

Thank you for joining
- the webinar will
commence shortly.

Market update: July 2023



Floating Offshore Wind in the Celtic Sea Leasing Programme

Market update: July 2023

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THE CROWN
ESTATE

Introduction - July 2023



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Managing Director, Marine

The Crown Estate

DESNZ update - July 2023



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Offshore Wind Programme Director

**Department for Energy Security
and Net Zero**

Market update - July 2023



Tim Stiven

Sector Lead, Floating Wind

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Our purpose today

- Share our minded-to position on four Project Development Areas (PDA)
- Provide an update on the evolution of our tender design
 - Pre-Qualification Questionnaire (PQQ) requirements
 - Invitation to Tender 1 (ITT1) requirements
 - Key principles of the bidding process design at ITT2
- Provide an update on Grid and surveys
- Take your questions



Disclaimer

- The content of and positions outlined in these slides and our presentation today reflect our current thinking and are provided for information only
- The Crown Estate makes no representations in respect of and accepts no duty, liability or responsibility for the content of them
- Our thinking and the content of and the positions outlined in these slides and our presentation today may change in light of further feedback from you and stakeholders and as our thoughts and positions continue to mature
- Our Minded-to spatial design remains subject to the outcome of our plan level Habitats Regulation Assessment
- The information contained within this presentation relates to the potential leasing of new floating offshore wind projects in the Celtic Sea only

