

OFTO Tender Round 5

Friday 30th September 2016

ofgem

Welcome

Jonathan Brearley, Senior Partner, Networks, Ofgem

Arrival, registration and light refreshments 10:15 – 10:45

Welcome 10:45 – 10:55

Jonathan Brearley, Senior Partner, Networks, Ofgem

Introduction to OFTO Tender Round 5 10:55 – 11:15

Stephen Beel, Partner, Competitive Networks, Ofgem

Tender Round 5 Projects– project overviews and key highlights 11:15 – 12:00

EPQ 1

- *Dudgeon (Statkraft, Statoil and Masdar)*
- *Race Bank (DONG Energy)*
- *Rampion (Eon, GIB and Enbridge)*

Offshore Wind: A broader perspective 12:00 – 12:15

Huub Den Rooijen, Director, Energy, Minerals & Infrastructure, The Crown Estate

Agenda for the day cont.

Tender Round 5 Projects– project overviews and key highlights

12:15 – 12:45

EPQ 2

- *Galloper (Innogy, Siemens, GIB and Macquarie)*
- *Walney Extension (DONG Energy)*

OFTOs – The Investor Perspective

12:45 – 12:55

Darryl Murphy, Partner, Power & Utilities Deal Advisory, KPMG LLP

Next Steps

12:55 – 13:15

Stephen Beel, Partner, Competitive Networks, Ofgem

Close and Networking Opportunity

13:15 – 14:00

Introduction to Tender Round 5

Stephen Beel, Partner, Competitive Networks, Ofgem

OFTO regime objectives

- To attract new funding to invest in offshore wind energy production.
- 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 through long-term arrangements.

OFTO regime key figures

4

Tender rounds we have initiated (TR1 2009, TR2 2010, TR3 2014, TR4 2016)

16

Total number of projects in the first 4 tender rounds

15

Operational OFTOs in place

4.6GW

Approximate number of gigawatts of electricity which will be connected through OFTOs by all the projects in TR1, TR2, TR3 and TR4

Over 99%

OFTO availability performance since the first licence grant

£2.9bn

Investment to date (*£3.1bn including current investment value of TR4*)

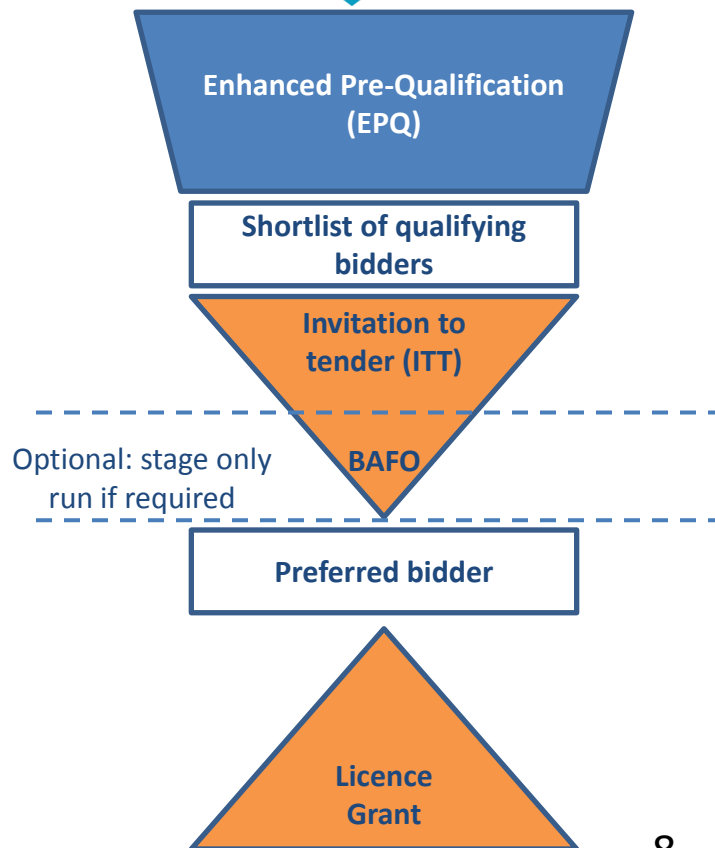
£600m to
£1.1b

Savings to consumers from TR1-3 as estimated by independent evaluation
(*Evaluation of OFTO Tender Round 2 and 3 Benefits, 2016*)

