

OFTO Tender Round 4 and future tenders

Friday 18th March 2016

ofgem

Arrival, registration and networking 09:30 – 10:00

Welcome and introduction to Ofgem's Networks Division 10:00 – 10:20
Stephen Beel, Partner, Competitive Networks, Ofgem

OFTO tenders, overview of Tender Round 4 process and timings 10:20 – 10:45
Pete Wightman, Senior Manager, Tenders and Licence Development, Ofgem

Burbo Bank Extension – project overview and key highlights 10:45 – 11:20
Claus Bøjle Møller, Programme Director, Burbo Bank Extension, DONG Energy

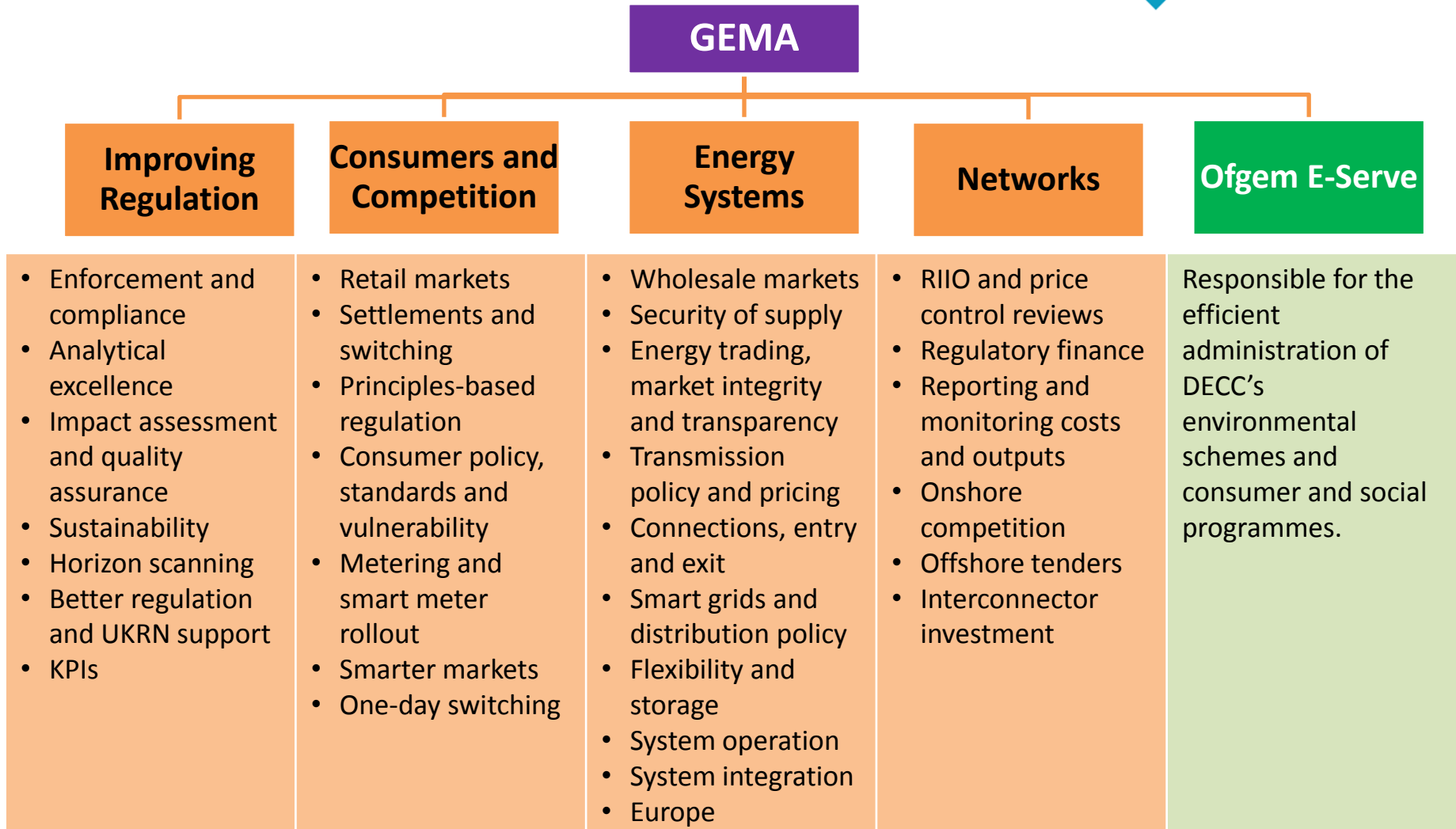
Tender Round 5 and beyond 11:20 – 11:40
Pete Wightman, Senior Manager, Tenders and Licence Development, Ofgem

Other updates from Competitive Networks 11:40 – 12:00
Stephen Beel, Partner, Competitive Networks, Ofgem

Close 12:00

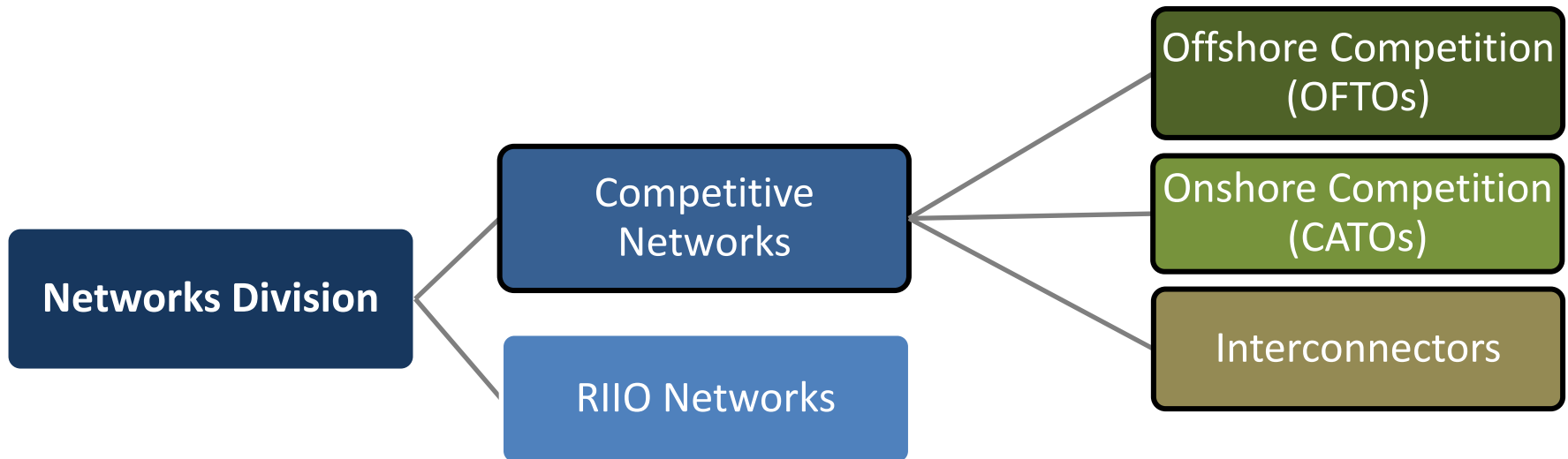
Welcome and introduction to Ofgem's Networks Division

Steve Beel, Partner – Competitive Networks, Ofgem



Networks Division overview

Focused around delivering best value to consumers through a combination of competition and forward looking regulation.



Any Questions?

OFTO tenders, overview of Tender Round 4 process and timings

Pete Wightman, Senior Manager, Tenders and Licence Development, Ofgem

Objectives for the Offshore transmission regime

- To attract new funding to invest in offshore wind energy.
- Ensure electricity links delivering power to shore are fit for purpose and provide value for money.
- Provide a new regime for competitive tendering to:
 - Lower the cost of building and operating assets.
 - Enable new players to bring innovative technical, operational and financial solutions to the connection of offshore wind farms.
 - Provide a lighter touch regulatory approach (since there will be no need for regular price control reviews for OFTOs).

