, in line with your response to **[7A](ii)**. Please also specify how you plan to develop that approach further for the ITT Stage in order to deliver a robust TRS.

(ii) Please describe five key strategies you would pursue at the ITT Stage for reducing your ITRS.

Section 8 Financing Strategy

Outline your proposed financing strategy to ensure delivery of the optimal funding solution at relevant stages of the process, including your current proposed funding solution, which should support your ITRS (as provided in Section 7).

Your response to this section should be a **maximum of 12 pages** overall (excluding any annexes).

In providing details of their financing strategy, Bidders should assume that funding could be required for up to 120% of the Initial Transfer Value.

- [8A]** Please provide details of your proposed funding solution including:
- i. details of the Bidder’s proposed funding structure;
 - ii. how funding will be sourced, referencing quantum and sources for Equity, Debt, and/or Corporate Finance, including the identity of the investors being targeted, where known;
 - iii. explanation of why this funding solution is considered the most appropriate for the Qualifying Project;
 - iv. details of target returns for any Equity or Corporate Finance;
 - v. an outline of your proposed due diligence plan in relation to your proposed funding solution, including a timetable clearly identifying which activities will be undertaken prior to ITT Submission;
 - vi. an outline of any additional or outstanding information required from the project developer which would increase the deliverability of your proposed financing strategy.

[8B] Please provide a description of what alternative instruments for debt, and other types of finance, you have considered in formulating the ITRS. Please outline how you will consider the full range of alternatives, including any new ones subsequently identified, during the ITT Stage.

[8C] From the period of Preferred Bidder onwards, please set out at a high level your strategy for ensuring that your proposed funding solution continues to be the most appropriate for the Qualifying Project and how you will ensure that your funding remains competitive.

Your answer should include consideration of a change in external factors, including a delay to asset transfer and change in market conditions, that results in a preferred funding solution no longer being viable.

[8D] Supporting Evidence for proposed funding solution

- i. Where **external Debt Finance** (including bank finance, bond finance, capital markets and/or credit enhancement) is proposed please provide:
 - a. a summary of the extent of discussions which have occurred with potential debt funders in respect of the Qualifying Project(s) and the key conclusions of those discussions;
 - b. initial letters of support from potential funders, outlining the level of support which is being offered at this stage in respect of the Qualifying Project(s) and the process, due diligence and approvals required to obtain committed offers of finance;
 - c. Indicative funding terms from potential funder(s) to support the funding assumptions which underpin the ITRS calculation;
 - d. an explanation of your proposed approach to benchmarking debt funding costs between ITT Submission and financial close to ensure competitive funding terms are achieved;
 - e. the level of due diligence and approvals which funders expect to undertake prior to ITT Submission and details of any approvals that will not be obtained until after ITT Submission; and
 - f. if applicable, initial letter of support from the provider of any credit enhancement (including mezzanine debt) outlining the level of support which is being offered at this stage in respect of the Qualifying Project(s) and the process, due diligence and approvals required to obtain a committed offer of the relevant instrument.
- ii. Where **Corporate Finance** is proposed please provide:
 - a. letters of support from the relevant corporate group entity committing to provide Corporate Finance in respect of the Qualifying Project(s) should the bid be successful, including the amount of finance which is to be provided;
 - b. the key funding terms and conditions associated with the Corporate Finance, to support the funding assumptions which underpin the ITRS calculation;
 - c. an outline of your proposed approach to benchmarking costs between ITT Submission and financial close to ensure competitive funding terms are achieved;
 - d. details of the approvals process to be undertaken prior to ITT Submission and details of any approvals that will not be obtained until after ITT Submission; and
 - e. an explanation of how the Corporate Finance is to be funded – either
 - evidenced by ability to fund from current corporate cash reserves and / or;
 - where corporate capital (equity or debt) is yet to be raised, status of the capital raising and the expected timing.
- iii. In respect of **Equity Finance** (including sub-ordinated loans) which is to be **subscribed by the Bidder**, please provide:
 - a. a letter of support from the relevant corporate group entity committing to provide Equity Finance in respect of the Qualifying Project(s) should the bid be successful, including the amount of finance which is to be provided;

- b. details of the approvals process to be undertaken prior to ITT Submission and details of any approvals that will not be obtained until after ITT Submission; and
 - c. confirmation that the relevant corporate group entity has adequate funds available to make the required equity investment.
- iv. Where **third party Equity Finance** is proposed, please provide:
- a. a summary of the extent of discussions which have occurred with potential third party equity funders in respect of the Qualifying Project(s) and the key conclusions of those discussions
 - b. initial letters of intent from potential third party equity providers, outlining the level of support which is being offered at this stage in respect of the Qualifying Project(s) and the process, due diligence and approvals required to obtain committed offers of finance;
 - c. the approvals process to be undertaken prior to ITT Submission and details of any approvals that will not be obtained until after ITT Submission; and
 - d. the current status of the third party equity investor, including their ability to invest the required equity from existing committed investable capital, or where the equity capital is yet to be raised, the status of the fund raising and expected timing.

Please indicate which item you have responded to and list details of the supporting documentation you have provided:	
Question answered. Please insert into square bracket:	[]
Please list supporting documentation provided:	

Section 9: Financial and Commercial Risk Management

*Please provide details of how you intend to address potential financial and commercial risks related to operation of Transmission Assets, not exceeding a **maximum of 8 pages** in total for the relevant Qualifying Project. The equivalent technical aspects are addressed in Section 5.*

[9A] Please describe your understanding of the following risks and your approach to dealing with their financial and/or commercial impact. Please indicate for each risk outlined below your proposed approach and potential solution(s), providing relevant evidence of your experience, which may include relevant learning from other industry sectors, to demonstrate the resilience of your proposal. As part of your response please address the proposed use of insurance cover for certain risks. Your response should address the following:

- i. major failure / outage of the transmission link (post transfer of the Transmission Assets);
- ii. persistent under-performance of the Transmission Assets sufficient to impact the availability incentive (post transfer of the Transmission Assets);
- iii. unavailability of vessels for maintenance operations;
- iv. failure of supply chain member;
- v. change in inflation over the lifetime of the revenue term;
- vi. changes to decommissioning costs or requirements;
- vii. variability in insurance costs over time; and
- viii. any additional risks you have identified in connection with the relevant Qualifying Project which could have a significant financial and/or commercial impact.