Tender process

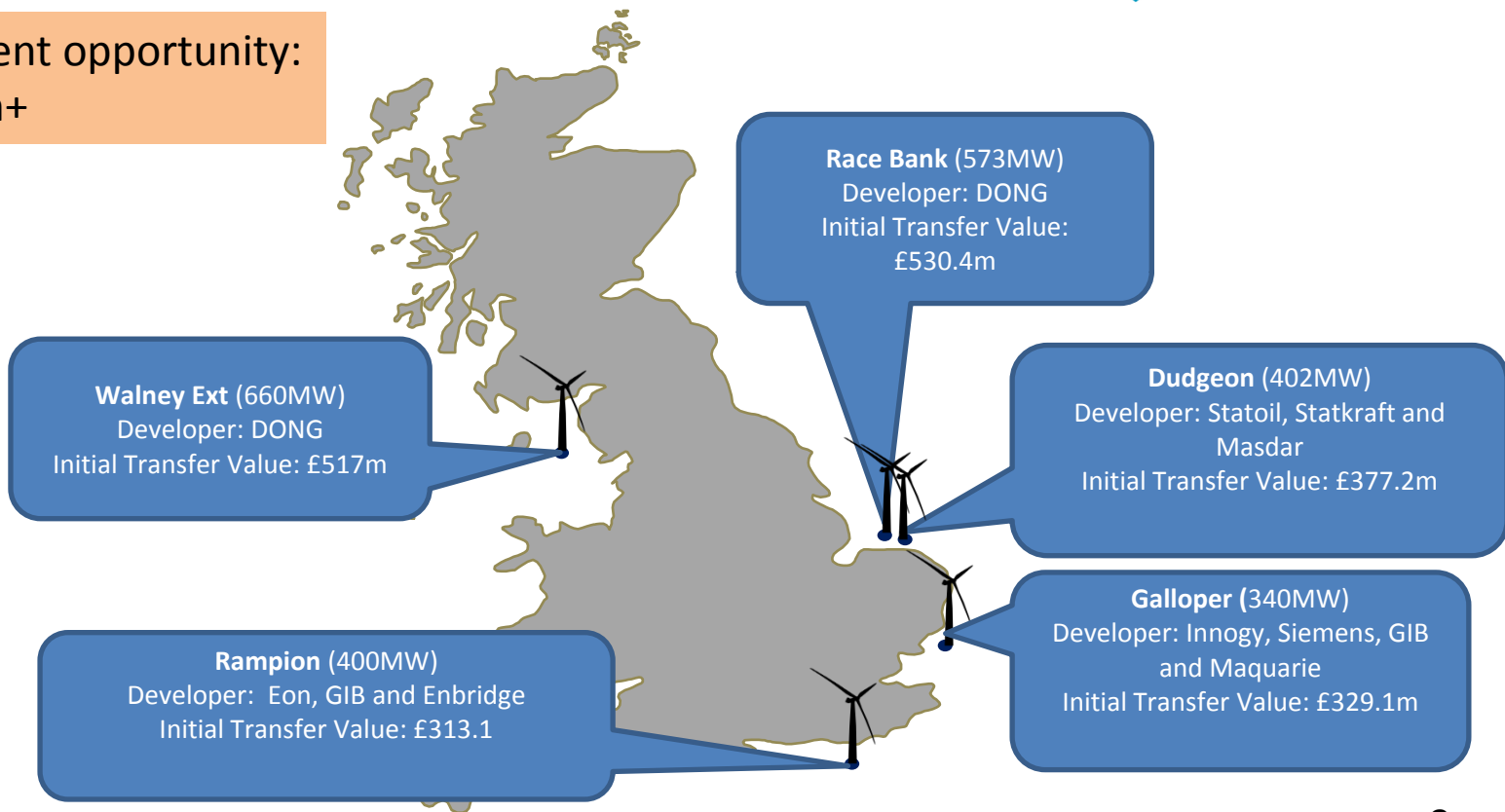
How will it work?