OFTO regime key figures

3

number of tender rounds we have initiated (TR1 2009, TR2 2010, TR3 2014)

15

total number of projects in the first 3 tender rounds

14

operational OFTOs in place

4.4GW

Approximate number of gigawatts of electricity which will be connected through OFTOs by all the projects in TR1, TR2 and TR3

Over 99%

OFTO availability performance since the first licence grant

£2.9bn

investment to date

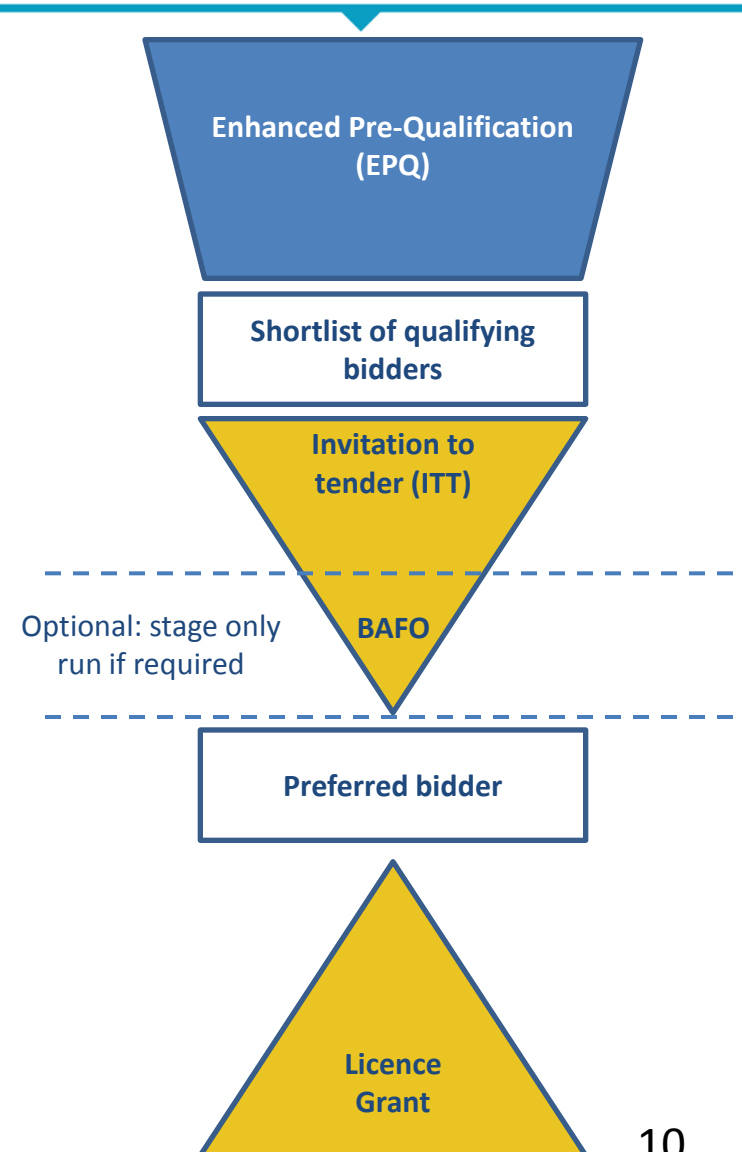
**£200m to
£400m**

savings to consumers from first tender round, as estimated by independent evaluation

Tender process

How will it work?

- The tender process has been developed to be robust, fair and transparent to Developers and Bidders.
- The process has been demonstrated and established through previous Tender Rounds.
- EPQ tests high level approaches and relevance of past experience
- ITT is more detailed stage with specific proposals on a project specific basis, with benefit of detailed draft transfer agreement and full M&A style data room
- There are up to four stages overall in the process through to licence grant:
 1. Enhanced Pre-Qualification (EPQ)
 2. Invitation to Tender
 3. Best and Final Offer (optional)
 4. Preferred Bidder to Licence grant (transaction phase)



TR4

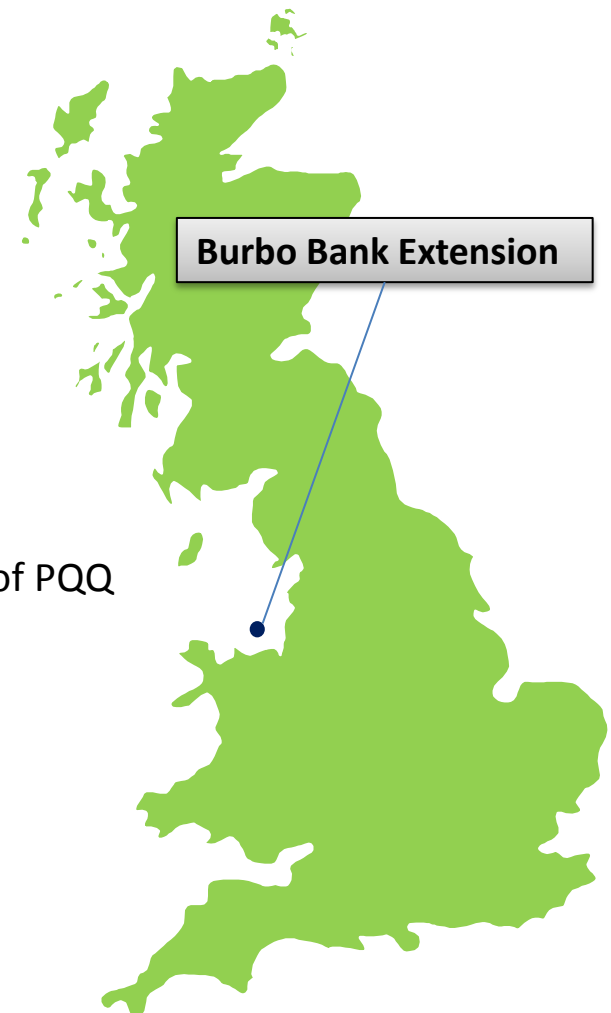
- One project: Burbo Bank Extension project
 - Capacity: 258MW
 - Initial Transfer Value: £230.2M
- ‘Bridge’ between TR3 and TR5

Changes since TR3

- Required changes:
 - Public Contracts Regulations 2015 and impact on structure of PQQ that some bidders may be familiar with
- Reduction of burden to bidders:
 - Removal of EPQ and ITT bidder payments
 - Removal of ITRS requirement

RPI vs. CPI review

- Decision expected in coming weeks



TR4 Tender process timings

Timings will be broadly similar to TR3 tender process:

EPQ document available	April 2016
Return of Confidentiality Agreement and Conflict of Interest form	April 2016
Deadline to raise clarification questions	May 2016
Submission receipt deadline	June 2016
Shortlist for ITT announced	September 2016
ITT stage commencement	September 2016
Anticipated preferred bidder announcement	March 2017

What the tender documents are and how to get these

- **Tender documentation will include:**
 - EPQ Document (including questionnaire and evaluation criteria)
 - Preliminary Information Memorandum and Vendor Due Diligence report (in lieu of IM)
 - Draft Licence
 - Draft Transfer Agreement
- **How to register your interest and access the tender documents**
 - Go to Ofgem's online e-tendering portal at: <https://ofgem.bravosolution.co.uk>
 - Set-up an account, register your interest in TR4 and access the documents

Any Questions?