Section 10: Innovation

Improving outcomes through innovation is a key priority for Ofgem in the delivery of the offshore transmission regime. In this section we will ask you to set out your strategy and approach to delivering innovation in infrastructure and how you might deliver enhanced outcomes to generators and consumers through innovation in relation to the Qualifying Project. In your response to this section you may refer to other sections of this document where you have outlined an innovative approach to the undertaking of an OFTO.

Specifically please outline the following, not exceeding a **maximum of 5 pages** in total for the relevant Qualifying Project:

[10A] your experience of delivering innovation across all aspects of infrastructure asset ownership (for example technological improvements, use of business models, financing, contract strategy, etc) in infrastructure or related sectors. Wherever possible, your response should refer to organisational structures and approaches which enable innovation, as well as examples of innovative practices which you have designed and implemented, stating the outcomes that were delivered, and whether/how these resulted in lasting benefits.

[10B] for OFTOs in particular, identify areas in which innovation could be delivered in relation to any aspect of the ownership and management of the offshore transmission system, which forms the Qualifying Project. For each of the areas of innovation identified:

- a) describe the area in which you believe innovation is possible and why
- b) outline your strategy and the approach you would take for developing and delivering innovations in this area
- c) describe the types of benefits you would expect innovation to deliver, including where relevant improved outcomes for generators and/or consumers

To the extent that they are identifiable, your answer to the above should include specific examples of innovative practices that are deliverable for the relevant Qualifying Project.

PART 3 – OTHER

Section 11: Draft Transfer Agreement

Based upon your review of the information about the relevant Qualifying Project (including but not limited to the IM and the draft Transfer Agreement), as well as information available in respect of the offshore electricity transmission regime more generally (including that referred to in paragraph 1.26), you have the option of commenting on the draft Transfer Agreement for the relevant Qualifying Project.

[11] You are invited to provide comments on the draft Transfer Agreement for the relevant Qualifying Project by way of a commentary table, using the form of template provided at Appendix 1. The commentary for the relevant Qualifying Project should focus on the potential commercial issues and risk considerations associated with achieving a transfer of assets in accordance with the draft Transfer Agreement, indicating whether the issues are:

- **High:** Significant commercial/legal impact which the Bidder expects would materially affect the Tender Revenue Stream they would bid at the ITT Stage or could materially affect the fundability of the transfer;
- **Medium:** Commercial/legal impact which could affect the Tender Revenue Stream the Bidder would bid at the ITT Stage, but not in a material way; or
- **Low:** Amendments which the Bidder expects would neither affect the Tender Revenue Stream they would bid at the ITT Stage, nor have a significant commercial impact, but which would make the transaction more desirable from the Bidder's perspective.

As part of the commentary table, where an issue is identified as of high or medium significance, the Bidder is invited to explain the nature of these issues and the potential impact on the Tender Revenue Stream the Bidder would bid at the ITT Stage.

If Bidders wish to also provide a mark-up of the draft Transfer Agreement, please provide such a mark-up as a supplementary document.

*Bidders have the option of submitting commentary tables and mark-ups of the draft Transfer Agreement. **Section 11 will not be scored, nor will it be considered during the evaluation process.***

As Ofgem may make responses to this section available to the Developer (see paragraph 2.18), Bidders' responses should not contain any information (including in footnotes) which could identify or allow ready identification of the Bidder or any Bidder Group member (if relevant).

Responses which highlight issues for Ofgem to address, including issues in relation to the Tender Exercise, Offshore Transmission Licence or regulatory regime, should be raised as clarifications in accordance with the procedure set out in paragraph 2.30.

Section 12: EPQ Certificate

Each Bidder must have a duly authorised officer of the Bidder (or where applicable an officer authorised on behalf of the Bidder Group) indicate his or her confirmation of all of the statements in Sections [12A] to [12I] below by **initialling** each statement where indicated and **signing** where indicated below. The initialled and signed copy of the EPQ Certificate must then be uploaded on to the Portal as part of your EPQ Submission. In relation to statement [12D] only, if the duly authorised officer is not able to confirm statement [12D] then he or she need not initial this statement provided that the Bidder provides a written description of the reasons why the duly authorised officer cannot give such confirmation such that Ofgem is satisfied whether to accept the EPQ Certificate without that confirmation.

"I, acting as a duly authorised officer of* _____ and on behalf of
** _____, hereby confirm that:

<p>[12A] The information provided in the EPQ Submission is true, accurate, and complete.</p>	<p>Initial below</p>
<p>[12B] Neither* _____, *** _____ nor any of [its/their] Related Parties has breached any applicable legislation or regulations including any provision or requirement of the Tender Regulations, the Tender Rules or the EPQ Document in preparing or making this EPQ Submission.</p>	<p>Initial below</p>
<p>[12C] We are not aware of any application to place the Bidder (or where relevant any Bidder Group member), or the shareholders of any of the foregoing in liquidation, administration or receivership, or to commence any analogous process or proceeding in any jurisdiction, and that no such process has been commenced.</p>	<p>Initial below</p>
<p>[12D] The Bidder is acting as a principal in the Tender Exercise and not as an agent for any undisclosed person and the Bidder (and where relevant each Bidder Group member) have expressly authorised me to act on their behalf in making this EPQ Submission.</p>	<p>Initial below</p>
<p>[12E] The Bidder (and where relevant each Bidder Group member) hereby consents to the disclosure by Ofgem to Ofgem's Advisers for the purposes of TR3 of any information given to Ofgem either before or during TR3 by such Bidder or Bidder Group member.</p>	<p>Initial below</p>
<p>[12F] The Bidder (and where relevant each Bidder Group member) hereby confirms that they have considered the implications of the Electricity and Gas (Internal Markets) Regulations 2011 and understands that if appointed as a transmission licensee who participates in the transmission of electricity they will be required to comply with the ownership unbundling provisions therein.</p>	<p>Initial below</p>
<p>[12G] In compiling this EPQ Submission, neither I personally nor the</p>	<p>Initial below</p>