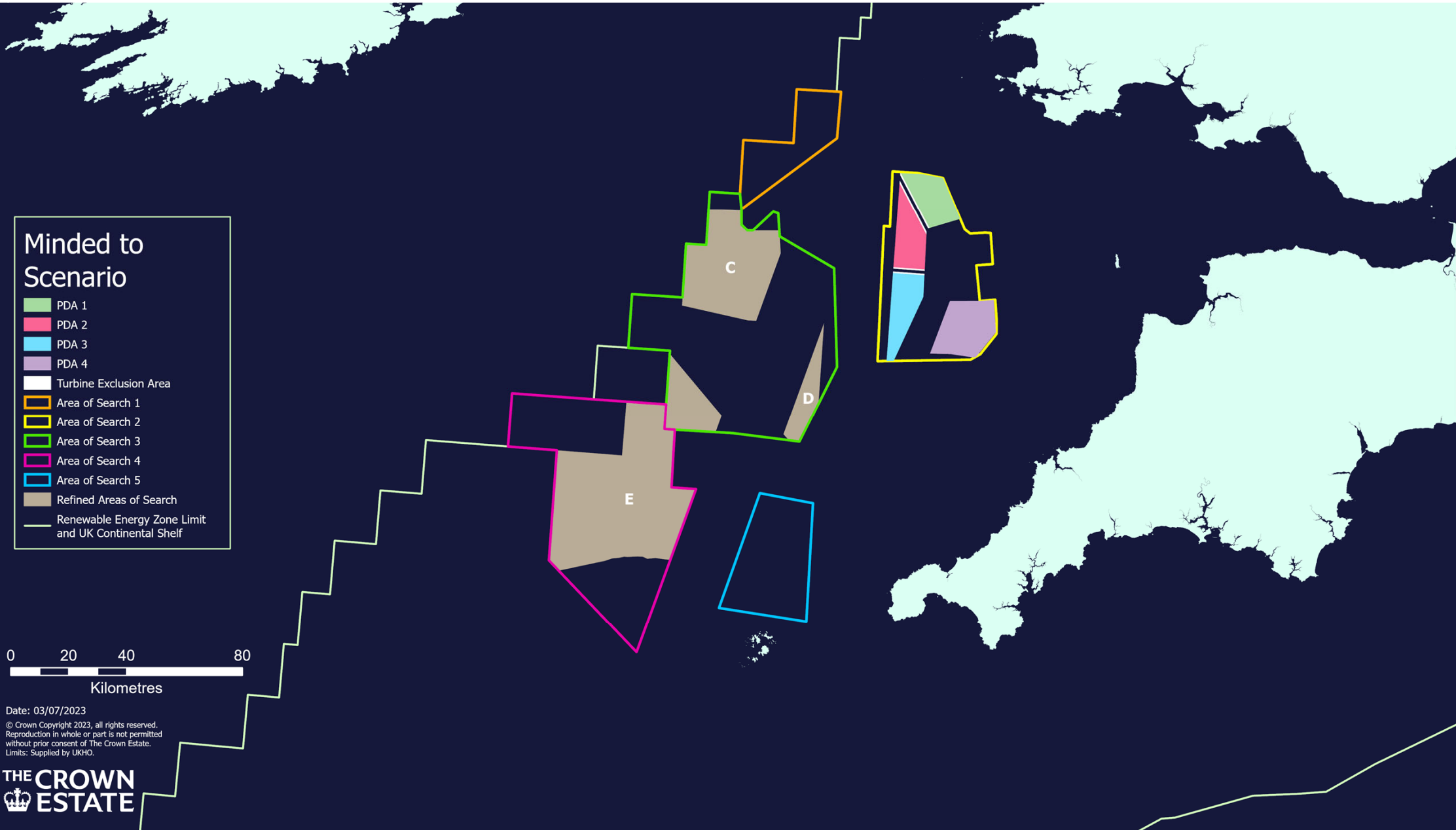
The Celtic Sea opportunity

Minded to Scenario

- PDA 1
- PDA 2
- PDA 3
- PDA 4
- Turbine Exclusion Area
- Area of Search 1
- Area of Search 2
- Area of Search 3
- Area of Search 4
- Area of Search 5
- Refined Areas of Search
- Renewable Energy Zone Limit and UK Continental Shelf



Date: 03/07/2023
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Minded to Scenario

- PDA 1
- PDA 2
- PDA 3
- PDA 4
- Turbine Exclusion Area
- Renewable Energy Zone Limit and UK Continental Shelf
- UKHO Territorial Waters Limits

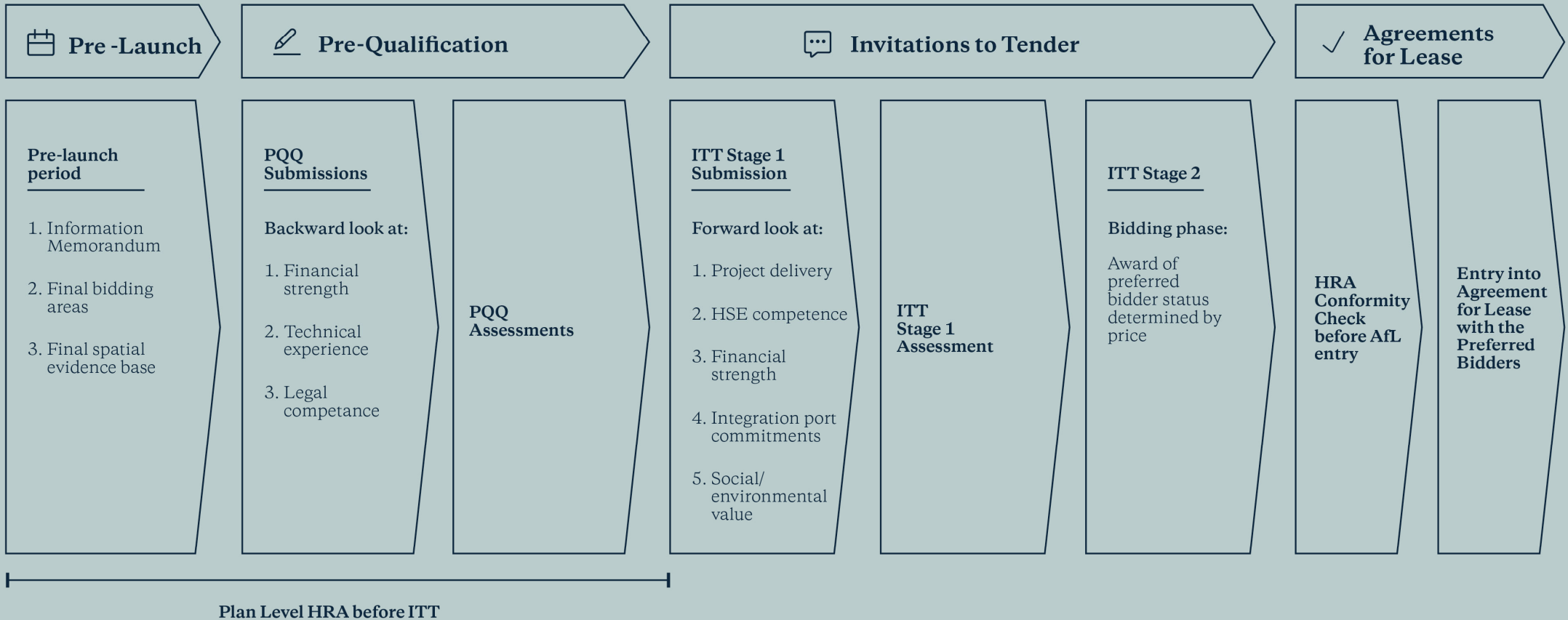
- PDA Buffer Zones
 - 1 km
- Turbine Exclusion Zone
 - 500m inside PDA boundary
- Anchors 1km apart and turbine centres 2km apart
- * Estimated GW Capacity