Burbo Bank Extension

Claus Bøjle Møller, Programme Director Burbo Bank Extension, DONG Energy

BURBO BANK EXTENSION

Tender Round 4 Launch Event



18th March 2016

Agenda and Burbo Bank Extension organisation

Agenda

- Agenda and Burbo Bank Extension team introduction
- Introduction to Vendor
- Introduction to DONG Energy
- Introduction to the Burbo Bank Extension Offshore Wind Farm project
- Investment opportunity
- Transaction timeline

Burbo Bank Extension OFTO Divestment Team



Name: Claus Bøjle Møller

Role: Programme Director Burbo Bank Extension

Background:

- M.Sc. in Energy Engineering from Technical University of Denmark (DTU, 2002), Graduate Certificate in Business Administration (HD Part 1) from Copenhagen Business School (2005)
- Has been working for DONG Energy Wind Power since 2006 in various projects within development and construction including Engineering, Procurement and Construction (EPC) Director of 400 MW Anholt Offshore Wind Farm (2009-2013) and Project manager (Development and EPC) of 30 MW onshore wind farm in Sweden (2006-2009).
- Previously worked for the Danish Wind Industry Association and engineering consultancy Ramboll
- Responsible for execution, asset and financial management of Burbo Bank Extension, previously EPC Director for the project (Dec. 2013-Sept. 2015)



Name: Olivia Breese

Role: Head of Structured Solutions and OFTO



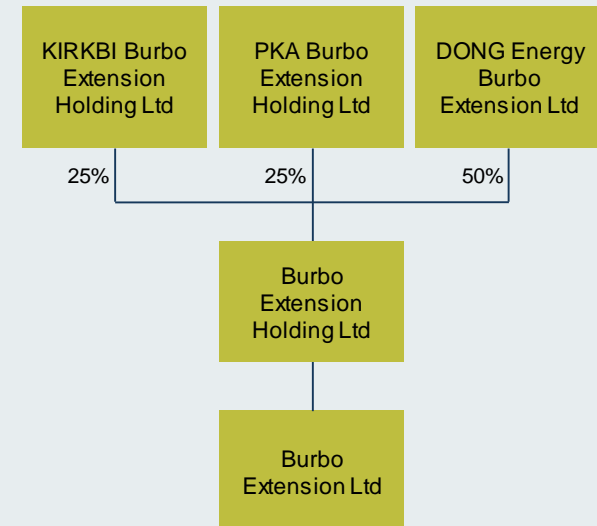
Name: Andrew Moreland

Role: Senior OFTO Transaction Manager

Burbo Extension Ltd – developer and vendor

Ownership overview

- The **Developer** and participating company in the BBW02 Offshore Wind Farm is **Burbo Extension Ltd**
- The Developer is an indirectly owned subsidiary of **DONG Energy A/S, KIRKBI A/S and PKA A/S**
- DONG Energy **developed the project between 2010** and its financial investment decision (FID) in late 2014
- **DONG Energy divested 50%** of the project to Kirkbi and PKA in February 2016
- The wind farm including all transmission assets will be **constructed by DONG Energy**



Project and EPC organisation



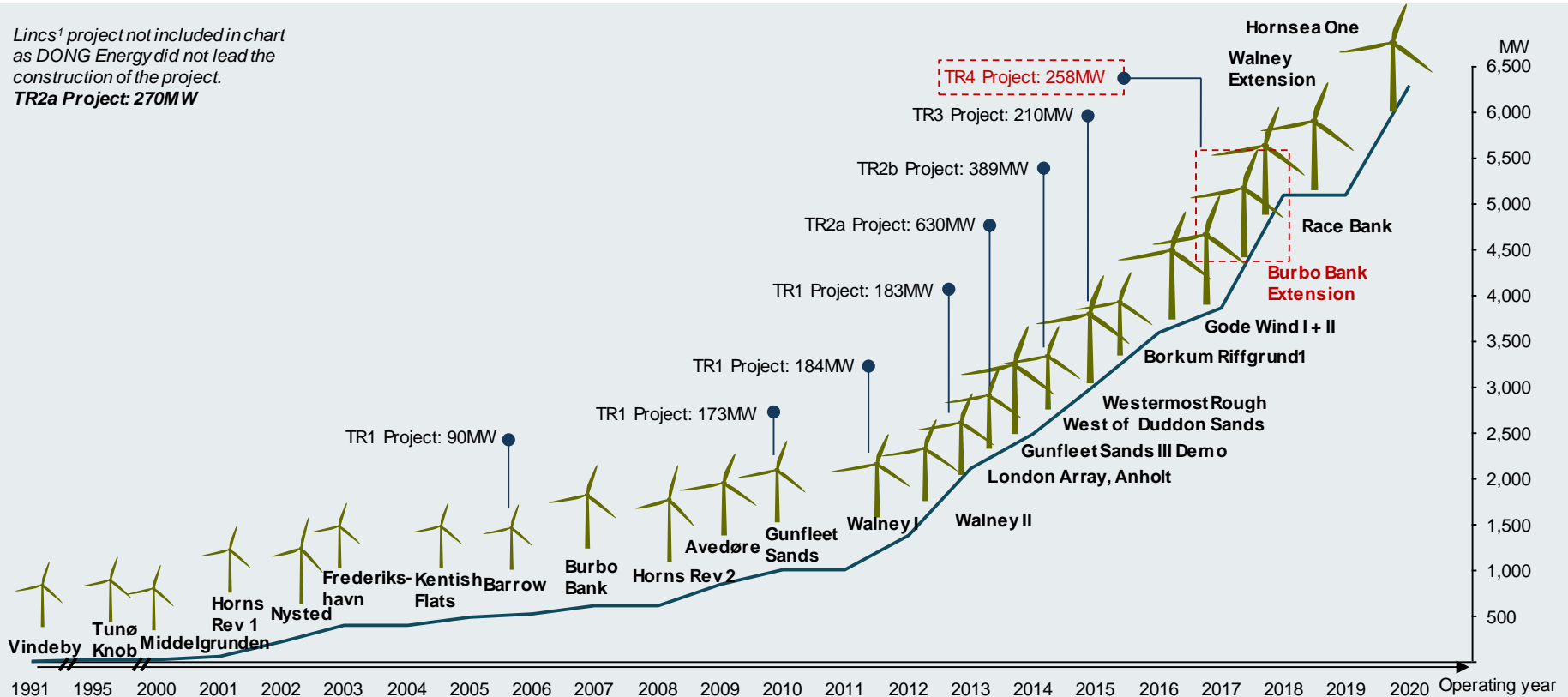
- Well established and highly experienced project and EPC team constructing the Project, benefiting from DONG Energy's market leading construction experience
- Safety and environmental impact are key focusses for delivery of the assets
- Project organisation built on experience from previous OFTO transactions



DONG Energy is the market leader in offshore wind and has successfully constructed and divested 7 OFTO assets