Bidder (and where relevant any Bidder Group member) has obtained an unfair commercial advantage including, in particular such advantage from a preferential or discriminatory arrangement with associated parent companies or affiliates, any user of the Offshore Transmission System or Licensees.		
[12H] The Bidder (and where relevant each Bidder Group member) understands the obligations of an OFTO to comply with conditions in the OFTO Licence.		Initial below
[12I] The Bidder (and where relevant each Bidder Group member) acknowledges and agrees that knowingly or recklessly making a false, incomplete, or misleading statement in support of this EPQ Submission may result in		Initial below
<p>a) disqualification of the Bidder from the Tender Exercise;</p> <p>b) Licence Grant being refused or revoked if the Bidder reaches these relevant stages in the process; and</p> <p>c) criminal proceedings being instituted under section 59 of the Electricity Act 1989 (as amended).</p>		
In providing this statement, I have made all due enquiries on behalf of the Bidder or Bidder Group."		
Signed		
Name		
Position		
Dated		

* insert name of Bidder (if a Bidder Group, the lead member of the Bidder Group)

** insert name of Bidder and each of the Bidder Group members if applicable

*** insert the names of each of the other Bidder Group members if applicable

Section 13: Confidentiality

The Freedom of Information Act 2000 provides a general right of access to all information held by public authorities. Ofgem is subject to the Freedom of Information Act 2000 and the Environmental Information Regulations 2004.

The Bidder should identify which part(s) of its EPQ Submission are provided in confidence and provide reasons why it considers the information is eligible for exemption under the Freedom of Information Act 2000 and the Environmental Information Regulations 2004 and should therefore be kept confidential. However, Ofgem is not bound by any such statement but will take them into account in considering whether an exemption applies.

Section of EPQ Submission provided in confidence	Reason(s) for exemption under Freedom of Information Act 2000 and Environmental Information Regulations 2004

4. Evaluation of EPQ Submissions

Chapter Summary

This chapter sets out how Ofgem will evaluate EPQ Submissions. This includes the EPQ evaluation criteria Ofgem will apply and the process it will follow to evaluate EPQ Submissions.

Evaluation Process

- 4.1. The purpose of the EPQ Stage is to identify a shortlist of Qualifying Bidders in respect of each Qualifying Project who will be invited to participate in the ITT Stage for that particular Qualifying Project.
- 4.2. Ofgem will conduct its evaluation over the following sequential stages:
 - an assessment of completeness;
 - an assessment of compliance; and
 - an evaluation of compliant EPQ Submissions in accordance with the evaluation criteria.

Assessment of Completeness

- 4.3. Prior to the formal evaluation process and following receipt of the EPQ Submissions, Ofgem will undertake a completeness check of the information received. If this check identifies any omission(s) in the information required to be provided, Ofgem will notify the Bidder, who will be given a period of time, to be notified by Ofgem, in which to rectify the omission(s). In this event, Ofgem will only commence evaluation of the EPQ Submission following receipt of the requested information.
- 4.4. Ofgem may decline to consider a Bidder's EPQ Submission if any omitted information requested is not provided within the required time.

Assessment of Compliance

- 4.5. Following the completeness check, Ofgem will assess whether EPQ Submissions received are compliant. An EPQ Submission will be considered compliant if all the information requested under paragraph 2.24.
- 4.6. Ofgem may decline to consider a Bidder's EPQ Submission if it does not comply in any material respect with the requirements specified in this EPQ Document.

Scoring

- 4.7. EPQ Submissions assessed as being compliant will be evaluated in two parts.
- 4.8. **Part 1** (sections 1 to 5) of the EPQ Questionnaire focuses on capability. Evaluation of sections 1 to 3 will be on a pass/fail basis. Evaluation of sections 4 and 5 will be assessed on a scored basis, using the marks A to D as set out in the

Evaluation Scale for Scored Sections at paragraph 4.43, with Bidders required to meet a minimum threshold of B and above for each section.

- 4.9. A Bidder's EPQ Submission will only be considered further if it passes sections 1 to 3 and meets the threshold score for sections 4 and 5.
- 4.10. **Part 2** (sections 6 to 10) of the EPQ Questionnaire focuses on commercial and financial proposals. Part 2 will be evaluated on a scored basis (excluding section 7A, which will not be scored). Each of these sections will be scored using the marks A to D. These will be converted to the corresponding numeric score as set out in the Evaluation Scale for Scored Sections at paragraph 4.43.
- 4.11. The scores for Part 2 sections 6 to 10 (excluding section 7A) will be combined, in line with the weightings set out for each section below, to determine an overall score for each Bidder for each Qualifying Project, ie the overall score for each Bidder for each Qualifying Project will be determined by adding:
- the score from Section 6 multiplied by 10 per cent,
 - the score from Section 7 (excluding 7A) multiplied by 20 per cent,
 - the score from Section 8 multiplied by 30 per cent,
 - the score from Section 9 multiplied by 30 per cent,
 - and the score from Section 10 multiplied by 10 per cent.
- 4.12. **Part 3** (sections 11 to 13) focuses on other areas and will not be evaluated, although Section 12 must be satisfactory to Ofgem.

Determining the Shortlist

- 4.13. We will determine the shortlist of Qualifying Bidders based on the highest overall scores on Part 2 of the EPQ Submissions. In instances where Ofgem's evaluation of Bidders' EPQ Submissions reveals two or more Bidders with the same mark, Ofgem reserves the right to take into account responses to sections 4 and 5 to determine the strongest Bidders to be invited to tender.

EPQ Evaluation Criteria

- 4.14. The evaluation criteria for each section of the EPQ Questionnaire and the evaluation weighting for each scored section are as follows.

PART 1 – TECHNICAL, Sections 1 to 5

Section 1: Identification Information (Pass/Fail)

- 4.15. A Bidder must provide details and evidence of its identity as requested in the EPQ Questionnaire.

Section 2: Confirmation of Relevant Qualifying Project(s) (Pass/Fail)

- 4.16. There are two Qualifying Projects in this Tender Round; Humber Gateway and Westermost Rough. A Bidder must clearly identify the relevant Qualifying Project(s) to which its EPQ Submission relates.