- 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 proposals on a project specific basis, with benefit of detailed draft transfer agreement and full M&A style data room
- 60%/40% weighting towards Tender Revenue Stream at ITT stage



Tender Round 5 Map

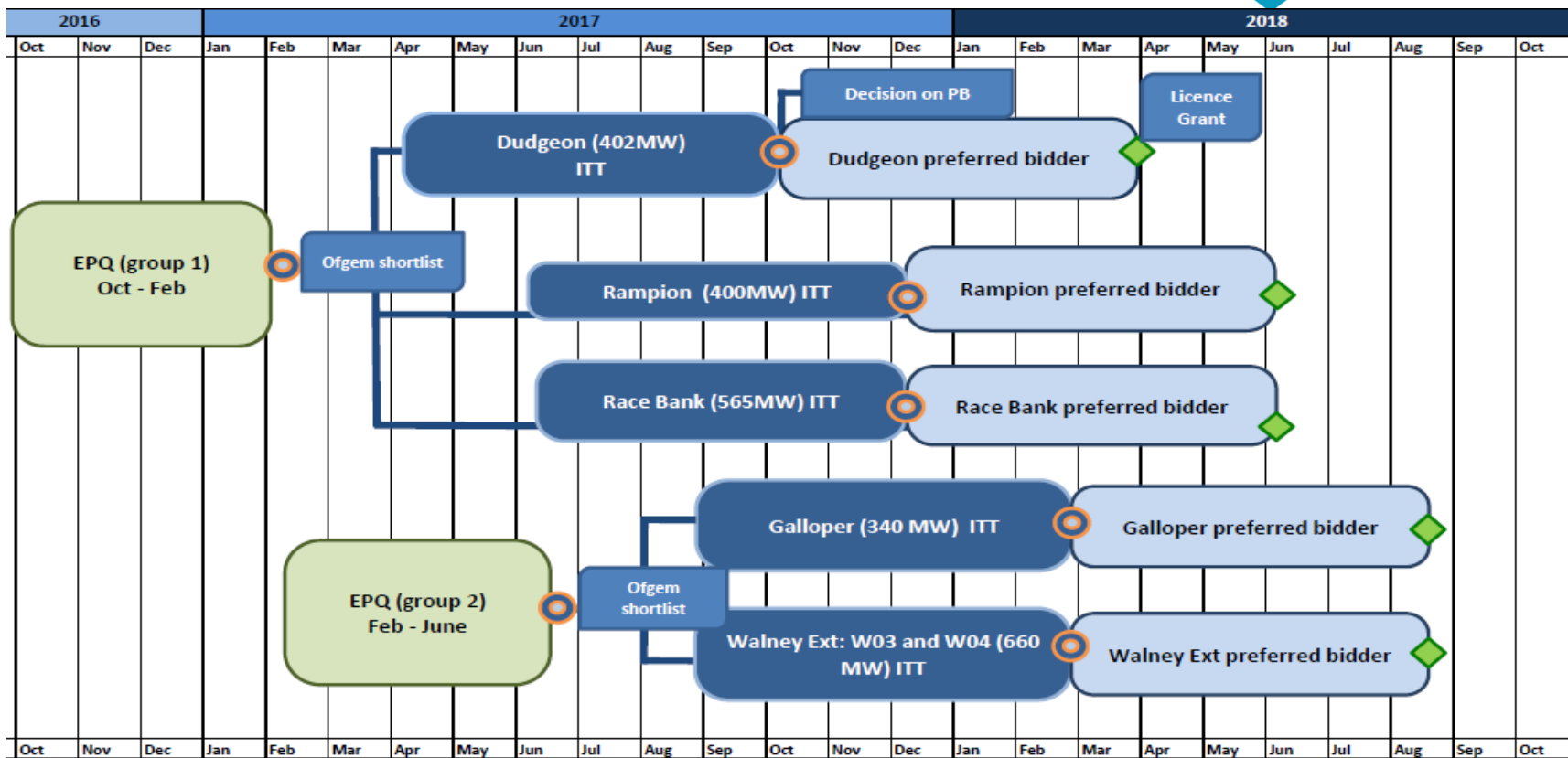
Total investment opportunity:
2.37GW, £2bn+



- The tender process will consist of two stages for each TR5 project:
 - Enhanced Pre-Qualification (8 weeks to bid)
 - Invitation to Tender, which will result in the selection of a preferred bidder (12 weeks to bid)
- Given the number and timing of projects in TR5, we intend to group the EPQs into two phases.
- EPQ1 : Dudgeon, Rampion and Race Bank.
- EPQ2: Galloper and Walney Extension.
- We currently intend to stagger the ITTs based on the projects' individual first power dates.