Leasing process



Leasing process



Pre-qualification questionnaire

- Establishes bidder eligibility for ITT1
- Pass-fail assessment, three criteria
 - Technical
 - Financial
 - Legal
- No cap on the number of bidders that proceed to ITT1



Pre-qualification criteria – bid structures

Bidder types	Bidders may bid as a single legal entity ('Sole Bidder') or as part of a broader consortium of legal entities.
Counterparty status	Consortium members expected to be shareholders in an incorporated joint venture.
Consortia membership	Membership of multiple consortia is not permitted.
Consortia changes	Limited changes to consortia may be permitted during tender process.

PQQ requirements – technical

- Prior floating wind experience is not necessary
- Transferable experience in offshore construction and offshore development project management is required
- Experience will be assessed across consortium
- Experience must be attributable to the company, not individuals
- Experience should be from last 10 years

Technical experience covers five areas:

HSE compliance

HSE regulatory action

Offshore development project management

Offshore construction experience

Major infrastructure project experience

PQQ requirements – financial

- Bid as a Sole Bidder or as a Consortium.
- Consortia assessed in aggregate – each member assessed in proportion to their percentage shareholding
- Any bidding entity can rely on a Guarantor to meet financial criteria
- a Guarantor must be a material shareholder of the bidding entity
- Financial checks based on the last three sets of audited financial accounts
- To achieve an overall pass, bidders must pass the Revenue Ratio, Net Assets Balance and a minimum of one other test

Five financial criteria to be assessed:

1. FTP.1 - Revenue Ratio:

$$\frac{\text{Annual Revenue}}{\text{Annual Development Costs of £30m}} \geq 10$$

2. FTP.2 - Operating Profit Margin:

$$\frac{\text{Operating Profit}}{\text{Revenue}} \geq 5\%$$

3. FTP.3 - Interest Cover Ratio:

$$\frac{\text{Operating Profit}}{\text{Net Interest Paid}} \geq 5$$

4. FTP.4 - Current Ratio:

$$\frac{\text{Current Assets}}{\text{Current Liabilities}} \geq 1$$

5. FTP.5 - Net Assets Balance:

$$\text{Total Assets} - \text{Total Liabilities} \geq \text{£300m}$$

PQQ requirements - legal

- Bidders will be assessed against mandatory and discretionary exclusion criteria
 - Anti-bribery and anti-fraud
 - Tax compliance
 - Money laundering
 - Other grave professional misconduct
- Bidders will have the opportunity to provide comments or feedback on key terms of the main legal agreements