Section 3: Financial Standing, Legal Standing and Pending Litigation (Pass/Fail)

- 4.17. A Bidder must demonstrate that it has the necessary financial strength to be considered viable to support its proposed expenditure on the basis of the aggregate of the Initial Transfer Value(s) for the Qualifying Project(s) for which the Bidder wishes to be invited to tender.
- 4.18. The financial solvency and strength of each Bidder will be assessed through consideration of its EPQ Submission, along with analysis of the Bidder's annual reports and accounts submitted for the three most recent years and any interim accounts and/or public announcements submitted.
- 4.19. Searches of news information sources and credit ratings may also be undertaken to highlight any issues that are not brought to the attention of Ofgem by the Bidder's responses to the EPQ Questionnaire and the supporting documents provided. Where such information raises material concerns, Ofgem reserves the right to request further information from the Bidder and/or the parent company/group (as appropriate). Where this information is not forthcoming, Ofgem reserves the right to fail the Bidder against this criterion.
- 4.20. A Bidder must demonstrate that it satisfies the minimum requirements for the grant of an OFTO Licence, namely: that it is not involved in relevant material litigation which materially detracts from its ability to tender for, own and manage a transmission system.
- 4.21. Ofgem may request further information from the Bidder in respect of any statement provided as necessary as part of its evaluation.

Section 4: Proposed Approach to Asset Takeover and OFTO Set up (Threshold mark of B and above)

- 4.22. A Bidder must demonstrate an understanding of acquiring an infrastructure business or infrastructure assets from a third party. A Bidder must set out how they will apply this understanding to taking over the specified elements of an offshore transmission system, and to setting up an OFTO business. Bidders will be evaluated on the basis of the robustness, coherence and deliverability of their approach.

Section 5: Management and Operational Capability (Threshold mark of B and above)

- 4.23. A Bidder must demonstrate its capabilities, evidenced by experience-based management approaches, in relation to key aspects of the role to be undertaken by an OFTO and the specifics of operating within the offshore transmission regime. This may draw on relevant experience from other sectors but it must be demonstrated how this experience will be applied in the offshore transmission sector. Bidders will be evaluated on the basis of their understanding of the management and operational requirements and the coherence and viability of their proposals including their proposed approach to managing and mitigating the key risks that could have a business/operational impact on Offshore Transmission Assets.
- 4.24. Bidders that do not demonstrate to Ofgem's satisfaction that they meet the minimum requirements in Part 1 will not be considered further.

PART 2 – COMMERCIAL AND FINANCIAL, Sections 6 to 10

Section 6: Corporate/Shareholding Structure (Scored)

- 4.25. A Bidder must provide details of the proposed organisational and shareholding structure, including the ultimate controller, and in the case of a Bidder Group, the proposed ownership arrangements. The Bidder will be evaluated on the basis of the robustness and clarity of the proposed shareholding, organisational and contractual structure.
- 4.26. The weighting applied to the scoring of this section is **10%** of the overall score.

Section 7: Indicative Tender Revenue Stream (ITRS) (Scored – apart from 7A)

- 4.27. A Bidder should set out its assumptions in deriving an ITRS, inclusive of a brief statement explaining the rationale behind each assumption, as well as the approach to developing each cost item for the ITT Stage. The Bidder will be evaluated on the basis of the coherence, robustness and viability of the assumptions that underpin the ITRS.
- 4.28. A Bidder should also outline the assumptions that underpin their approach to the proportion of the ITRS to be indexed to RPI. The Bidder will be evaluated on the basis of the coherence, robustness and viability of their assumptions.
- 4.29. A Bidder should set out five strategies to be pursued to reduce their ITRS at the ITT Stage. The Bidder will be evaluated on the coherence, robustness and viability of these strategies and their potential to deliver competitive outcomes at the ITT Stage.
- 4.30. The statements made in response to this section are not required to be a binding commitment for the ITT Stage, however Ofgem will require a detailed explanation of any changes to the assumptions at the ITT Stage, should the Bidder reach that stage, where such changes result in a material increase to the TRS.
- 4.31. The weighting applied to the scoring of this section is **20%** of the overall score.
- 4.32. Note to Bidders: Approach to evaluation of TRS at the ITT Stage: At the ITT Stage Ofgem will evaluate TRS bids on a Net Present Value (NPV) basis. In order to calculate the NPV, Ofgem will discount nominal cash flows using a nominal discount rate. The nominal discount rate will be made up of a market implied inflation figure and the real discount rate. For the real discount rate we will use the social time preference rate of 3.5% as per the guidance in HM Treasury's Green Book. For the inflation assumption we will use the inflation figure implied by the Bank of England's 10 year Inflation Zero Coupon data (series name IUDMIZC) at a date shortly before the release of the ITT Document. We outline this to Bidders now to provide advance notice of our approach at the ITT Stage. Details will be provided in the ITT Document.

Section 8: Financing Strategy (Scored)

- 4.33. A Bidder must provide its proposed financing strategy, including the current proposed funding solution, which should support the ITRS set out in section 7. A Bidder must also demonstrate that alternative approaches have been considered and provide details of proposals for identifying and evaluating alternative

financing solutions to ensure that its proposals remain competitive throughout the tender process. The Bidder will be evaluated on the basis of the robustness, coherence, deliverability and viability of the proposed funding strategy used to:

- (a) support the ITRS; and
- (b) deliver the most appropriate financing solution for the ITT Stage and beyond.

The response should also include evidence of support for the proposed funding solution.

- 4.34. The weighting applied to the scoring of this section is **30%** of the overall score.

Section 9: Financial and Commercial Risk Management (Scored)

- 4.35. A Bidder must demonstrate an understanding of the key risks that could have a financial and/or commercial implication for the operation of transmission assets. Bidders will be evaluated on their understanding of these risks and the robustness, coherence and deliverability of their proposed approach to managing and mitigating the key risks.

- 4.36. The weighting applied to the scoring of this section is **30%** of the overall score.

Section 10: Innovation (Scored)

- 4.37. A Bidder should demonstrate a robust approach, evidenced by experience in infrastructure or related sectors, that delivers innovative solutions that result in enhanced outcomes, for example cost savings or increased production/results/availability. Bidders should make reference to organisational structures and approaches, where appropriate. A Bidder will be evaluated on the robustness and coherence of their approach. Credit will be given for demonstrating implementation of innovation that has delivered results.

