

OFTO Tender Round 7 (TR7) Launch Event



Welcome

Akshay Kaul

Director, Networks
Ofgem

Subject/presenters	Time
<p>Welcome & Overview of the OFTO Regime</p> <ul style="list-style-type: none"> Akshay Kaul - Director, Networks, Ofgem 	<p>09:00 – 09:10</p>
<p>Introduction to Tender Round 7 (TR7) & Consultation launch</p> <ul style="list-style-type: none"> Jourdan Edwards - Head of the OFTO Regime, Ofgem 	<p>09:10 – 09:25</p>
<p>A perspective on debt finance – Smith Square Partners Consortium, Financial Advisers to Ofgem</p> <ul style="list-style-type: none"> Kate Mingay, Adam MacDonald 	<p>09:20 – 09:30</p>
<p>Triton Knoll: project overview and key highlights</p> <ul style="list-style-type: none"> Julian Garnsey - Project Director Matthias Reiker - Finance Director Diane Mailer - OFTO Transaction Manager 	<p>09:30 – 09:45</p>
<p>Moray East: project overview and key highlights</p> <ul style="list-style-type: none"> Marcel Sunier - Project Director Enrique Alvarez - Head of Construction and General Manager Umer Ameen - OFTO Transaction Manager 	<p>09:45 – 10:00</p>
<p>Next Steps</p> <ul style="list-style-type: none"> Jourdan Edwards - Head of the OFTO Regime, Ofgem 	<p>10:00 – 10:05</p>
<p>Questions & Answers</p> <ul style="list-style-type: none"> All presenters 	<p>10:05 – 10:15</p>

Ofgem's objectives for the OFTO regime

1. Deliver transmission infrastructure to connect offshore generation:
 - On a timely basis;
 - Ensure that OFTOs are robust; and
 - Deliver transmission services successfully over the licence period
2. Provide certainty and best value to consumers through the competitive process; and
3. Attract new entrants to the transmission sector.

OFTO Achievements

6	Tender rounds Ofgem have initiated						
	<table border="1" style="width: 100%; text-align: center;"> <tr> <td>TR1 - 2009</td> <td>TR2 - 2010</td> <td>TR3 - 2014</td> <td>TR4 - 2016</td> <td>TR5 - 2016</td> <td>TR6 - 2019</td> </tr> </table>	TR1 - 2009	TR2 - 2010	TR3 - 2014	TR4 - 2016	TR5 - 2016	TR6 - 2019
TR1 - 2009	TR2 - 2010	TR3 - 2014	TR4 - 2016	TR5 - 2016	TR6 - 2019		
24	Total number of projects in the first 6 tender rounds						
20	Operational OFTOs in place						
9.4GW	Approximate number of gigawatts of electricity expected to be connected through all OFTOs in TR1 to TR6						
Over 99.9%	OFTO availability performance since the first licence grant						
£4.6bn	Investment to date (up to and including four of five TR5 projects)*						

* Rampion, the final TR5 project is yet to close. This is expected to take place in the coming months.

Offshore transmission coordination

- UK Government has stated an ambition for 40GW of offshore wind to be generated by 2030 and for the UK to reach net zero by 2050.
- Ofgem's Decarbonisation Action Plan
- BEIS' Offshore Transmission Network Review
 - ESO report on an integrated approach to offshore transmission
 - Ofgem/BEIS joint open letter on barriers to coordination
 - Mid-December industry update on the OTNR programme

Upcoming tender rounds and offshore coordination

- The complexity and scale of coordination of offshore transmission will take time to implement.
- Meanwhile, the current OFTO Regime will continue to apply and we will evolve the tender process to ensure strong ongoing competition and value for money to consumers.

Tender Round 7 (TR7)

Jourdan Edwards

Head of the OFTO Regime
Ofgem

TR7 Projects



Moray East

- 22km off the Caithness coast
- 900MW
- ITT – Est. start July 2021

MORAY EAST
OFFSHORE WINDFARM

Triton Knoll

- 33km off the Lincolnshire coast
- 857MW
- ITT – Est. start April 2021

 **TRITON KNOLL**

TR7 Tender process

- TR7 tender process to building on the success of TR6 changes.
- Key changes introduced for TR6:

1. Revenue term increased to 25 years	2. Bid evaluation mechanism updated for ITT <i>(threshold on quality, then focus on price)</i>	3. Process improvements <i>(data provision)</i>
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- Strength of bids returned for TR6 and value for money to consumers.
- Continued stability, robustness and market confidence in the OFTO Regime.

Enhanced Pre-Qualification (EPQ) Stage

- EPQ Questionnaire structured in the following sections:

Part	Section	Section area
Part 1 <i>Suitability</i>	Section 1	Identification Information
	Section 2A	Grounds for mandatory exclusion
	Section 2B	Grounds for discretionary exclusion
Part 2 <i>Economic and Financial Standing</i>	Section 3	Economic and Financial Standing
Part 3 <i>Technical and Professional Ability</i>	Section 4	Experience of Asset Takeover, Management and Operations
Part 4 <i>Limitation Criteria</i>	Section 5	Approach to Asset Takeover
	Section 6	Approach to Management and Operations
	Section 7	Funding Solution
	Section 8	Financial and Commercial Risk Management
Part 5 <i>Other</i>	Section 9	Draft Transfer Agreement(s) Comments
	Section 10	EPQ Certificate
	Section 11	Confidentiality

Evaluation:

1. 'Pass' required in Parts 1, 2 and 3, before Part 4 will be evaluated.
 2. Part 4 is scored (minimum of B- required to pass).
 3. Part 5: Sections 9 and 11 voluntary, Section 10 requires satisfactory completion.
- Up to 8 bidders to go through to the Invitation to Tender (ITT) stage.
 - The Bravo e-tendering portal will support this EPQ process.