Overview of DONG Energy constructed and under construction wind farms

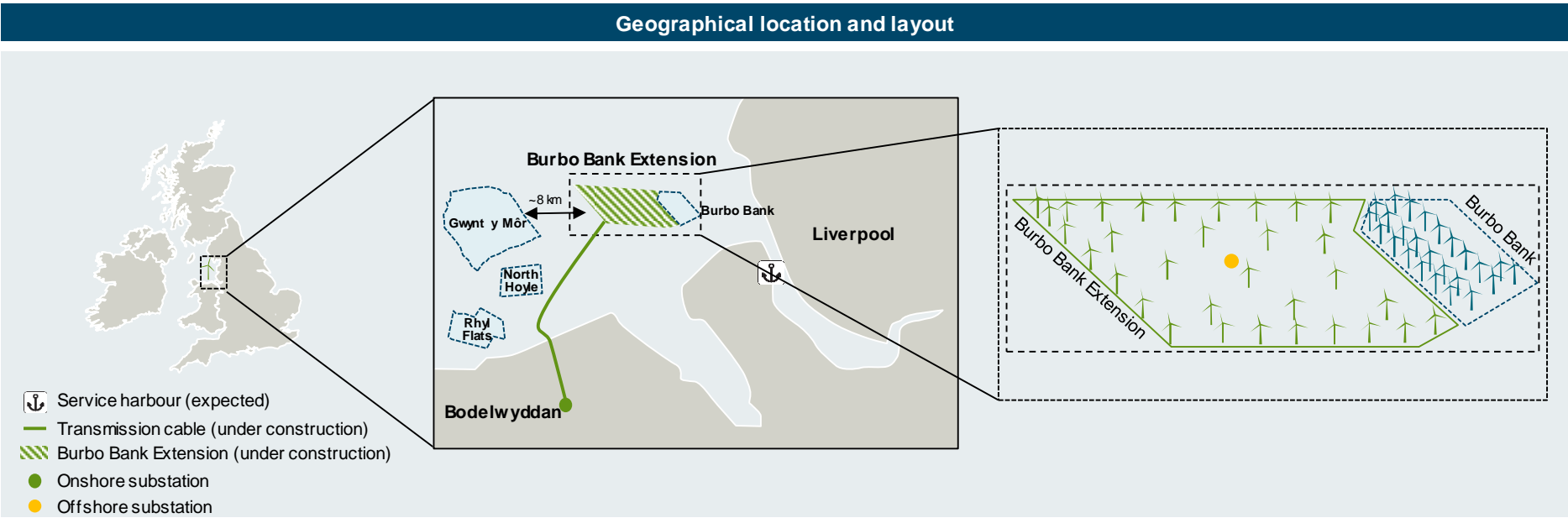
Lincs¹ project not included in chart as DONG Energy did not lead the construction of the project.
 TR2a Project: 270MW



Project by project planning and execution of offshore projects

Industrialised approach to planning, supply and execution of offshore projects

Overview of Burbo Bank Extension

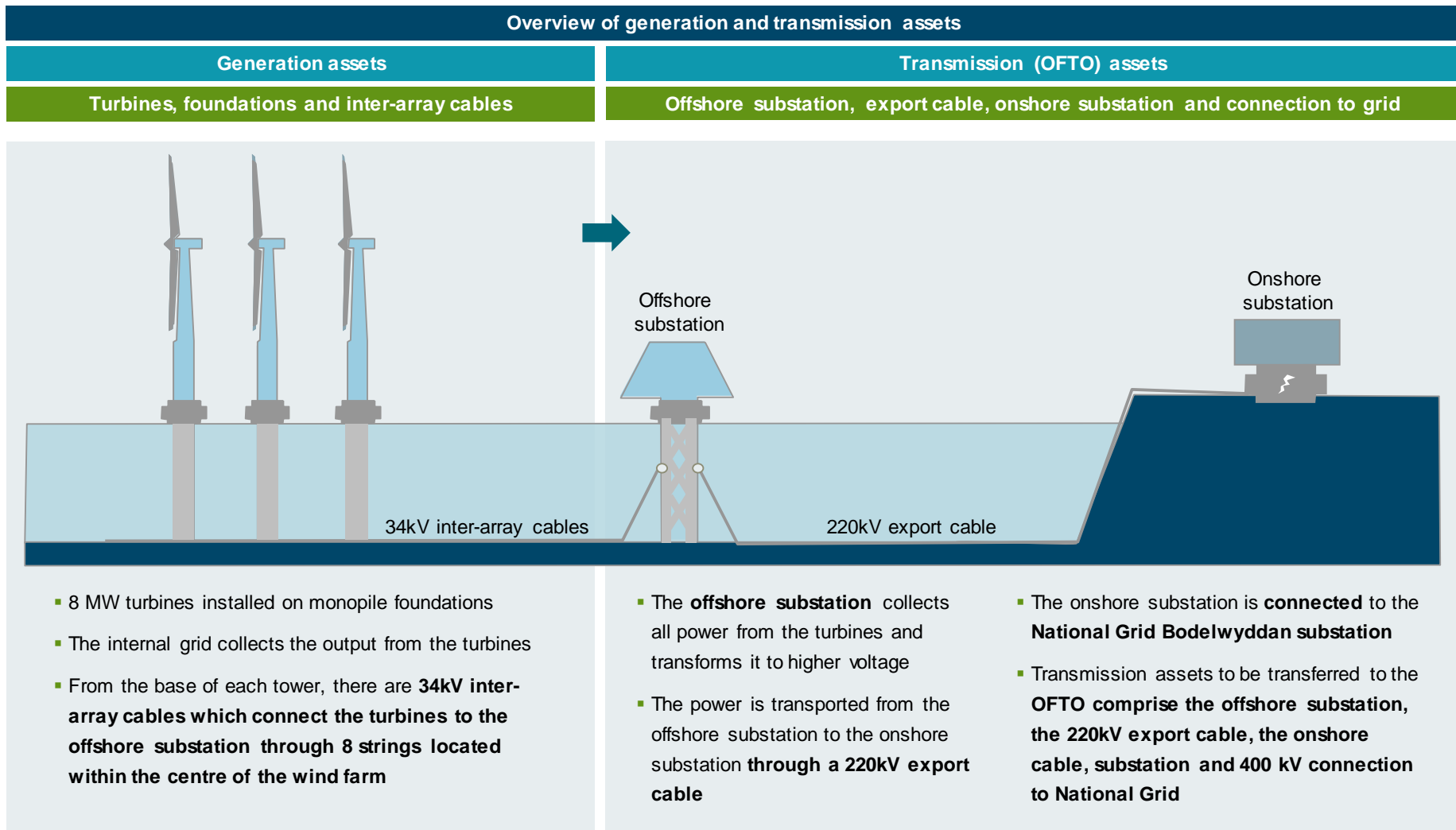


Key highlights

- ✓ Well-known location and operating environment with attractive site conditions
- ✓ Located in close proximity to shore
- ✓ Fully permitted by regulatory authorities
- ✓ Expected to be the first operational UK project under the CfD framework
- ✓ Construction commenced in Q4 2014 and is well progressed
- ✓ First power is expected October 2016

Item	Overview
Turbines	32 MHI Vestas V164-8.0MW
Capacity	258 MW
Offshore / onshore cable route	c. 24.5 km / c. 10.5 km
Offshore substation	1 platform
Distance to shore	c. 7 km
Expected availability¹	98%

Overview of the wind farm and transmission asset infrastructure



Investment opportunity

Project highlights

Highlights

- Expected to be the first operational UK project under the CfD framework
- 258MW generation capacity with transmission assets initial transfer value equal to 230 GBPm
- All consents in place and transmission asset construction well advanced

Project

- The assets are being constructed to the optimal economic specification
- The characteristics of the site enable the project to make use of known technology
- Short distance from shore, low water depth and well known operating environment
- Onshore substation in close proximity to NGET substation for grid connection point

Supply chain

- Experienced supply and installation contractors, strategically appointed through competitive tenders
- Tendered utilising DONG Energy's product lines to contribute in the holistic goal to reduce the cost of electricity