- 4.38. A Bidder should also set out how it intends to apply innovative approaches to the OFTO sector specifically. Bidders should identify possible areas for innovation, setting out a robust approach to developing and delivering these innovations and setting out how the approaches or specific innovations identified are deliverable in relation to the relevant Qualifying Project. A Bidder will be evaluated on the coherence, robustness and deliverability of their proposed approach to applying innovation to the OFTO sector.

- 4.39. The weighting applied to the scoring of this section is **10%** of the overall score.

OTHER - Sections 11 to 13

Section 11: Transfer Agreement

- 4.40. This Section is optional and will not be evaluated.

Section 12: EPQ Certificate

- 4.41. A duly authorised officer of the Bidder or Bidder Group is required to confirm the statements set out in the EPQ Certificate in Section 12. A Bidder or Bidder Group

who does not do so will have its EPQ Submission rejected and it will not be considered further.

Section 13: Confidentiality

- 4.42. Bidders are invited to identify confidential information in their EPQ Submissions for the purposes of freedom of information requests. This is requested for information only and will not be evaluated.

Evaluation scale for scored sections

- 4.43. For all scored sections of the EPQ Questionnaire (Part 1 sections 4 and 5, and Part 2 sections 6 to 10 (excluding 7A)), responses will be scored against each criterion using a four-mark evaluation scale where each mark corresponds to a range of numeric scores (for sections 6 to 10 only). Table 1 below sets out the standard of response that correlates to each mark on the scale on a generic basis:

Table 1: Scored Evaluation (Part 1 sections 4 and 5; Part 2 sections 6 to 10, excluding 7A)

Evaluation mark	Range of numeric scores (sections 6 to 10 only)	Standard of response	Guidance
A	8-10	Excellent response: will indicate that, in the judgement of the Authority, the response entirely or almost entirely satisfies the requirements tested by the criterion.	<p>The response entirely satisfies the requirements tested; or any issues or concerns identified with the response are considered to be immaterial.</p> <p>The response is also likely to demonstrate:</p> <ul style="list-style-type: none"> • a coherent, robust, viable and/or deliverable approach; • excellent examples of relevant experience; • a clear understanding of project-specific considerations (where applicable); and • full supporting documentation (where applicable).
B	5-7	Good response: will indicate that, in the judgement of the Authority, the response substantially satisfies the requirements tested by the criterion, although the Authority has some minor reservations with regard to certain aspects of the response.	<p>Some issues or concerns identified with the response but these are considered unlikely to significantly impact upon the robustness of the Bidder’s proposals.</p> <p>The response is also likely to demonstrate:</p> <ul style="list-style-type: none"> • a largely coherent, robust, viable and/or deliverable approach; • good examples of relevant experience; • some recognition of project-specific considerations (where applicable); and • some supporting documentation is provided (where applicable).

Evaluation mark	Range of numeric scores (sections 6 to 10 only)	Standard of response	Guidance
C	2-4	<p>Basic response: will indicate that, in the judgement of the Authority, the response partially satisfies the requirements tested by the criterion and includes some of the expected supporting documentation, although the Authority either:</p> <ul style="list-style-type: none"> • has a number of significant minor reservations with regard to certain aspects of the response; and/or • one major reservation with regard to a particular aspect of the response. 	<p>Significant issues or concerns identified with the response which may impact the overall robustness of the Bidder’s proposals.</p> <p>The response is also likely to demonstrate:</p> <ul style="list-style-type: none"> • issues or concerns about the coherence, robustness, viability and/or deliverability of the approach; • a lack of recognition of project specific considerations (where applicable); and • few or poor examples of relevant experience or supporting documentation (where applicable).
D	0	<p>Unacceptable response: will indicate that, in the judgement of the Authority, the response does not satisfy the requirements tested by the criterion in a material way, there is no supporting documentation and the Authority has, either a significant number of minor reservations with regard to certain aspects of the response or one (or more) very serious reservation(s) with regard to a particular aspect(s) of the response.</p>	<p>Significant/ fundamental issues or concerns identified with the response which are considered unlikely to be resolved without an adverse impact on the robustness of the Bidder’s proposals.</p> <p>The response wholly or largely does not answer the questions; and there is no supporting documentation (where applicable).</p>

Notification to Bidders and Publication of Qualifying Bidder Shortlist

- 4.44. Ofgem will notify each Bidder (via the Portal) as to whether its EPQ Submission has been successful or unsuccessful.
- 4.45. Ofgem is sensitive to the likely level of investment which Qualifying Bidders will have to undertake during the ITT Stage and considers that it would not be beneficial, either for Ofgem or Bidders, to take too many Bidders beyond the EPQ Stage. Therefore, Ofgem may limit the number of Bidders who will be invited to take part in the ITT Stage in relation to the relevant Qualifying Project whilst ensuring that effective competition is maintained.
- 4.46. The notices given to successful Bidders will set out the next steps they will need to take in order to participate in the ITT Stage for the relevant Qualifying Project.
- 4.47. Once all Bidders have been notified, Ofgem will publish the Qualifying Bidders shortlist in respect of the Qualifying Project on the Portal and on the Ofgem website. Ofgem may also make a general public announcement.

Bidder feedback

- 4.48. Ofgem expects to offer confidential feedback to any Bidder following completion of the EPQ Stage. Ofgem expects that any such feedback will be provided within one month of the notification referred to in paragraph 4.44.

Appendices

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Appendix 1 – Table of Commentary to draft Transfer Agreement

Form of commentary tables

- A1.1. Bidders are invited and encouraged to provide commentary tables using the information provided on each Qualifying Project to prepare the commentary table using the form below and provide it in MS Word format. However it is not required that Bidders provide commentary, and any commentary provided will not be subject to evaluation. The commentary table is to be provided on an anonymous basis and not contain any information (including in footnotes) which could identify or allow ready identification of the Bidder or any Bidder Group member (if relevant).

- A1.2. Comments which are issues for Ofgem to address, including issues in relation to the Tender Exercise, Tender Round, OFTO Licence or regulatory regime, should be raised as clarifications in accordance with the procedure set out in the EPQ Document (paragraph 2.30).