• Identification Information	Pass/Fail
• Grounds for Exclusion	Pass/Fail
• Economic and Financial Standing	Pass/Fail
• Technical and Professional Ability	Pass/Fail
• Approach to Asset Takeover	Scored
• Approach to O&M	Scored
• Funding solution	Scored
• Financial and commercial Risk management	Scored

Tender Round 5 Timeline



Any Questions?

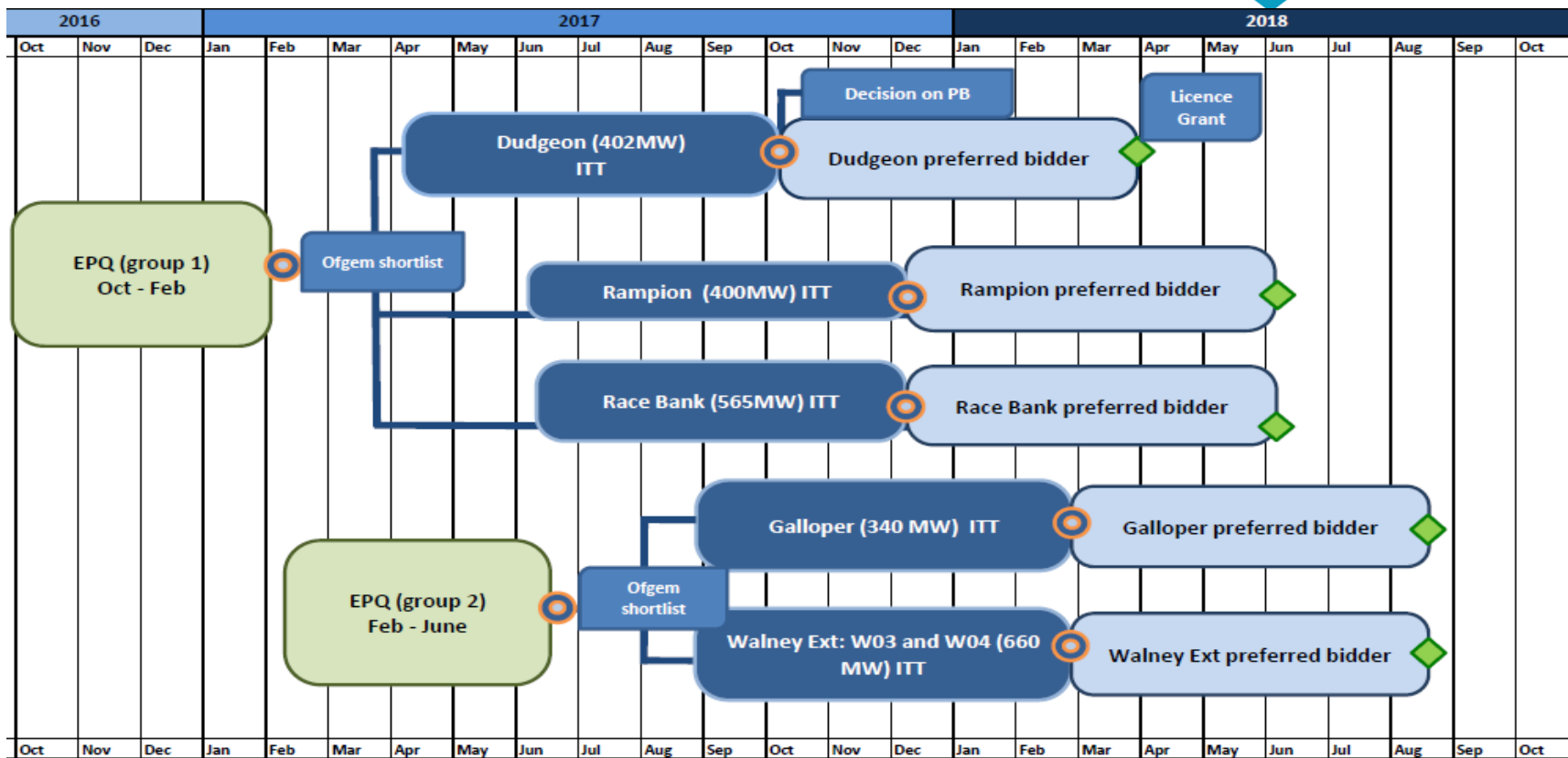
EPQ 1 Projects

Offshore Wind: A Broader Perspective

*Huib Den Rooijen, Director, Energy, Minerals & Infrastructure,
The Crown Estate*

Any Questions?

Tender Round 5 Timeline



EPQ 2 Projects



Darryl Murphy

Partner Power & Utilities Deal Advisory
KPMG LLP

Key aspects of the OFTO Regime

Attractive investment sector

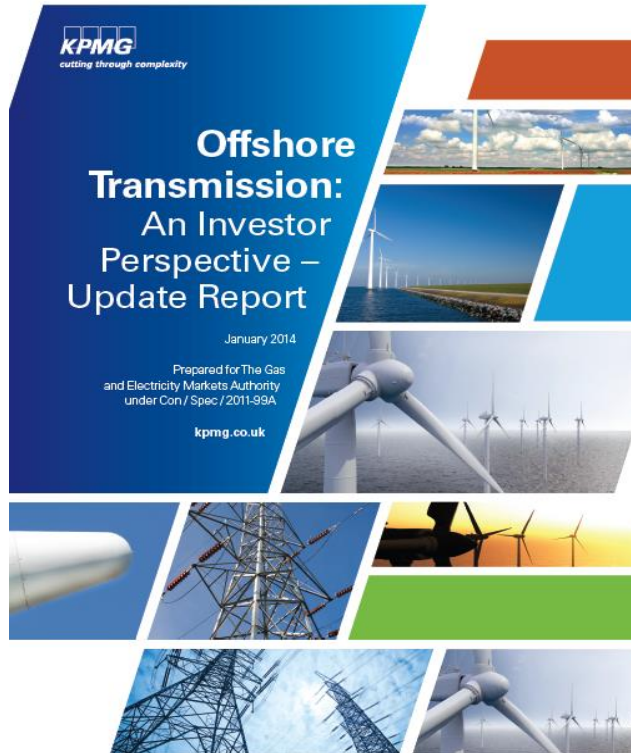
- Opportunity for new transmission entrants
- Low risk asset class and low counterparty risk; National Grid pays revenues
- Availability based exposure with protection from wind farm operating risk
- 100% RPI is measure for indexation

Robust regulatory regime

- 20 year revenue stream with limited regulatory intervention
- 98% availability target
- Poor performance deductions capped at 10% of annual revenue

Transparent competitive process

- Well-defined and proven, tender process
- Structured to ensure level playing field and transparency
- 1 qualification stage followed by ITT stage with M&A data rooms
- 60%/40% weighting towards Tender Revenue Stream at ITT stage



<https://www.ofgem.gov.uk/publications-and-updates/offshore-transmission-investor-perspective-update-report>

Tender Revenue Stream Breakdown



Commercial bank debt

Institutional private placement

Public bond offering

EIB

Any Questions?

TR5: Next Steps

Stephen Beel, Partner, Competitive Networks, Ofgem

Tender Round 5 - Next Steps

EPQ commences on the 10th October for:

- Dudgeon
- Race Bank
- Rampion

Tender documentation available on the Ofgem website will include:

- EPQ Document (including questionnaire and evaluation criteria)
- Generic Preliminary Information Memorandum
- Project Specific Preliminary Information Memorandum
- Draft Licence

<https://www.ofgem.gov.uk/electricity/transmission-networks/offshore-transmission>

Tender Round 5 - Next Steps

Some tender documentation is restricted until bidder confidentiality agreements are in place. Bidders access these documents through Ofgem's online e-tendering portal.