Experienced Developer and EPC Manager

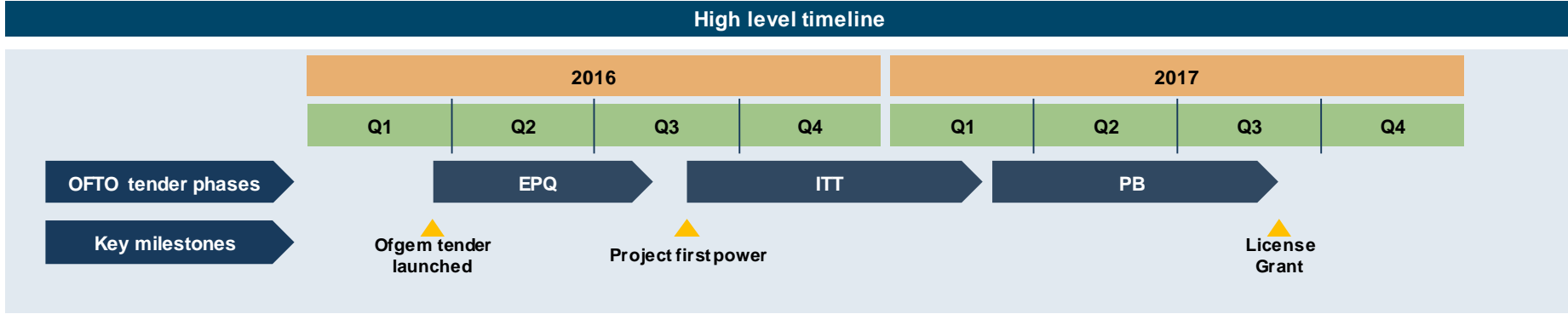
- Highly experienced project developer bringing significant expertise to the project
- DONG Energy active in the offshore wind sector for more than 20 years
- DONG Energy has leveraged its experience with regard to its project, transaction and operational competences to deliver the project to the highest industry standard

Experienced OFTO Partner

- DONG Energy has participated in all of Ofgem's OFTO tender rounds to date
- Burbo Bank Extension will be DONG Energy's ninth transmission asset divestment with three further transactions pre 2021



Transaction overview



High level timeline

EPQ Launch	<ul style="list-style-type: none"> Enhanced Pre-qualification - 1st April 2016 Preliminary Information Memorandum, technical vendor due diligence report and transfer agreement will be made available at EPQ commencement
Asset Transfer	<ul style="list-style-type: none"> Transfer to OFTO once all assets are fully commissioned Transfer of transmission asset related contracts where appropriate – including appropriate benefit of warranties
Transfer Agreement	<ul style="list-style-type: none"> The transfer agreement will be based on Ofgem guidelines Burbo Extension Ltd as vendor Bespoke warranty package for the Burbo Bank Extension project Division of responsibilities pre and post asset transfer Market standard credit support will be offered by the Developer including relevant liability and indemnity cover
Interface Agreement	<ul style="list-style-type: none"> The Interface Agreement will be bespoke for Burbo Bank Extension Based on the relevant industry standard form precedent, developed to reflect operational project experience to date

Construction update

Burbo Bank Extension installation and construction

Onshore Substation

- Civil works substantially complete
- All HV components delivered
- HV cable termination work started
- On track to energise grid connection as planned summer 2016

Onshore Cable Route

- Substantially complete – all cables installed and jointed
- The complex HDDs (landfall and river) completed as planned in 2015

Marine Cable

- Offshore export cable fabrication progressing as planned to be ready for load out 1 June 2016 before pull-in at transition joint bay

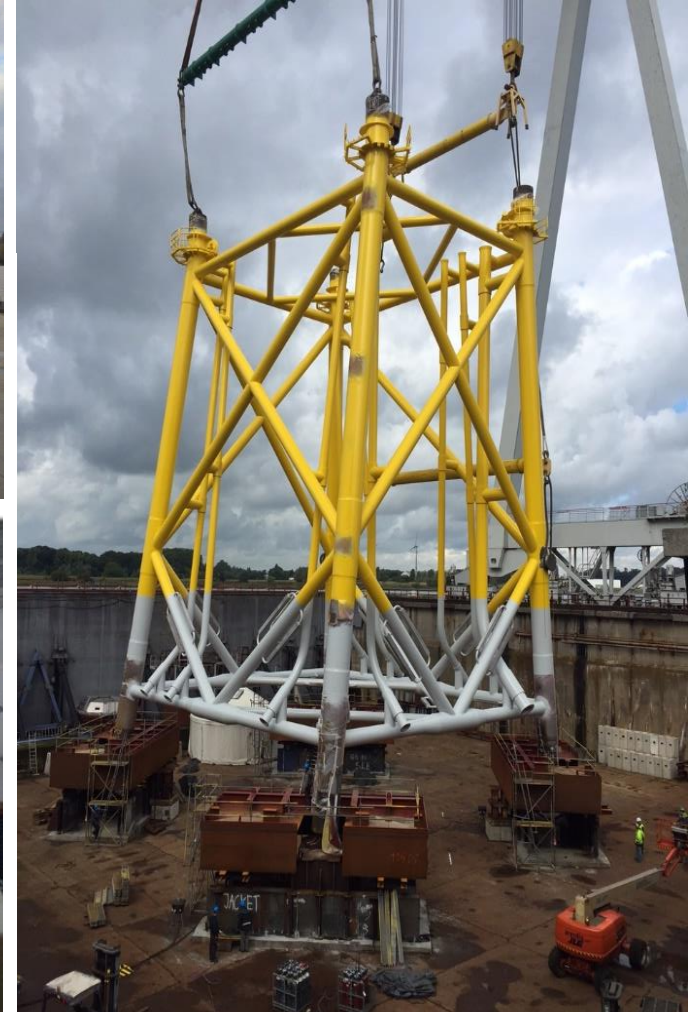


Construction update

Burbo Bank Extension installation and construction

Offshore Substation

- Primary structures are complete
- Jacket is upended
- Topside is being outfitted
- Fabrication progressing as planned to be ready for loadout 1 June 2016
- All HV / MV equipment and control systems delivered
- Installation of HV / MV equipment and control systems ongoing through commissioning phase