Invitation to Tender (ITT) Stage

- Staggered ITT stages for the TR7 projects.
- Bidders provided with access to a new data room system (Ansarada).
- TR7 Developers will provide bidders with a 'signposting report', which will provide an overview of all important documents in the project data room.

The ITT Questionnaire structured in the following sections:

Section No.	Section Category
1	ITT Certificate and Compliance Certificate
2	Confidentiality
3	Confirmation of EPQ Submission
4	Asset Takeover
5	Ongoing Operations and Statutory and Regulatory Compliance
6	Decommissioning
7	Financial Deliverability
8	Insurance
9	Tender Revenue Stream (TRS)

Evaluation:

1. Bids reviewed for completeness and compliance
2. Re-evaluation of EPQ submissions.
3. Sections 4 to 8 evaluated next, each requiring a 'pass' for Section 9 to be evaluated.
4. Section 9 will rank each base case TRS bid (in NPV terms), with lowest TRS winning and bidder declared as Preferred Bidder.

OFTO Consultation and interaction with TR7

- Consultation on the OFTO tender process published yesterday
- Purpose of consultation
- Three main areas in the consultation potentially relevant to TR7:

1. Changes to facilitate a shorter OFTO tender process

2. Insurance requirements for bids

3. Reference rates (LIBOR to SONIA) and indexation (RPI to CPI)

- Timing for consultation process

OFTO Consultation – issues beyond TR7

- Other areas considered in the consultation include:

1. Changes to the evaluation approach

2. Potential for debt funding competition

3. Role of reserve bidder

- Wider regime development:

End of TRS policy

Coordinated networks

- Responding to the consultation:

Link to consultation:

<https://authors.ofgem.gov.uk/publications-and-updates/offshore-transmission-owner-ofto-regime-tender-process-consultation-concerning-developments-current-tender-process>

Response deadline:

8 January 2021

TR7 tender process: anticipated key timings

EPQ

Milestone	Date
EPQ commences (tender documents available)	30 November 2020
Bid submission deadline	5 February 2021
ITT shortlists announced	w/c 19 April 2021

Triton Knoll ITT

Milestone	Date
ITT stage commences (tender documents available/data room opens)*	Mid/Late April 2021
Bid submission deadline	Early July 2021
Announcement of preferred bidder	Early October 2021
Estimated Transfer Date/Licence Grant**	Early April 2022

Moray East ITT

Milestone	Date
ITT stage commences (tender documents available/data room opens)*	July 2021
Bid submission deadline	October 2021
Announcement of preferred bidder	January 2022
Estimated Transfer Date/Licence Grant**	July 2022

* Where feasible, the project data room will open to bidders earlier

** Based on a default period of 6 months for the transaction period to complete

A perspective on debt finance

Kate Mingay

Senior Adviser, Smith Square Partners

Adam MacDonald

Managing Director, Centrus

Triton Knoll: project overview

Julian Garnsey – Project Director

Matthias Reiker – Finance Director

Diane Mailer – OFTO Transaction Manager

Moray East: Project overview

Marcel Sunier – Project Director

Enrique Alvarez - Head of Construction
and General Manager

Umer Ameen – OFTO Transaction Manager

Next Steps

Jourdan Edwards

Head of the OFTO Regime
Ofgem

Next Steps for TR7

EPQ will commence for Triton Knoll and Moray East on 30th November 2020.

Tender documentation available on the Ofgem website will include:

- EPQ Document
- Generic Preliminary Information Memorandum
- Draft Licence

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

Some tender documents (draft Transfer Agreements and Information Memoranda) can only be accessed after signing confidentiality agreements and conflict of interest certificates, available through Ofgem's online e-tendering portal (from 30th November).

To register your interest and access the tender documents:

- Go to Ofgem's online e-tendering portal at: <https://ofgem.bravosolution.co.uk/web>
- Create an account, register your interest in TR7 and access the documents.
- Any questions or comments can be directed to: tendercoordinator@ofgem.gov.uk

Requests for bilateral conversations

If you have further questions please contact the following:

Ofgem

tendercoordinator@ofgem.gov.uk

Ofgem's financial adviser for TR7:

Smith Square Partners
in consortium with
Centrus and
CEPA

kate.mingay@smithsquarepartners.com

and

adam.macdonald@centrusadvisors.com

Questions & Answers

Ofgem is the Office of Gas and Electricity Markets. We are a non-ministerial government department and an independent National Regulatory Authority, recognised by EU Directives. Our role is to protect consumers now and in the future by working to deliver a greener, fairer energy system.

We do this by:

- **working with Government, industry and consumer groups to deliver a net zero economy at the lowest cost to consumers.**
- **stamping out sharp and bad practice, ensuring fair treatment for all consumers, especially the vulnerable.**
- **enabling competition and innovation, which drives down prices and results in new products and services for consumers.**