These include:

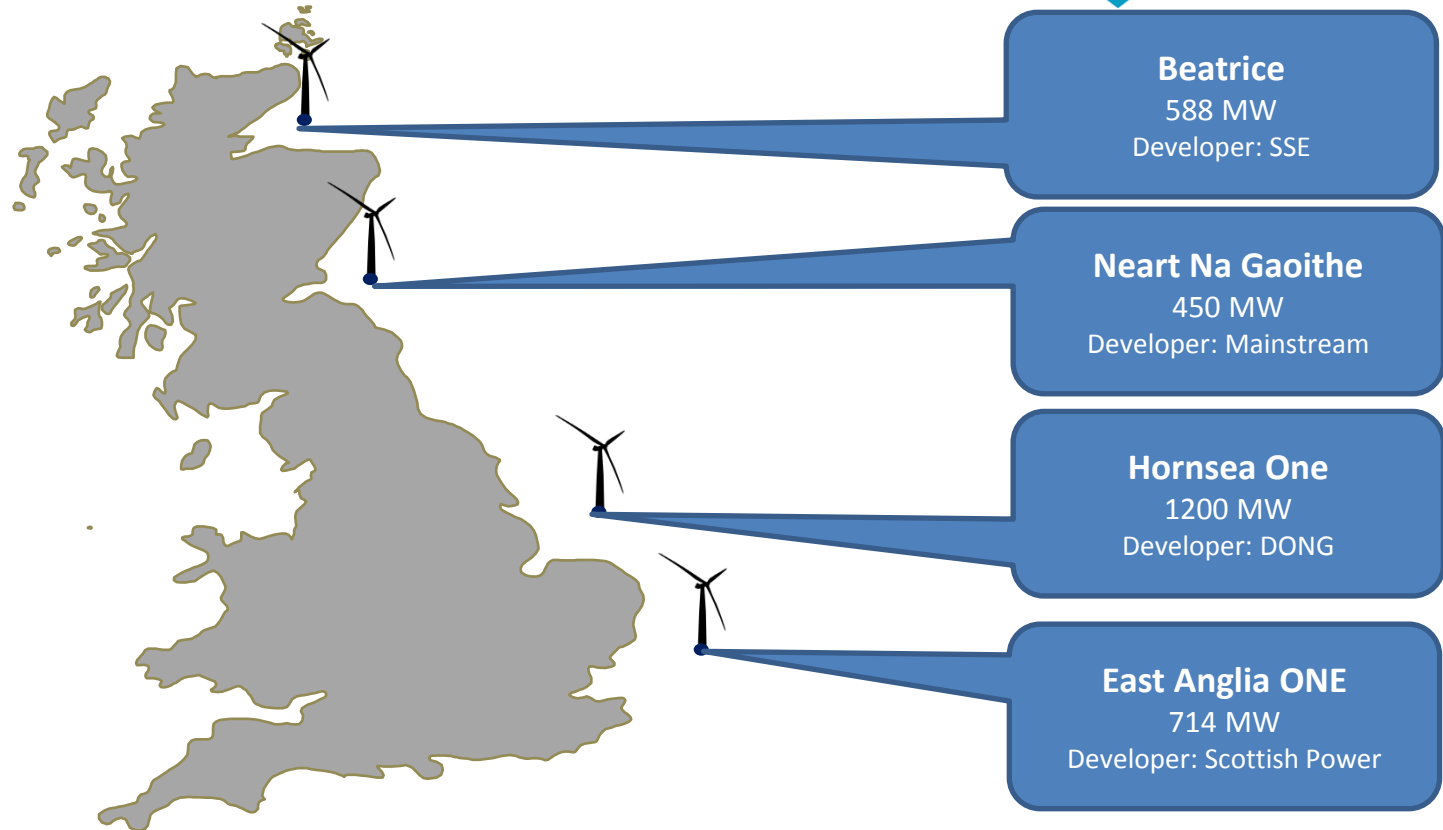
- Draft Transfer Agreement and the Information Memorandum (IM)

How to register your interest and access the tender documents:

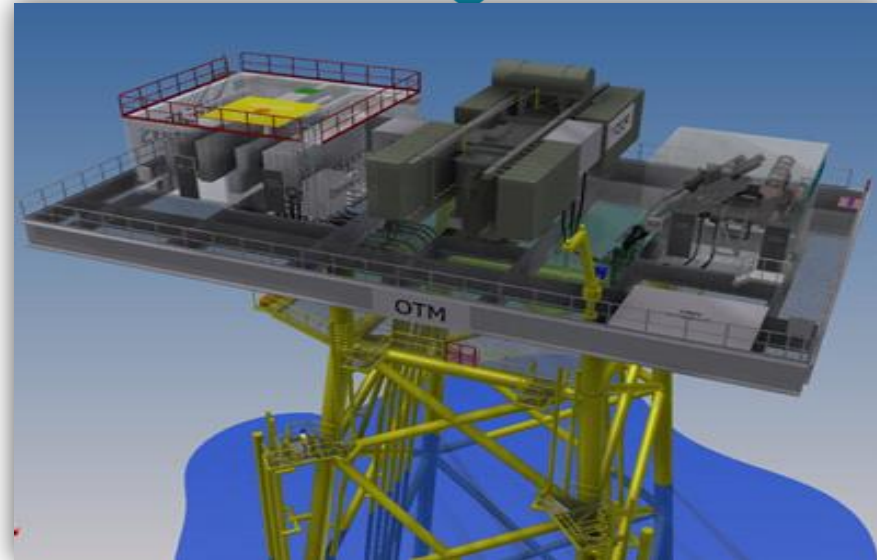
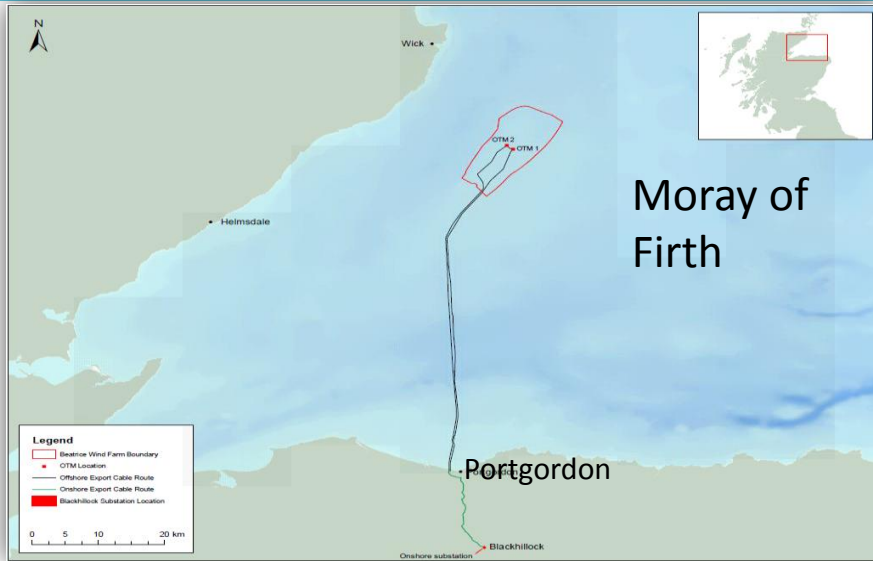
- Go to Ofgem's online e-tendering portal at: <https://ofgem.bravosolution.co.uk>
- Set-up an account, register your interest in TR5 and access the documents.
- Any questions or comments can be directed to: tendercoordinator@ofgem.gov.uk

Note: Bidders who are successful at the EPQ stage will receive an invitation to access the data room for a particular project. The confidentiality agreement signed at EPQ will cover this access.

Future OFTO opportunities



Beatrice Offshore Wind Farm



Key Project Facts

Capacity	588MW
Turbines	Siemens 7MW
JV structure	SSE40 : SDIC25 : CIP35
Financial Close	May 2016
Site Area	131.5km ²
First Power	Q3 2018 (Commercial Ops Q2 2019)

Transmission System Overview

Procurement	Single OFTO EPIC Package
Offshore Substations	Two 33/220kV Transformer Modules
Export Cables	Two 90km 220kV AC Circuits
Redundancy	1.5km 220kV AC Interconnector
Onshore Assets	220/400kV Substation
Grid Connection	400kV at SHE-T Blackhillock

Any Questions?

Ofgem is the Office of Gas and Electricity Markets.

Our priority is to protect and to make a positive difference for all energy consumers. We work to promote value for money, security of supply and sustainability for present and future generations. We do this through the supervision and development of markets, regulation and the delivery of government schemes.

We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.