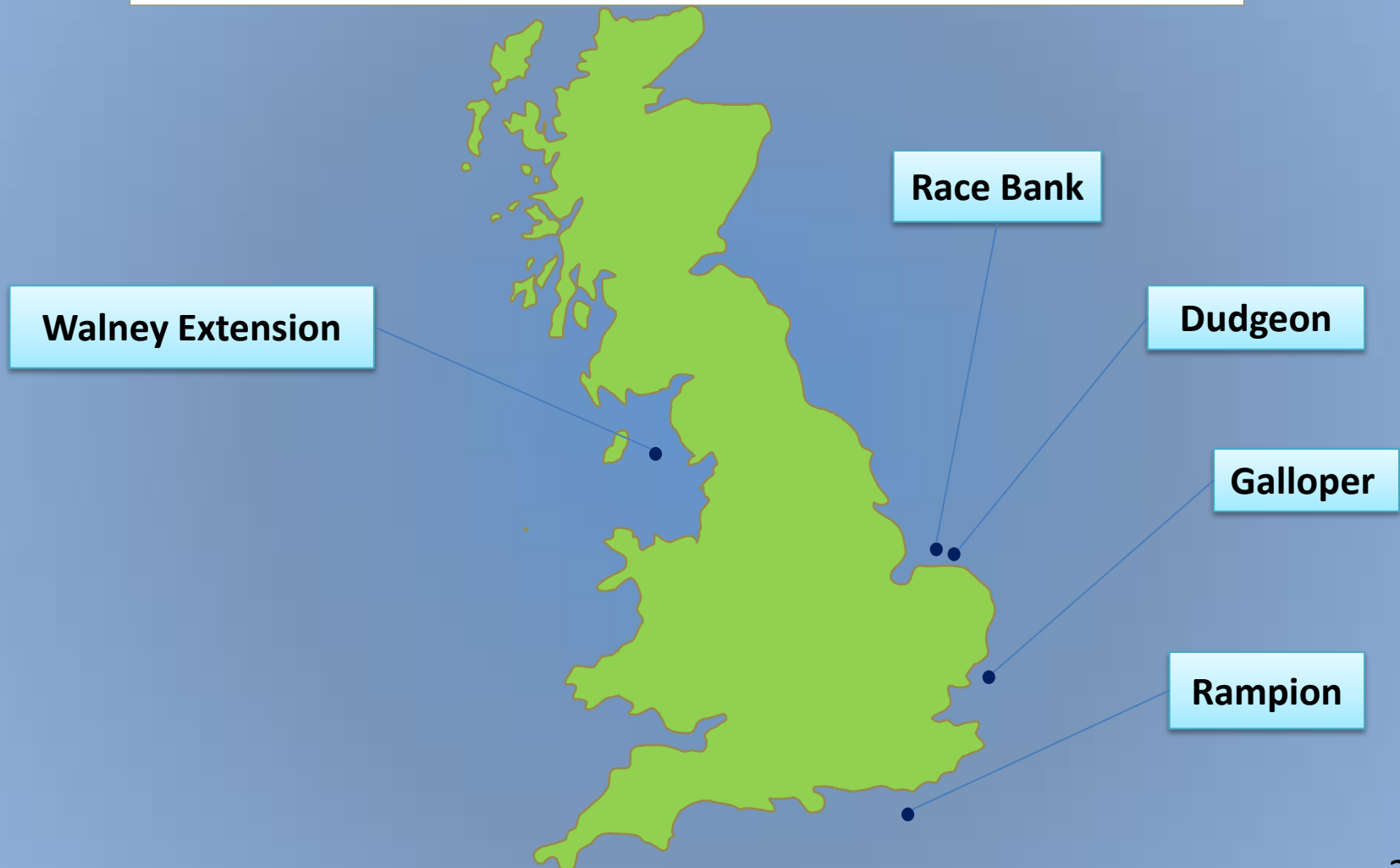
DISCLAIMER

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Tender Round 5 and beyond

Pete Wightman, Senior Manager, Tenders and Licence Development, Ofgem

Tender Round 5 – Expected to launch later in 2016



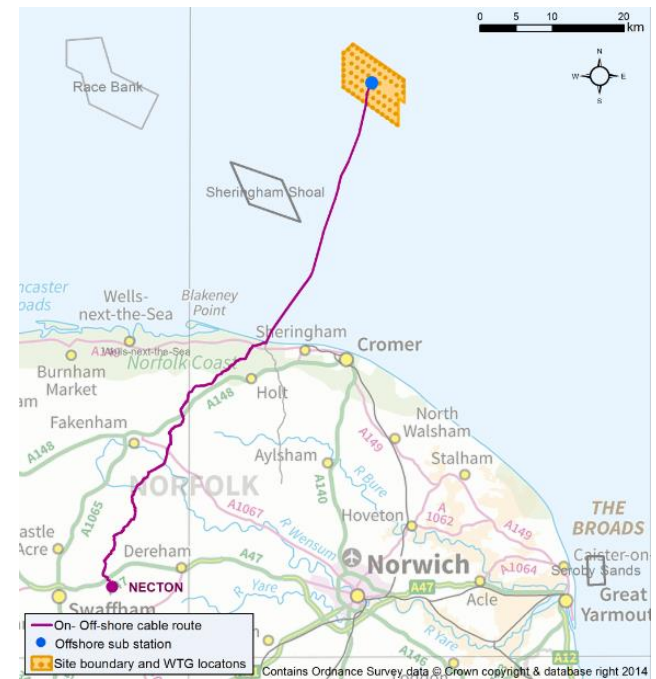
Dudgeon Offshore Wind Farm

Statoil 35%, Masdar 35%, Statkraft 30%

- Wind farm site area - 55 km²
- 402 MW - 67 x 6MW Siemens WTGs on monopile foundations
- One 132/33 kV offshore substation on jacket foundation
- Two submarine cables - ca 40 km
- Two onshore cables – ca 48 km
- One 400/132 kV onshore substation at Necton

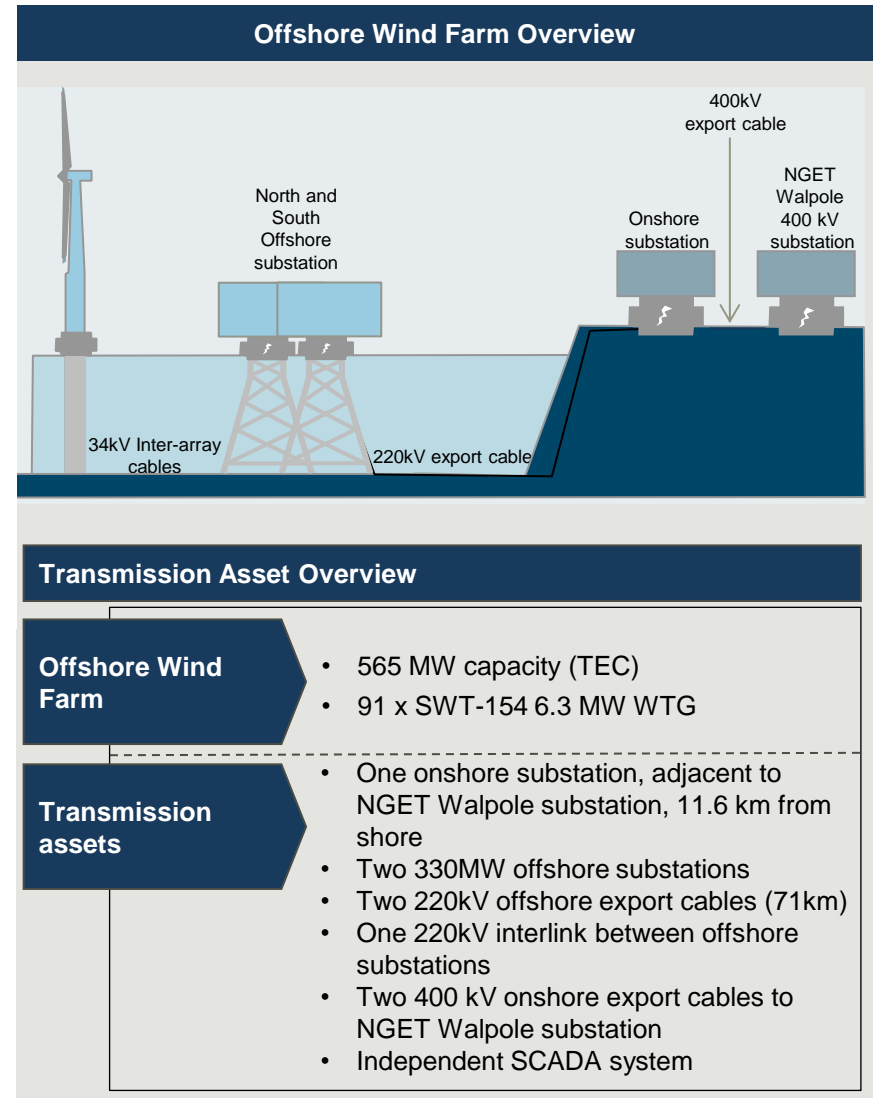
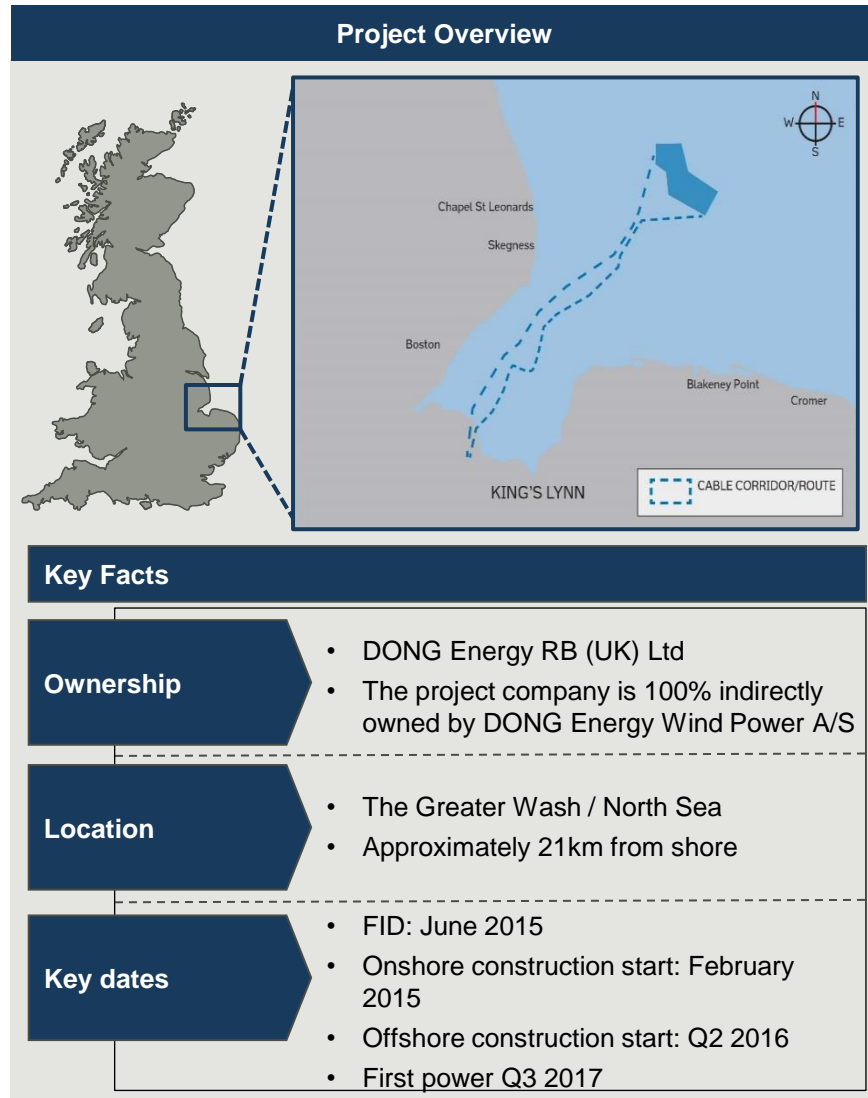
➤ FID	1 July	2014
➤ First electricity	January	2017
➤ Project completed	December	2017
➤ OFTO transaction completed	H1	2018