PART A: HIGH IMPACT: Significant commercial and/or legal impact which will materially affect the Tender Revenue Stream being bid at the ITT Stage or could materially affect the fundability of the transfer.

No.	Headline issue	Relevant Clause(s)	Commentary
A.1			

PART B: MEDIUM IMPACT: Commercial and/or legal impact which could affect the Tender Revenue Stream being bid at the ITT Stage but not in a material way.

No.	Headline issue	Relevant Clause(s)	Commentary
B.1			

PART C: LOW IMPACT: Amendments which you would expect which would neither affect the Tender Revenue Stream that you would bid at the ITT Stage, nor have a significant commercial impact, but which would make the transaction more desirable from your perspective.

No.	Headline issue	Relevant Clause(s)	Commentary
C.1			

Appendix 2 – Disclaimer and Notices

Non-reliance, Accuracy of Information and Exclusion of Liability

- A3.1. It is the responsibility of each Bidder to ensure that it has all of the information it needs to prepare its EPQ Submission.
- A3.2. While information provided by Ofgem and/or its Advisers in this EPQ Document or otherwise in relation to the Tender Round has been prepared in good faith. Neither Ofgem nor any of its Advisers make any representation or warranty (express or implied) in relation to the Tender Round or any information provided by Developers through Data Rooms or otherwise. Ofgem and its Advisers expressly disclaim any and all liability (other than in respect of fraudulent misrepresentation) based on or relating to any such information or representations or warranties (express or implied) contained in, or errors or omissions from, the EPQ Document or based on or relating to its use by a Bidder and/or any other interested party.

Use of Information

- A3.3. This EPQ Document is not intended to provide the basis of any investment decision, nor is it intended to be considered as an investment recommendation by Ofgem or by any of its Advisers. Each Bidder and any other interested party must make its own independent assessment of the Qualifying Projects after making such investigation and taking such professional advice as it deems necessary.
- A3.4. The material in this EPQ Document is not and should not be regarded as legal or professional advice. Bidders and other interested parties should seek their own legal or other professional advice where appropriate.
- A3.5. Nothing in this EPQ Document is intended to, or shall be deemed to establish any partnership or joint venture between Ofgem and any Bidder.
- A3.6. Advisers acting for Ofgem in relation to the Tender Round will not regard any Bidder or other interested party as their client or be responsible to anyone other than Ofgem for providing the protections afforded to their clients or for advising any other person on the Tender Round or any matter related to it.

Freedom of Information

- A3.7. The Freedom of Information Act 2000 provides a general right of access to all information held by public authorities. The Environmental Information Regulations 2004 provide a general right of access to all environmental information held by public authorities. Ofgem is subject to the Freedom of Information Act 2000 and the Environmental Information Regulations 2004. Bidders should identify which parts, if any, of their submissions are provided to Ofgem in confidence and provide reasons why they consider the information to be eligible for exemption under the Freedom of Information Act

2000 or the Environmental Information Regulations 2004 and should be kept confidential. Ofgem will take any such statement of confidentiality into account in considering whether an exemption applies, but Ofgem is not bound by any such statement.

- A3.8. Although Ofgem is not under any statutory obligation to consult with a Bidder in relation to requests for information made under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004, Ofgem will endeavour to inform the relevant Bidder of requests wherever it is reasonably practicable to do so. However, all decisions in respect of disclosure of information will be made at the sole discretion of Ofgem regardless of whether or not a Bidder has identified any information as being in its opinion eligible for exemption. For further information and guidance, Bidders' attention is drawn to the Codes of Practice issued under Sections 45 and 46 of the Freedom of Information Act 2000¹³.

Data Protection

- A3.9. In participating in the Tender Round, Bidders must comply with the Data Protection Act 1998 and all relevant regulations, together with any codes of conduct and guidance issued by the Information Commissioner. Bidders must not do, or cause or permit to be done, anything which may cause or otherwise result in a breach by Ofgem of such requirements. BravoSolution UK Ltd, on behalf of Ofgem, will collect, hold and use personal data obtained from and about Bidders. In order to participate in the Tender Round, Bidders must agree to such data being collected, held and used.

Confidentiality and Publicity

- A3.10. Bidders must comply with their obligations under the Confidentiality Agreement they are required to sign with the Developer of each relevant Qualifying Project at the start of the EPQ Stage. Bidders must procure compliance by their directors, employees, advisers, subcontractors, etc, as provided for under such agreements.
- A3.11. Bidders shall not undertake (or permit to be undertaken) at any time during the Tender Round any publicity activity with any section of the media in relation to the Qualifying Projects other than with the prior written agreement of Ofgem. Such agreement shall extend to the content of any publicity. In this paragraph the word 'media' includes (without limitation) radio, television, newspapers, trade and specialist press, the internet and e-mail accessible by the public at large and the representatives of such media.

¹³ <http://www.justice.gov.uk/information-access-rights/foi-guidance-for-practitioners/code-of-practice>

Copyright

A3.12. The information contained within this EPQ Document is subject to Crown copyright protection unless otherwise indicated. The Crown copyright protected material may be reproduced free of charge in any format or medium provided it is reproduced accurately and not in a misleading or derogatory manner. Where any of the Crown copyright material in this EPQ Document is being published or copied to others, the source of the material must be identified and the copyright status acknowledged.

National Audit Office

A3.13. The Comptroller and Auditor General of the National Audit Office is the auditor for central government. Ofgem and any documents and information held by Ofgem in connection with the Tender Round (including commercially sensitive information and information marked as confidential) may be subject to audit by the Comptroller and Auditor General.

A3.14. Accordingly, Bidders should be aware that for the purposes of the National Audit Act 1983 the Comptroller and Auditor General may:

- examine and take copies of documents and information held by Ofgem in connection with the Tender Round (including commercially sensitive information and information marked as confidential) and request such information as he may reasonably require; and
- has the right to publish information related to the Tender Round (including commercially sensitive information and information marked as confidential) in its report to Parliament. In this context, please refer to the report published by the National Audit Office in June 2012 on the Offshore Transmission regime¹⁴.

¹⁴ http://www.nao.org.uk/publications/1213/offshore_electricity.aspx

Appendix 3 – Glossary

Advisers

In relation to Ofgem, its employees, officers, directors, officials, insurers, agents, consultants, advisers, contractors, sub-contractors (of any tier) and affiliates.