Invitation to Tender Stage 1



ITT1 - overview (technical)

- Evaluated on a pass/fail basis.
- All bidders who successfully pass ITT1 will progress to ITT2.
- Bidders will need to
 - Set out systems and processes to develop project safely
 - Confirm PDA design is within limits of Technical Design Envelope
 - Set out a consenting and stakeholder engagement plan
 - Demonstrate awareness of key technical risks and proposed mitigations
 - Provide a development schedule



ITT1 - Integration ports

Ports component

- No Supply Chain Investment Plan required
- Based on your feedback and FLOW Industrialisation Task Force findings
- New question focused on integration ports only
- Integration at GW scale and pace
- Proximity to project sites important
- Regional ports have potential but are not currently fit for purpose
- Early commitment to support timely delivery of infrastructure

ITT1 Bidders must evidence:

Which port(s) infrastructure they plan to utilise

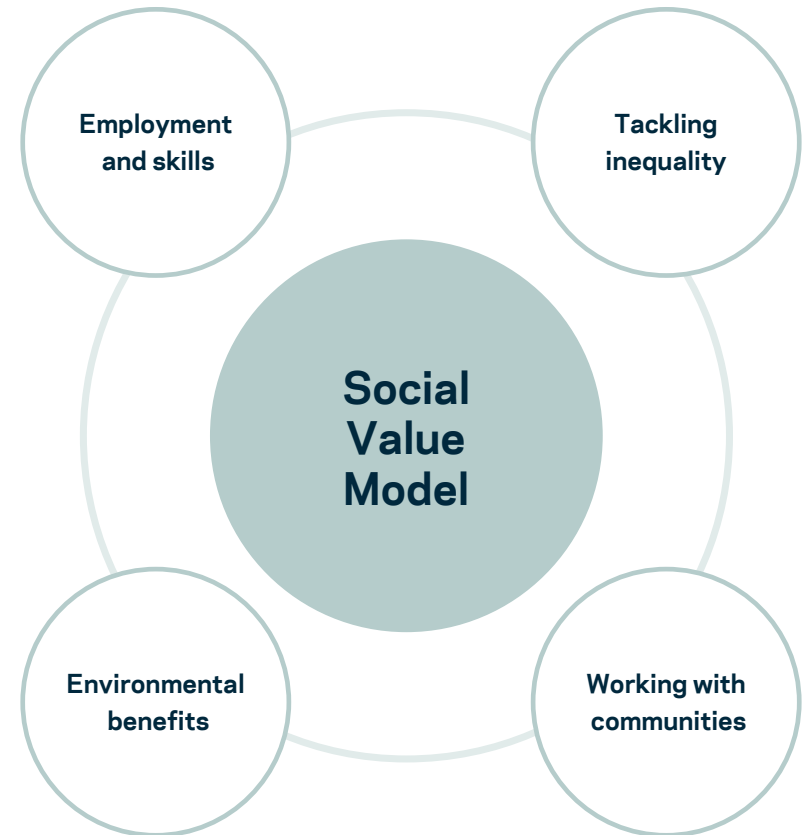
A time-based plan to ensure timely access to preferred port(s)

Evidence of timely and appropriate action taken to secure access and capacity

ITT1 - Social value

Social value question set

- New social value question set introduced - a first for our leasing rounds
- Based on the UK Government's Social Value Model
- Evaluated on a pass/fail basis
- Commitments for successful bidders monitored to ensure ambition realised
- Further information provided around time of IM



ITT1 - overview (financial)

- Establish bidders' (or guarantor's) available level of cash
- Give confidence they can deliver on their commitments if successful in the bidding process
- Based on the most recent audited financial accounts
- Consortia will be assessed in aggregate