Further information at : <http://www.dudgeonoffshorewind.co.uk>



Stemat Spirit loading of offshore export cables.

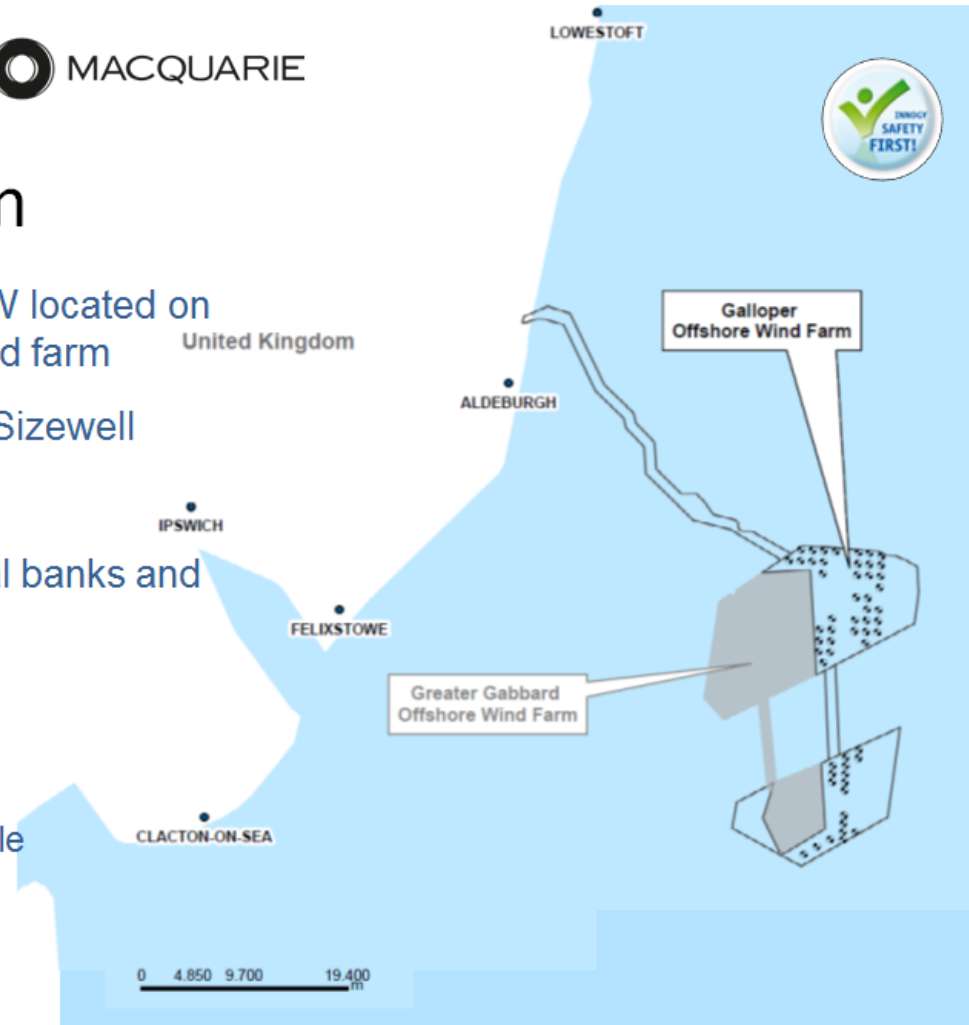
Race Bank Offshore Wind Farm





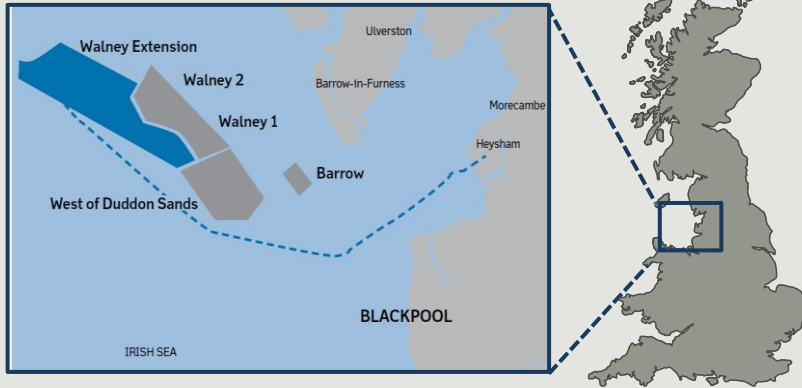
Gallopier Offshore Wind Farm

- Offshore wind farm with capacity of (up to) 340MW located on East Coast, next to Greater Gabbard offshore wind farm
- Onshore grid connection point in Leiston, next to Sizewell
- Four owners, each at 25%
- Non-recourse debt financing from 12+ commercial banks and the European Investment Bank
- First generation in summer 2017
- OFTO assets:
 - Onshore substation and c. 1km onshore export cable
 - 33kV/132kV offshore substation
 - Two 132kV subsea export cables



Walney Extension Offshore Wind Farm

Project Overview



Key Facts

Ownership

- DONG Energy Walney Extension (UK) Ltd
- The project company is 100% indirectly owned by DONG Energy Wind Power A/S