Authority

The Gas and Electricity Markets Authority established by section 1(1) of the Utilities Act 2000. The Authority governs Ofgem.

B

BAFO Submission

A selected Bidder's response to the BAFO Document.

Best and Final Offer (BAFO) Stage

A stage of a Tender Exercise which the Authority may decide to run after the ITT Stage in order to determine which Bidder shall become the Preferred Bidder in respect of a Qualifying Project. This stage starts from the distribution by Ofgem of the BAFO Document to selected Bidders, including BAFO preparation, Submission and evaluation, and ending when a Preferred Bidder is selected and notified.

Bid

The submission made by a Bidder to Ofgem in response to the EPQ Document.

Bidder

Any person or Bidder Group that makes a PQ Submission or an EPQ Submission, a Bidder, a Preferred Bidder, a Reserve Bidder or a Successful Bidder (as applicable).

Bidder Group

Two or more persons acting together as a consortium for the purposes of any PQ, EPQ, QTT, ITT or BAFO Submission to Ofgem in accordance with the Tender Regulations.

C

Confidentiality Agreement

The agreement between a Developer and a Bidder or Bidder in respect of confidential information disclosed in connection with a Tender Exercise.

Corporate Finance

Any finance provided by the company without recourse to external parties, e.g. intercompany loans, where the shareholders or parent company are the sole source of finance.

Cost Recovery Methodology (CRM)

The methodology for calculating and recovering the Authority's tender costs in relation to a particular tender round published by the Authority in accordance with regulation 11(4) of the Tender Regulations.

D

Data Room

In respect of a Qualifying Project, a secure electronic data room populated and maintained by Ofgem with information provided by the relevant Developer, which is made available to relevant Bidders or Bidders through the Portal.

Debt Finance

Any non-recourse or limited recourse senior debt finance including any enhancement or mezzanine structures.

Default Availability Standard

98% asset availability including planned/unplanned outages which is the default availability standard applicable under the Tender Exercise.

Developer

The Tender Regulations define a 'developer' as 'any person within section 6D(2)(a) of the 1989 Act or within a developer group'. Section 6D(2)(a) of the Electricity Act 1989 defines such person as 'the person who made the connection request for the purposes of which the tender exercise has been, is being or is to be, held'. In practice, such person is also the entity responsible for the construction of the generation assets and, under Generator Build, the transmission assets. Under Generator Build, this is the person who requests that Ofgem commences a Tender Exercise in respect of a proposed project.

E

Electricity Act

The Electricity Act 1989 as amended from time to time.

Enduring Regime

The regulatory regime for offshore transmission for any project qualifying for a Tender Exercise after 31 March 2012. This regime allows Developers to choose between Generator Build and OFTO Build for the construction of offshore Transmission Assets.

Enhanced PQ (EPQ) Stage

An extended version of the PQ stage of a Tender Exercise that can be used for Generator Build Tender Exercises where the Authority decides not to run a QTT Stage. At the end of this 'enhanced' PQ stage, the Authority will determine which Bidders become Bidders and will be invited to participate in the ITT Stage of the Tender Exercise.

EPQ Document

The document prepared and issued by Ofgem for the purpose of selecting a shortlist of Bidders to progress to the ITT Stage, and which sets out the rules and requirements of the EPQ Stage.

EPQ Questionnaire

The questionnaire that forms part of the EPQ Document.

EPQ Submission

A bidder's response to the EPQ Document.

G

Generator Build

A model for the construction of offshore transmission assets. Under the generator build option, the Developer carries out the preliminary works, procurement and construction of the Transmission Assets. The OFTO operates, maintains and decommissions the Transmission Assets.

I

Indicative Transfer Value

Ofgem's estimate of the economic and efficient costs which ought to be incurred in connection with:

- (a) for a Generator Build Tender Exercise, the development and construction of the relevant Transmission Assets; or
- (b) for an OFTO Build Tender Exercise, obtaining the relevant preliminary works.

Information Memorandum (IM)

The document prepared by Ofgem for a Qualifying Project containing detailed information for such Qualifying Project which is issued to Bidders at the EPQ Stage or QTT Stage (as applicable), providing they have entered into the applicable Confidentiality Agreement.

Initial Transfer Value

The initial transfer value for a Qualifying Project based on information provided by the relevant Developer.

Invitation to Tender (ITT) Stage

The stage of a Tender Exercise during which the Authority may determine which Bidder becomes the Preferred Bidder or whether to hold a BAFO stage. This stage starts from the distribution of the ITT Document to Bidders by Ofgem, and includes the preparation, submission and evaluation of ITT Submissions.

L

Licence Grant

Following its determination to grant an OFTO Licence to the Successful Bidder, the Authority confirms such determination in accordance with regulation 28(6) of the Tender Regulations and grants such OFTO Licence to the Successful Bidder pursuant to section 6(1)(b) of the Electricity Act 1989.

N

NGET

National Grid Electricity Transmission Plc. NGET owns and maintains the transmission system in England and Wales. It is also the national electricity transmission system operator (NETSO) for GB.

O

Offshore Transmission Licence (OFTO Licence)

The licence awarded under section 6(1)(b) of the Electricity Act 1989 following a Tender Exercise authorising an OFTO to participate in the transmission of electricity in respect of the relevant Offshore Transmission System. The licence sets out an OFTO's rights and obligations as the offshore transmission asset owner and operator.

Offshore Transmission Owner (OFTO)

The holder of an OFTO Licence.

Offshore Transmission System

A Transmission System made up of Transmission Assets that is used for purposes connected with transmission of electricity in offshore waters, where offshore waters means:

- (a) waters in or adjacent to Great Britain which are between the mean low water mark and the seaward limits of the territorial sea;
- (b) waters within an area designated under section 1(7) of the Continental Shelf Act 1964; and
- (c) waters within an area under section 84(4) of the Energy Act 2004.

Ofgem¹⁵

Office of Gas and Electricity Markets.

OFTO Build

A model for the construction of offshore assets. Under the OFTO build option, the Developer obtains the connection offer and undertakes high level design and preliminary works. The OFTO constructs, operates, maintains and decommissions the Transmission Assets.

