

'Beyond Round One'
The view of the British Wind Energy Association

The key objective is to continue to grow a nascent industry which can contribute to the UK economy by providing jobs, paying rent and taxes, offering commercially attractive investment opportunities and contributing significantly to environmental targets set by government. This should provide UK marine construction industry with confidence to rapidly develop and invest in new offshore plant in the knowledge there will evolve a well mapped out long term market

Success Criteria

- Maximum deployment as rapidly as technically and commercially possible
- Not bar new entry
- Allow competition
- Not inhibit economies of scale
- Prevent speculative 'squatting'

Proposal

To provide a process where the competitive market drives companies to select and evaluate sites and prepare development proposals that are economically viable, environmentally sensitive, bankable and have a reasonable probability of achieving statutory planning consent
The proposal consists of three legs to be introduced concurrently:

- 1) Round One additions – An additional offering on the same basis as Round One to new entrants
- 2) Further development proposals – New unrestricted capacity sites

Process

The two legs should be announced concurrently

General Requirements

Applicants need to be companies or legal entities (consortia).

All applicants need to be pre-qualified once by the Crown Estates (but can be subsequently de-qualified).

Any company can have interests in more than one application or existing projects.

Applications will be considered for UK Territorial Waters and UK Continental Shelf (requiring additional Statutory Consent legislation)

- 1) Round One additions

Under the same terms and conditions as specified in the Round One procedure and subsequently negotiated documents, applicants should be invited to submit proposed sites. The deadline for the application should be two months after the announcement date.

Such sites submitted will be reviewed and agreed under the same mechanism as Round One. The announcement date of Round One additions should be 31st July 2004 as the date when in existing Round One projects should have received Statutory Planning consent.

2) Further Development proposals

After 1 Jan 2002 there should be a standing opportunity for qualified developers to submit development proposals to the Crown Estate.

These should not be limited in size or capacity by the Crown Estate. The statutory planning process will determine which proposals will receive statutory consent and which will not. Any application to be considered by the Crown Estates should consist in addition to site details of:

- Commercial and environmental feasibility study incorporating aspects to be considered in an Environmental Impact Assessment, supported by
- Physical wind data from marine source on or near the site and
- A NGC or Distribution Network Operator connection feasibility study, plus
- An option or title for onshore works

Upon receipt of an application for a site with the accompanying documents then the Crown Estate will consider and consult for a period of three months without public notification. If, during the three-month period an alternative proposal is made which interferes with a previous proposal then the Crown Estates may ask the developers to agree a compromise. If no compromise can be reached then the Crown Estate should offer an Agreement for Lease to the proposal with the largest proposed DNC and commercial viability thereby offering the potentially highest return. If no conflicting proposal is received in the three-month period then the Crown Estate should offer a two year Agreement for Lease.

The applicant should pay a deposit of £10,000/km² for ≤50km² thereafter £5,000/km² for >50km² (minimum £300,000).

The Agreement to Lease should allow the applicant to evaluate site, prepare ES and submit for statutory consent.

If statutory consent is submitted then applicant can apply for an extension.

Extensions to 'Agreement to Lease' shall have a rent payable of £X/MW (minimum £YY) per day.

Upon receipt of statutory consent applicant can apply for a lease, which shall be granted on agreed terms.

The applicant can terminate 'Agreement to Lease' at any time and have deposit returned without interest.

In the event that an applicant does not apply for statutory consent in two years, then the 'Agreement for Lease' shall be terminated and deposit returned to applicant without interest.

Notes

Why two legs?

- There is an appetite for different types of development from different companies. To maximise the contribution offshore wind can make to government targets then as much development as possible should be encouraged. It should be acknowledged that there will be a natural attrition rate for development proposals.

Why do existing developers not have rights to object to neighbouring proposals?

- Developers have agreed Agreement for Lease and Lease terms from the Crown Estates that has provision for an exclusion zone. The Crown will not accept further sterilisation of potential development area.

Why wait until 1 July 2004 for Round One additions

- Existing developers will have agreed an exclusion zone around their proposed sites. It will not be acceptable to have a further areas sterilised around the site. However the award of a further adjacent site could negatively affect the outcome of a statutory planning consent application. After this date any further development proposal will be considered on its own merits without any potential linkage.

Why limit Round One additions to 30 turbines?

- This is the same size as offered in Round One and is intended to provide an opportunity to companies that missed out in Round One. If companies have larger aspirations they can use the mechanism under Further Development Proposals

Should there not be a cap on development size for Further Development Proposals?

- The technical and environmental limitations should determine the size of such developments to maximise the efficient use of available resource.

Why should the application for a Further Development proposal have the four report requirements?

- This is intended to demonstrate that a proposal has been thoroughly investigated and has a reasonable chance of success. Without this there is the possibility that applications will be by companies attempting to obtain positions rather than pursue active development.

Why is the Agreement for Lease for two years with extension options?

- The limitation on time is to encourage companies to develop as soon as possible. The extension option is a recognition that the Statutory Consents process is not wholly under the developers control. The payment of rent for the extension is designed to make developers only take up this option if they believe they still have a reasonable chance of successfully obtaining Statutory Consent

Why is there a three month delay in awarding an Agreement for Lease?

- This is to allow the Crown Estates to consider the proposal and see if any alternatives are proposed that may offer a better return on the available asset

Why are details of the proposed site not released publicly and a competition held?

- Releasing the site details would encourage speculative bids. Holding a competition for the site would be a disincentive to a serious developer to invest the money in a carefully thought out proposal. Less considered proposals have less chance of commercial success and will mean ultimately less revenue for the landlord.

Should there not be a strategic approach to selecting offshore development sites?

- Undertaking a government-sponsored review of UK waters would take a considerable time and this will reduce the chance of achieving government targets. The conclusion would also inevitably be subject to many static assumptions. Different developers with different approaches to technology and innovative thinking are more likely to provide a greater number of more efficient solutions. The market should be used to deploy the necessary resources in the most efficient manner.

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