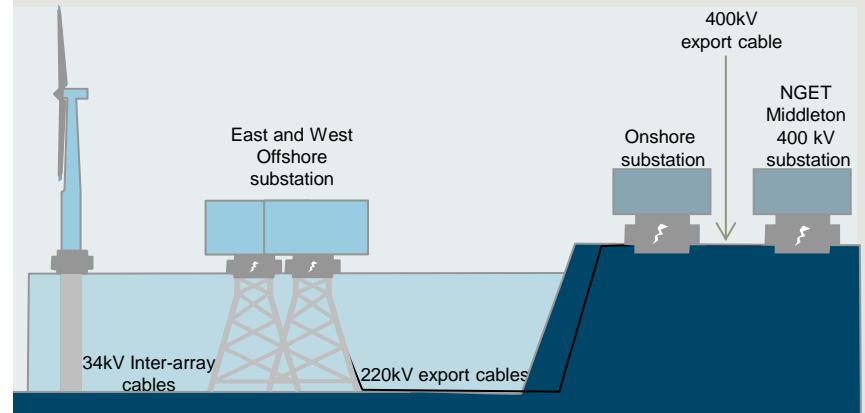
Location

- The Irish Sea, north west of existing DONG Energy wind farms
- Approximately 19 km from shore

Key dates

- FID: October 2015
- Onshore construction start: July 2015
- Offshore construction start: Q2 2017
- First power WOW03: Q3 2017
- First power WOW04: Q1 2018

Offshore Wind Farm Overview



Transmission Asset Overview

Offshore Wind Farm

- 660 MW capacity (TEC)
- 2 phases: WOW03 (Vestas 164.8 MW WTG), WOW04 (Siemens SWT-154.7 MW WTG)

Transmission assets

- One onshore substation, adjacent to NGET Middleton substation, 1.2 km from shore
- Two 330 MW offshore substations
- Two 220kV offshore export cables
- One 220kV interlink between offshore substations
- Two 400 kV onshore export cables to NGET Middleton substation
- Independent SCADA system

Rampion Offshore Wind Farm

- Rampion Offshore Wind Limited is owned by E.ON (50.1%), Enbridge (24.9%) and Green Investment Bank (25%).
- 400.2MW Installed Capacity
- Rampion is located approximately 13 km (at the nearest point) off the south coast of England under the Zone 6 licence from The Crown Estate.
- First Power is expected: Quarter 3, 2017
- Transmission Assets: 400kV Onshore Substation at Bolney. The Onshore cable route running 27km with 2 x 150 kV circuits. The Offshore subsea cable running 17km with 2 x 150kV circuits into a 150kV Offshore substation.
- O&M Base at Newhaven



Ongoing review of the tender process leading up to TR5 and beyond

- PQ/QTT vs EPQ
- RPI vs. CPI
- Continuously reviewing where the process can be streamlined (e.g. process timings; running combined tender stages for different projects)
- Reducing the burden on bidders whilst maintaining transparent competition and robust evaluation

TR6 and beyond

- **Other project with CfDs:**
 - Beatrice (664MW)
 - East Anglia 1 (714MW)
 - Hornsea One (1200MW)
 - Neart na Gaoithe (450MW)
- **Longer term pipeline** of projects, expected to compete in next CfD auction
- **Strong government support for renewables**, recent budget indicated:
 - CfD auction in this Parliament for up to 4 GW of offshore wind and other less established renewables, up to £730M (with next auction worth £290M)
 - Strong emphasis on continuing cost reduction

Any Questions?

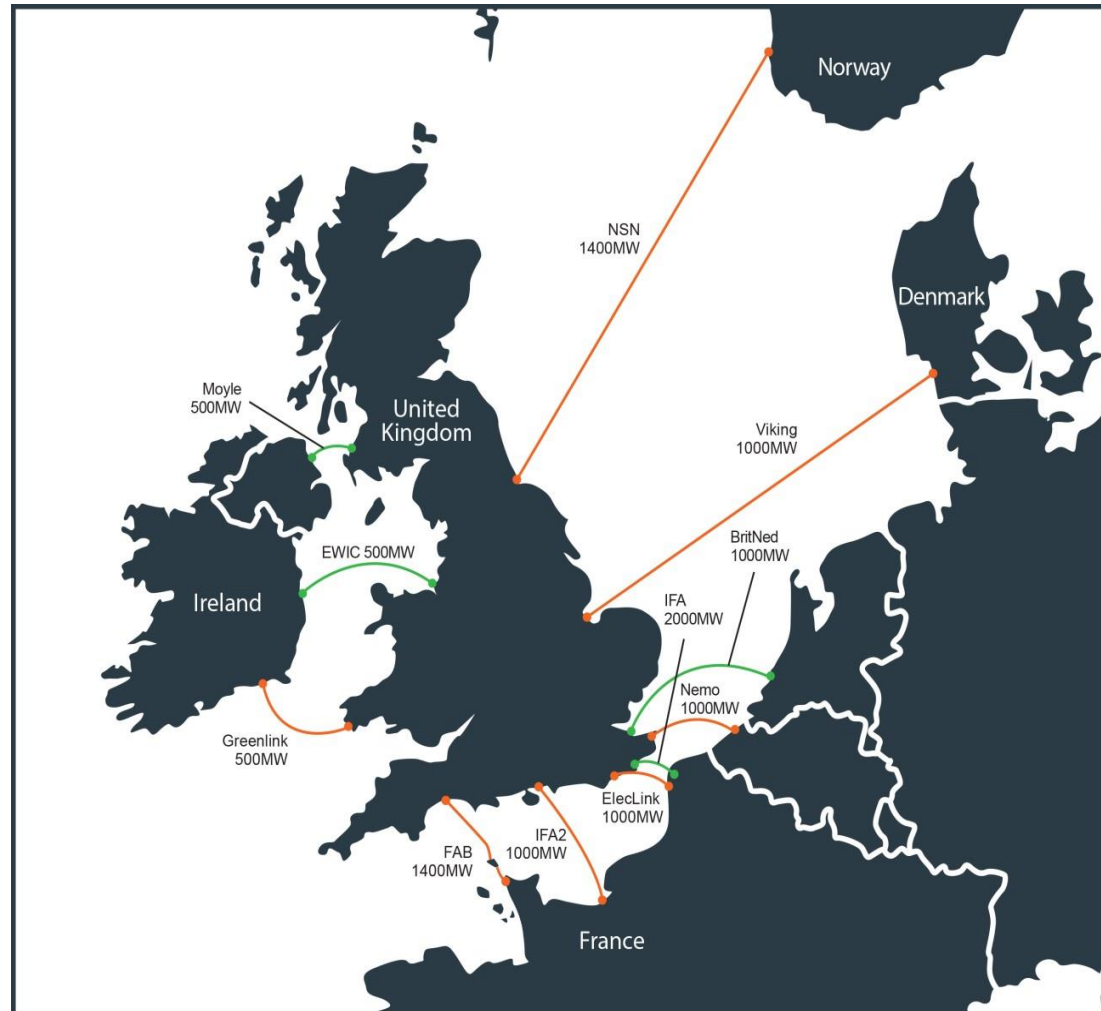
Other updates from Competitive Networks

Steve Beel, Partner – Competitive Networks, Ofgem

Overall process

- **Policy:** we are developing proposals to run tenders for new, separable and high-value onshore transmission projects. We aim to be in a position to run a tender from 2017.
- **Legislation:** the Department of Energy and Climate Change has recently published draft legislation to support the onshore competitive regime, and the Energy and Climate Change Committee are carrying out pre-legislative scrutiny.
- **Projects:** we'll assess whether to tender particular projects when the transmission owner that's currently responsible submits its Needs Case for the project to us for approval.
- **Next steps:**
 - Pre-tender arrangements and conflict mitigation
 - Tender models and market offering

- First 'cap and floor' window held in 2014
 - 5 projects granted a cap and floor regime in principle
 - Developed by National Grid, Transmission Investment and Element Power
 - Total of 5.3GW, <£5bn
 - Due to deliver by 2020
- Second cap and floor window opening on 31st March
 - Substantial amount of interest from 3rd party developers
- Scope for regime variations to support a broader range of finance (eg project finance)
 - Letter of support from EIB



Any Questions?

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