P

PB Matters

The matters to be resolved by the Preferred Bidder to the Authority's satisfaction as specified in regulation 20(4)(a) or (b) of the Tender Regulations, as the case may be, before that Preferred Bidder becomes the Successful Bidder in accordance with regulation 27(a) of the Tender Regulations.

PB Stage

The stage of a Tender Exercise during which the Preferred Bidder has to resolve certain matters in order that Ofgem may grant the OFTO Licence. This stage starts at the date of Ofgem's notice to a Bidder that it has been selected as Preferred Bidder and ending at the date Ofgem determines that the Preferred Bidder has become the Successful Bidder and publishes a notice to that effect in accordance with regulation 27(2) of the Tender Regulations.

Portal

The electronic tendering Portal described in Section 3 and Appendix 2 of the Tender Rules.

Preferred Bidder (PB)

In relation to a Qualifying Project, the Bidder determined by Ofgem following its evaluation of the submissions received, to which Ofgem intends to grant the OFTO Licence subject to the satisfaction of the conditions specified by Ofgem in accordance with the Tender Regulations in force at that time.

Preliminary Information Memorandum (PIM)

The document which may be issued by Ofgem via the Portal at the PQ Stage containing high level information in relation to a Qualifying Project.

¹⁵ "Ofgem" and "the Authority" are used interchangeably in this document.

Pre-Qualification (PQ) Stage

The stage of a Tender Exercise starting from the publication of the PQ Document, including the preparation, submission and evaluation of PQ Submissions and ending once Ofgem has published the longlist of Bidders who have been invited to participate in the QTT Stage.

Project Finance

Financing based upon a non-recourse or limited recourse financial structure where project debt and equity are used to finance the project.

Q

Qualification to Tender (QTT) Stage

The stage of a Tender Exercise starting from the distribution by Ofgem of the QTT Document to Bidders, including the preparation, submission and evaluation of the QTT Submissions and ending once Ofgem has published the shortlist of Bidders who are invited to participate in the ITT Stage. This has now been replaced by the EPQ.

Qualifying Project

An offshore transmission project in respect of which Ofgem determines that the Developer has satisfied the requirements described in:

- (a) for Generator Build projects, paragraph 2 of Schedule 1 to the Tender Regulations, or will use its reasonable endeavours to satisfy the relevant Qualifying Project requirements within a period specified by Ofgem; or
- (b) for OFTO Build projects, paragraph 1 of Schedule 1 to the Tender Regulations.

S

SB Stage

The period starting at the date of Ofgem's notice to a Preferred Bidder that it has become the Successful Bidder and ending at the date when the Successful Bidder is granted an OFTO Licence in relation to a particular Qualifying Project.

Security

Includes a charge over a bank account or any other asset, a deposit of money, a performance bond or bank guarantee, an insurance policy or a letter of credit.

Submission(s)

A PQ Submission, an EPQ Submission, a QTT Submission, an ITT Submission or a BAFO Submission.

Successful Bidder (SB)

The Preferred Bidder in a Tender Exercise who has resolved the PB Matters to the Authority's satisfaction, such that the Authority intends to grant to it an OFTO Licence.

T

Tender Entry Conditions

The requirements that a Developer must meet before commencement of a Tender Exercise, as described in paragraph 1 (for Generator Build projects) or paragraph 2 (for OFTO Build projects) of Schedule 2 to the Tender Regulations.

Tender Exercise

The competitive process run by Ofgem in accordance with the Tender Regulations in order to identify a Successful Bidder to whom a particular OFTO is to be granted.

Tender Regulations

The Electricity (Competitive Tenders for Offshore Transmission Licences) 2013. Tender Revenue Stream (TRS)
The revenue established through the tender process, which is the value set out in paragraph 4 of amended standard condition E12-J2 (Restriction of Transmission Revenue: Revenue from Transmission Owner Services) of the OFTO Licence.

Tender Revenue Stream

A constant revenue stream in real terms submitted by the Qualifying Bidder for the relevant Qualifying Project.

Tender Round

One or more Tender Exercises being held or to be held by Ofgem with a view to determining the Successful Bidders to whom OFTO Licences are to be granted for each Qualifying Project subject to such Tender Exercises.

Tender Round 3 (TR3)

The first competitive Tender Round for the grant of OFTO Licences for Generator Build projects under the Enduring Regime.

Tender Rules

These rules published by Ofgem in accordance with regulation 11(4) of the Tender Regulations.

The Crown Estate

The body that manages Crown property and that is responsible for awarding offshore wind leases for access to the seabed to wind farm operators. Each OFTO must enter

into a lease or licence with The Crown Estate to be able to operate and maintain its Offshore Transmission System on the seabed.

Third Package

A package of European Union legislation on European electricity and gas markets that entered into force on 3 September 2009.

Third Package Regulations

The Electricity and Gas (Internal Markets) Regulations 2011.

Transfer Agreement

The agreement to transfer any:

- (a) property interests, rights or liabilities in relation to Transmission Assets;
- (b) shares or other interests in an undertaking in which any property interests, rights or liabilities in relation to Transmission Assets are vested; or
- (c) beneficial interest in any property interests, rights or liabilities or shares or other interests relating to Transmission Assets;

from a Developer to a Successful Bidder in respect of a Qualifying Project subject to a Tender Exercise under the Enduring Regime.

Transmission Assets

Are defined in paragraph 1(3)(a) of Schedule 2A of the Electricity Act 1989 as 'the transmission system in respect of which the OFTO licence is (or is to be) granted or anything which forms part of that system'. The Transmission System is expected to include subsea export cables, onshore export cables, onshore and offshore substations, and any other assets, consents, property arrangements or permits required by an incoming OFTO in order for it to fulfill its obligations as a transmission operator.

Transmission System

Is defined in Section 4(4) of the Electricity Act 1989 as 'a system which consists (wholly or mainly) of high voltage lines and electrical plant, and is used for conveying electricity from a generating station to a substation, from one generating station to another or from one substation to another'.

Transmission Services

Those services which are provided or are to be provided to the system operator by another transmission licensee pursuant to standard condition E15 (Obligation to provide transmission services) of the OFTO Licence.

U

Ultimate Controller

Is defined in the standard conditions of the OFTO Licence.