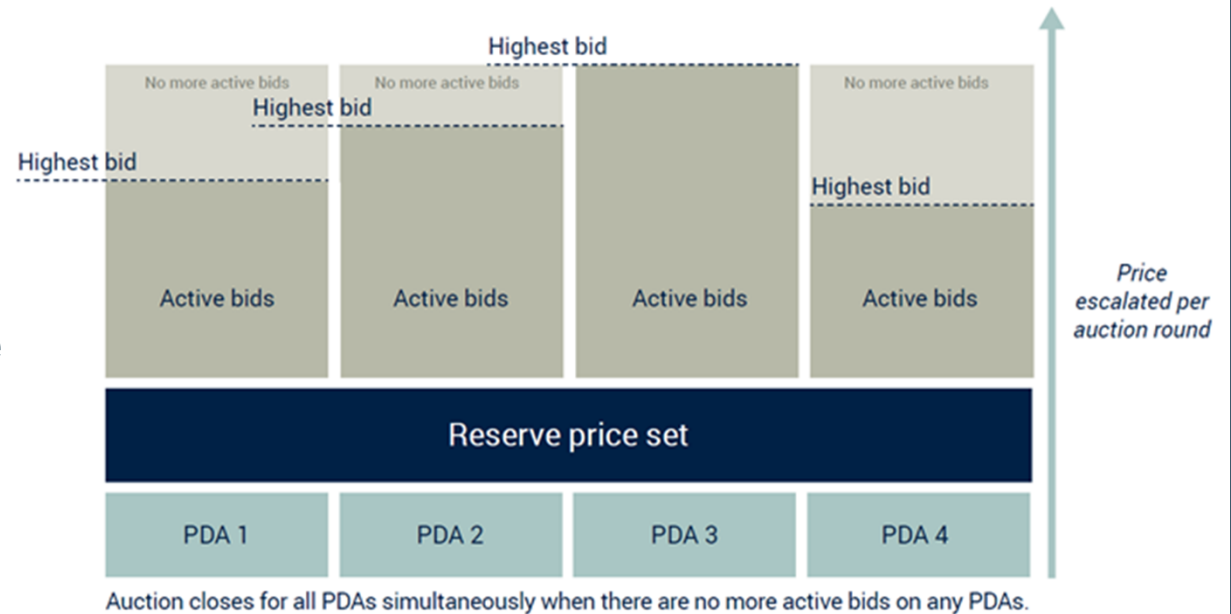


Invitation to Tender Stage 2



ITT2 - Bidding process design

- Ascending clock auction for all PDAs
- Reserve price set by TCE
- Levels of demand for PDAs and price increases revealed to all bidders
- Bid on a maximum of two PDAs in any one round
- Bidders who pass PQQ and ITT1 may place bids on any PDA
- Bids cannot exceed the Bidder's available level of cash as determined in ITT1
- Minimum of three winning bidders, one of which may win 2 PDAs



Grid Update Next Steps & Summary



Grid update

Collaborating closely with ESO and other stakeholders to de-risking grid connection



Status of the Holistic Network Design

- Pending final PDA selection
- Celtic Sea recommendations phased separately in HND FUE scope



Regulatory models for Offshore Network Design

- Regulatory models identified by Ofgem



Lease arrangements for Offshore Transmission

Next steps



PDA engagement

- How attractive is the offer?
- New risks in light of PDA design?
- Respond by 28 July



HRA

- Additional work



Forward Timings

- Confirmed after market engagement

Survey Update

- Good progress toward contract award for the birds and marine mammals surveys
- Engaging SNCBs now that minded-to PDA locations are confirmed
- Share final technical specifications once reviews are complete.
- Fugro mobilising for the geophysical surveys
- Partrac are preparing metocean deployments for later this year
- Geotechnical in planning for the spring of 2024



Summary

Our minded-to positions

- 4 PDAs in very favourable seabed
- PQQ assessment criteria and thresholds
- New requirements on integration ports within tender design for ITT1
- Social value at the heart of ITT1
- Ascending clock auction implemented at ITT2
- Considering how we could share development risk
- Forward timings confirmed after your feedback



Q&A Session



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